

TREE HOLDINGS LIMITED

齊家控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 8395



 中國泛海企業融資
OCEANWIDE CAPITAL
Sole Sponsor

 中國泛海證券有限公司
OCEANWIDE SECURITIES COMPANY LIMITED

 元大證券(香港)有限公司
Yuanta Securities (Hong Kong) Co., Ltd.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Share Offer

 國金證券(香港)有限公司
SINOLINK SECURITIES (HK) CO. LTD.

Joint Bookrunner and Joint Lead Manager

IMPORTANT

If you are in any doubt about any of the contents in this prospectus, you should obtain independent professional advice.



TREE HOLDINGS LIMITED 齊家控股有限公司

(Incorporated in the Cayman Islands with limited liability)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

Number of Offer Shares	: 396,000,000 Shares
Number of Public Offer Shares	: 39,600,000 Shares (including 3,960,000 Employee Reserved Shares) (subject to reallocation)
Number of Placing Shares	: 356,400,000 Shares (subject to reallocation)
Offer Price	: Not more than HK\$0.17 per Offer Share and expected to be not less than HK\$0.13 per Offer Share, plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application subject to refund)
Nominal value	: HK\$0.01 per Share
Stock code	: 8395

Sole Sponsor



中國泛海企業融資
OCEANWIDE CAPITAL

Joint Global Coordinators



中國泛海證券有限公司
OCEANWIDE SECURITIES COMPANY LIMITED



元大證券(香港)有限公司
Yuanta Securities (Hong Kong) Co., Ltd.

Joint Bookrunners and Joint Lead Managers



中國泛海證券有限公司
OCEANWIDE SECURITIES COMPANY LIMITED



元大證券(香港)有限公司
Yuanta Securities (Hong Kong) Co., Ltd.



國金證券(香港)有限公司
SINOLINK SECURITIES (HK) CO. LTD.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents in this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents in this prospectus.

A copy in this prospectus, having attached thereto the documents specified in the section headed "Appendix V – Documents delivered to the Registrar of Companies in Hong Kong and available for inspection" in this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents in this prospectus or any of the other documents referred to above.

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or about Thursday, 18 January 2018 or such later date as the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company may agree. The Offer Price is currently expected to be not more than HK\$0.17 per Offer Share and not less than HK\$0.13 per Offer Share. If, for any reason, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by 5:00 p.m. on the Price Determination Date, the Share Offer will not become unconditional and will lapse.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, with our consent, extend or reduce the indicative Offer Price range and/or the number of Offer Shares stated in this prospectus at any time prior to the Price Determination Date. In such a case, a notice of the extension or reduction of the indicative Offer Price range and/or the number of Offer Shares will be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.treeholdings.com.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered, sold, pledged or transferred, except pursuant to the exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable US state securities laws. The Offer Shares are being offered and sold only outside the United States in offshore transactions in reliance on Regulations S.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus and the related Application Forms, including but not limited to the risk factors set out in the section headed "Risk factors" in this prospectus.

Prospective investors of the Offer Shares should note that the obligations of the Underwriters under the Underwriting Agreements are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) upon the occurrence of any of the events set out under the section headed "Underwriting – Underwriting arrangements and expenses – Grounds for termination" in this prospectus, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Joint Global Coordinators (for themselves and on behalf of the Underwriters) terminate the Public Offer Underwriting Agreement, the Share Offer will not become unconditional and will lapse. Further details of these termination provisions are set out in the section headed "Underwriting" in this prospectus.

12 January 2018

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is by publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazette newspaper. Accordingly, prospective investors should note that they need to have access to the Stock Exchange's website at www.hkexnews.hk in order to obtain up-to-date information on listed issuers.

EXPECTED TIMETABLE

If there is any change in the following expected timetable of the Share Offer, we will issue an announcement in Hong Kong to be posted on the website of our Company at www.treeholdings.com and the website of the Stock Exchange at www.hkexnews.hk.

2018

(Note 1)

Public Offer commences and Application Forms available from . . . Friday, 12 January 2018

Latest time for lodging PINK Application Forms
at our Company's office at 28/F, Horizon Plaza,
2 Lee Wing Street, Ap Lei Chau, Hong Kong 12:00 noon on Tuesday,
16 January 2018

Latest time for completing electronic applications under
HK eIPO White Form services through the designated
website at www.hkeipo.hk (Notes 2, 4) 11:30 a.m. on Wednesday,
17 January 2018

Application lists of the Public Offer open (Note 2) 11:45 a.m. on Wednesday,
17 January 2018

Latest time for lodging **WHITE** and **YELLOW**
Application Forms and giving **electronic application**
instructions to HKSCC (Note 3) 12:00 noon on Wednesday,
17 January 2018

Latest time for completing payment of **HK eIPO White Form**
applications by effecting internet banking transfer(s)
or PPS payment transfer(s) (Notes 2, 4) 12:00 noon on Wednesday,
17 January 2018

Application lists of the Public Offer close (Note 2) 12:00 noon on Wednesday,
17 January 2018

Expected Price Determination Date (Note 5) on or around Thursday,
18 January 2018

Announcement of the final Offer Price, the level of indication of
interest in the Placing, the level of applications
in the Public Offer and the Employee Preferential Offering, the basis of allocations of the
Public Offer Shares and the Employee Reserved Shares to be published on the website of
our Company at www.treeholdings.com and on the website of
the Stock Exchange at www.hkexnews.hk on or before Wednesday,
24 January 2018

EXPECTED TIMETABLE

Announcement of results of allocations in the Public Offer and the Employee Preferential Offering (with successful applicants' identification document numbers, where applicable) to be available through a variety of channels (please see the section headed "How to apply for Public Offer Shares and Employee Reserved Shares – 11. Publication of results" in this prospectus)Wednesday, 24 January 2018

Results of allocations in the Public Offer and the Employee Preferential Offering will be available at **www.tricor.com.hk/ipo/result** with a "search by ID Number/Business Registration Number" function fromWednesday, 24 January 2018

Despatch/Collection of Share certificates or deposit of the Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer and the Employee Preferential Offering on or before (*Notes 6*) . .Wednesday, 24 January 2018

Despatch/Collection of refund cheques or **HK eIPO White Form e-Auto Refund** payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Public Offer and the Employee Preferential Offering on or before (*Note 6*)Wednesday, 24 January 2018

Dealings in our Shares on GEM to commence at 9:00 a.m. onThursday, 25 January 2018

Notes:

1. Unless otherwise stated, all times and dates refer to Hong Kong local times and dates. Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and conditions of the Share Offer" in this prospectus.
2. If there is a "black" rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 17 January 2018, the application lists will not open or close on that day. Further information is set out in the section headed "How to apply for Public Offer Shares and Employee Reserved Shares – 10. Effect of bad weather on the opening of the application lists" in this prospectus.
3. Applicants who apply for the Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed "How to apply for Public Offer Shares and Employee Reserved Shares – 6. Applying by giving electronic application instructions to HKSCC via CCASS" in this prospectus.
4. You will not be permitted to submit your application through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

EXPECTED TIMETABLE

5. The Price Determination Date is expected to be on or about Thursday, 18 January 2018 and in any event, not later than 5:00 p.m. on Thursday, 18 January 2018, or such later date as the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company may agree. If, for any reason, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the final Offer Price by 5:00 p.m. on the Price Determination Date, the Share Offer will not become unconditional and will lapse.
6. Refund cheques or e-Auto Refund payment instruction will be used in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.

Applicants who have applied on **WHITE** Application Forms or **HK eIPO White Form** for 1,000,000 or more Public Offer Shares and have provided all information required by their Application Forms may collect any refund cheques and/or Share certificates in person from our Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 24 January 2018. Applicants being individuals who are eligible for personal collection may not authorise any other person to collect on their behalf. Applicants being corporations which are eligible for personal collection must attend through their authorised representatives bearing letters of authorisation from their corporations stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce evidence of identity acceptable to our Hong Kong Branch Share Registrar at the time of collection.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Public Offer Shares may collect their refund cheques, if any, in person but may not collect their Share certificates as such Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied for Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed "How to apply for Public Offer Shares and Employee Reserved Shares – 14. Despatch/Collection of share certificates and refund monies" in this prospectus for details.

Applicants who have applied through the **HK eIPO White Form** service and paid their applications monies through single bank accounts may have refund monies (if any) despatched to the bank account in the form of e-Auto Refund payment instructions. Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions in the form of refund cheques by ordinary post at their own risk.

Applicants who have applied for less than 1,000,000 Public Offer Shares and any uncollected share certificates and/or refund cheques will be despatched by ordinary post, at the applicants' own risk, to the addresses specified in the relevant Application Forms.

Further information is set out in the sections headed "How to apply for Public Offer Shares and Employee Reserved Shares – 13. Refund of application monies" and "How to apply for Public Offer Shares and Employee Reserved Shares – 14. Despatch/Collection of shares certificates and refund monies" in this prospectus.

All Share certificates will only become valid certificates of title of the Shares to which they relate provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

For details of the structure of the Share Offer, including the conditions thereto, please refer to the section headed "Structure and conditions of the Share Offer" in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances.

You should rely only on the information contained in this prospectus to make your investment decision. Our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, advisers, officers, employees, agents, affiliates and/or representatives or any other persons or parties involved in the Share Offer. The contents of our Company's website at www.treeholdings.com do not form part of this prospectus.

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SUMMARY AND HIGHLIGHTS

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all of the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the entire prospectus before you decide to invest in the Offer Shares.

There are risks associated with any investment in the Offer Shares. Some of the particular risks associated with an investment in the Offer Shares are set out in the section headed “Risk factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this section are defined in the sections headed “Definitions” and “Glossary of technical terms” in this prospectus.

OUR BUSINESS MODEL

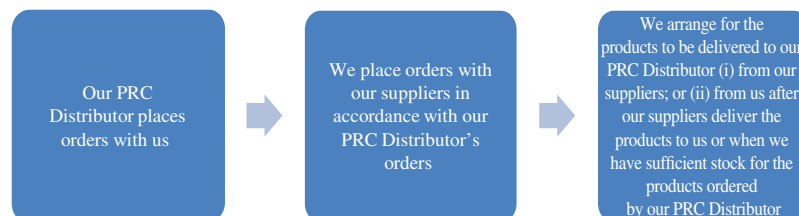
Headquartered in Hong Kong and operating under the brand name “TREE”, we engage in (i) the sale and distribution of furniture and home accessories; (ii) consignment sales (being products consigned from Independent Third Parties for sale in our Group’s retail stores); (iii) the distribution and licencing of our intellectual property rights; (iv) the provision of styling and consulting services; and (v) the operation of TREE Café in our Flagship Store. 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. According to the Euromonitor Report, we operate in the lifestyle furniture and home furnishing market in Hong Kong, which is a subset of, and accounts for approximately 11.3% of the overall furniture and home furnishing market in Hong Kong in terms of retail sales value in 2016. According to the Euromonitor Report, in 2016, we ranked second and had a market share of approximately 4.7% in terms of retail sales value in the lifestyle furniture and home furnishing market in Hong Kong.

We started providing styling and consulting services to our customers for the year ended 31 March 2015, in which we offer services such as styling and sourcing solutions in response to our customers’ specific requests. In addition, we began to license our trademarks and intellectual property rights to our PRC Distributor for the distribution of our products in Beijing, the PRC in 2015 and Hainan province, the PRC in 2017, in return for a fixed annual non-refundable distribution and license fee. We further licensed our trademarks and intellectual property rights to American Tree under the North American Licence Agreement in return for an annual licence fee of 1% of the fair value of the gross consideration received or receivable by American Tree.

Set out below is the flowchart of our Direct Sales:



The following flowchart illustrates the general process of our Distribution Sales:



SUMMARY AND HIGHLIGHTS

Below is a breakdown of our revenue by operating segments during the Track Record Period:

	2015		Year ended 31 March 2016		2017		Six months ended 30 September 2016		2017	
	Revenue HK\$'000	% of total revenue %	Revenue HK\$'000	% of total revenue %	Revenue HK\$'000	% of total revenue %	Revenue HK\$'000 (unaudited)	% of total revenue %	Revenue HK\$'000	% of total revenue %
Sale and distribution of products										
Sale of our products	59,359	91.0	75,089	91.7	70,373	91.0	34,848	90.6	37,580	92.7
Commission income from consignment sale	349	0.5	359	0.4	271	0.4	150	0.4	105	0.3
Subtotal	59,708	91.5	75,448	92.1	70,644	91.4	34,998	91.0	37,685	92.9
Distribution and licence fee income	-	-	1,800	2.2	2,720	3.5	1,200	3.1	1,880	4.6
Food and beverage income	4,766	7.3	4,629	5.7	3,852	5.0	2,265	5.9	750	1.8
Consulting income	778	1.2	-	-	100	0.1	-	-	245	0.6
Total	65,252	100.0	81,877	100.0	77,316	100.0	38,463	100.0	40,560	100.0

Our retail and distribution network

As at the Latest Practicable Date, our retail and distribution network included five stores, three of which we operate, namely our Flagship Store, our Sai Kung Store and our Sha Tin Store, and two of which are operated by our PRC Distributor in Beijing and Hainan province, the PRC. During the Track Record Period, over 70% of our total revenue was generated from our Flagship Store. We also operate TREE Café in our Flagship Store which offers a range of beverages and light refreshments.

The following table sets forth a breakdown of our sale of furniture and home accessories by the Direct Sales and the Distribution Sales during the Track Record Period:

	2015		Year ended 31 March 2016		2017		Six months ended 30 September 2016		2017	
	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 %	Revenue HK\$'000	% of total revenue from sale of furniture and home accessories %	Revenue HK\$'000 (unaudited)	% of total revenue from sale of furniture and home accessories %	Revenue HK\$'000	% of total revenue from sale of furniture and home accessories %
Direct Sales	59,359	100.0	71,381	95.1	67,970	96.6	33,942	97.4	36,445	97.0
Distribution Sales	-	-	3,708	4.9	2,403	3.4	906	2.6	1,135	3.0
Total	59,359	100.0	75,089	100.0	70,373	100.0	34,848	100.0	37,580	100.0

For the two years ended 31 March 2017 and the six months ended 30 September 2017, (i) our Distribution Sales were approximately HK\$3.7 million, HK\$2.4 million and HK\$1.1 million, representing approximately 4.5%, 3.1% and 2.8% of our total revenue, respectively; and (ii) our distribution and licence fee income was approximately HK\$1.8 million, HK\$2.7 million and HK\$1.9 million, representing approximately 2.2%, 3.5% and 4.6% of our total revenue, respectively. In aggregate, for the same periods, the revenue generated from our PRC Distributor accounted for approximately 6.7%, 6.6% and 7.4% of our total revenue, respectively.

SUMMARY AND HIGHLIGHTS

Our products and pricing policy

Our products portfolio can be broadly classified into:

- (i) **furniture**: typically tables, chairs, storage solutions, sofas and beds; and
- (ii) **home accessories**: typically kitchenware, bed and bathroom related products, jars, cushions, mattresses, utensils and baskets.

Set out below is a breakdown of our revenue generated from sale of furniture and home accessories by product categories during the Track Record Period:

	2015		Year ended 31 March 2016		2017		Six months ended 30 September 2016		2017	
	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	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	Revenue HK\$'000	% of total revenue from sale of furniture and home accessories
										(unaudited)
Furniture										
Tables and chairs	21,461	36.2	25,215	33.6	25,318	36.0	11,292	32.4	13,190	35.1
Storage solutions	17,426	29.4	21,022	28.0	21,411	30.4	10,936	31.4	10,971	29.2
Sofas and beds	11,743	19.8	16,995	22.6	14,587	20.7	7,450	21.4	8,234	21.9
Others <i>(Note)</i>	918	1.5	2,106	2.8	1,230	1.7	800	2.3	561	1.5
Sub-total	51,548	86.8	65,338	87.0	62,546	88.9	30,478	87.5	32,956	87.7
Home accessories	7,811	13.2	9,751	13.0	7,827	11.1	4,370	12.5	4,624	12.3
Total	59,359	100.0	75,089	100.0	70,373	100.0	34,848	100.0	37,580	100.0

Note: Others include delivery income, storage fees and fees generated from our after-sale services. For details of our after-sale services, please refer to the section headed “Business – Sale of furniture and home accessories – A. Direct Sales – After-sale services and product return policy” in this prospectus.

We adopt a cost plus policy when determining the retail prices of our products based on a variety of factors such as the market prices of similar products, costs of procurement, our operational costs and overheads, popularity of our products, inventory turnover rates and seasonality. External factors including the market competition and the general economic outlook of Hong Kong are also considered when setting the prices of our products.

Our PRC Distributor and American Tree

We entered into the Framework Distribution Agreement with World Luxury with effect from 1 July 2015 for the distribution of our products under which we sell our products to our PRC Distributor for the exclusive distribution in Beijing, the PRC and are entitled to receive an annual non-refundable distribution fee of HK\$2.4 million. Our PRC Distributor is also required to purchase our products with a minimum aggregate amount of HK\$2.4 million annually. On 27 January 2017, we entered into the Second Supplemental Distribution Agreement with our PRC Distributor to expand the permitted distribution territory to include Hainan province, the PRC. Under the Second Supplemental Distribution Agreement, the annual

SUMMARY AND HIGHLIGHTS

non-refundable distribution fee was revised from HK\$2.4 million to HK\$3.2 million. World Luxury, through Yimu Beijing, opened its first retail store (with a café inside) and second retail store (without a café inside) in Chaoyang District, Beijing, the PRC, in March 2016 and February 2017, respectively. In February 2017, through Sanya Jun Lai, our PRC Distributor opened a retail store in Hainan province, the PRC. As advised by our PRC Distributor, they were informed in May 2017 that the location of its first retail store was subject to a change in policy of the PRC government regarding the area in which its first retail store was situated and they were requested by the landlord to move out from the premises of its first retail store. As a result, in May 2017, our PRC Distributor closed down its first retail store (including the café). As advised by our PRC Distributor, it has been looking for a new location for a new store and café. Our PRC Distributor expects to reopen a new store and café in the first quarter of 2018. As at the Latest Practicable Date, our PRC Distributor had two retail stores, one in Beijing and one in Hainan province, the PRC. We entered into the Renewed Distribution Agreement with our PRC Distributor on 17 October 2017 to renew the Distribution Agreement which will expire on 30 June 2018. The Renewed Distribution Agreement will take effect from 1 July 2018 for a period of three years. For more details of our relationship and management of our PRC Distributor, please refer to the section headed “Business – Distribution and licence” in this prospectus.

We entered into the North American Licence Agreement on 1 June 2015 and the Supplemental North America Licence Deed on 16 December 2016 with American Tree to grant an exclusive licence to American Tree to use certain trademarks and intellectual property of our Group in the U.S. and Canada for a term of three years from the Listing. Under the North American Licence Agreement, we are entitled to a licence fee based on the revenue of American Tree. During the Track Record Period, we did not receive any revenue from American Tree as it started its retail operations in October 2017. Under the North America Licence Agreement, the licence fee for the financial year ended 31 December 2017, if any, is due on or before 30 April 2018.

Our customers

Due to the nature of our business, the majority of our customers consists of retail customers who purchase our products at our retail stores. Generally, we do not enter into long-term contracts with our customers. For the three years ended 31 March 2017 and the six months ended 30 September 2017, revenue from our five largest customers accounted for approximately 3.7%, 10.0%, 8.8% and 10.8% of our total revenue, respectively and revenue attributable to our largest customer accounted for approximately 1.2%, 6.7%, 6.6% and 7.4% of our total revenue, respectively.

During the Track Record Period, our top five customers include (i) retail and corporate customers who visited our retail stores and purchased our products; (ii) American Tree, a company beneficially owned by Ms. Haslock and principally engaged in the business of retailing of furniture and home accessories in the U.S. and Canada, which purchased our products; (iii) World Luxury, our PRC Distributor, which purchased our products and paid us an annual non-refundable distribution fee under the Distribution Agreement; (iv) Wild Orchid, a hotel resort, of which Mr. Nigel Blake Wakley, the spouse of Ms. Haslock, is a shareholder, and to which we offered consulting, styling and sourcing services as well as our products; and (v) a corporate customer who engaged us for our styling and consulting service and purchased our products, which is an Independent Third Party and has over two years of business relationship with us. American Tree was our third largest customer for the year ended 31 March 2015, with an aggregate transaction amount of approximately HK\$0.4 million, representing approximately 0.7% of our total revenue. World Luxury was our largest customer for the two years ended 31 March 2017 and the six months ended 30 September 2017, with aggregate transaction amounts of approximately HK\$5.5 million, HK\$5.1 million and HK\$3.0 million, representing approximately 6.7%, 6.6% and 7.4% of our total revenue, respectively. Wild Orchid was our largest and second largest customer for the two years ended 31 March 2016, with transaction amounts of approximately HK\$0.8 million and HK\$1.2 million, representing approximately 1.2% and 1.4% of our total revenue, respectively.

SUMMARY AND HIGHLIGHTS

Our suppliers

During the Track Record Period, our major suppliers included companies who principally engage in manufacturing and wholesaling of furniture. We purchase our products from suppliers located in different regions such as the Southeast Asia, Indonesia, the PRC and Hong Kong. Our merchandising and shipping department is responsible for the procurement of our products.

Generally, we do not enter into long-term agreements with our suppliers. For the three years ended 31 March 2017 and the six months ended 30 September 2017, purchases from our five largest suppliers accounted for approximately 56.4%, 69.1%, 66.4% and 76.8% of our total purchases, respectively. For the three years ended 31 March 2017 and the six months ended 30 September 2017, purchases from our largest supplier accounted for approximately 20.6%, 24.5%, 22.9% and 31.0% of our total purchases, respectively.

PRINCIPAL RISK FACTORS

Potential investors are advised to read carefully the section headed “Risk Factors” in this prospectus before making any investment decision in the Offer Shares. There are certain risks involved in our operation. Relatively material risks include the following:

- we experienced a decrease in revenue for the year ended 31 March 2017 as compared to the year ended 31 March 2016 and our sales may not grow and may decline;
- we recorded a net operating cash outflow for the six months ended 30 September 2017 and may have difficulty in meeting our payment obligations if we continue to record net operating cash outflow in the future;
- we recorded a significant decline in our revenue from our food and beverage business after the rectification of the non-compliance with the food factory licence of our Tree Café;
- we do not have any long-term purchase commitments from our customers and may suffer from a decrease in sales as a result of shift in customers’ tastes and preferences;
- we may not succeed in expanding our sales network to new locations in Hong Kong or through an online platform;
- any adverse claims, negative media speculation, false rumours or other negative publicity may affect our brand reputation;
- we may not be able to adequately protect our intellectual property rights which could harm our brand and our business;
- failure to protect our intellectual property rights from our PRC Distributor, American Tree and third parties may affect our reputation and business;
- we rely on our PRC distributor for our distribution business and we have limited control over the way it operates;
- we are exposed to credit risk arising from our PRC Distributor;
- our success depends on the continued service of our Directors and senior management; and
- we may not be able to detect quality issues in our products.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths, details of which are set out in the section headed “Business – Our competitive strengths” in this prospectus, contribute to our success:

- strength of our brand and marketing;
- our established merchandising team that continues to source a variety of products;
- our destination shopping experience at our Flagship Store; and
- our experienced management team led by our Managing Director, Ms. Babington.

SUMMARY AND HIGHLIGHTS

OUR BUSINESS STRATEGIES

Our goal is to maintain our competitiveness in the lifestyle furniture and home furnishing market and strengthen our position by capturing a larger market share in Hong Kong. To achieve our goal, we aim to execute the following strategies (details of which are set out in the section headed “Business – Our business strategies” in this prospectus):

- solidify our market position by strategically expanding our sales network through establishing new retail stores and launching an e-commerce platform;
- enhance operational efficiencies by adopting a more updated POS system;
- promote and strengthen our brand image and recognition;
- enhance our styling and consulting services; and
- expand our distribution network.

HISTORICAL NON-COMPLIANCE INCIDENTS

Set out below is a summary of certain incidents of our non-compliance with applicable laws and regulations during the Track Record Period:

- (i) we were late in respect of filing certain documents with the Companies Registry; and
- (ii) we provided non-disposable utensils and plastic trays at our TREE Café and our display tables and chairs were not located far away from our TREE Café and we may be considered as preparing food for sale for human consumption within the premises in breach of section 31(1) of the Food Business Regulation (Chapter 132X of the Laws of Hong Kong).

For more details, please refer to the section headed “Business – Litigation and legal compliance – Legal Compliance”.

LITIGATION AND LEGAL COMPLIANCE

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that we had complied with the relevant laws and regulations in relation to our business in all material respects and there were no material breaches or violations of the laws and regulations applicable to our Group that would have a material adverse effect on our business or financial condition taken as a whole.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders have entered into the Deed of Indemnity to indemnify our Group on a joint and several basis, in respect of, amongst others, all damages, losses, claims, fines and penalties that may be imposed, charges, fees, costs, interests and expenses (including all legal costs and expenses) together with all reasonable costs and other liabilities which our Company and/or any of our subsidiaries may sustain, suffer, incur or be imposed by any regulatory authorities or courts in Hong Kong or any applicable jurisdiction as a result of any violation or non-compliance or alleged non-compliance by any members of our Group with any applicable laws, rules or regulations of any jurisdiction or as a result of any breach of our tenancy lease prior to the Listing. For details, please refer to the section headed “Appendix IV – E. Other information – 1. Tax and other indemnities” to this prospectus.

KEY FINANCIAL AND OPERATIONAL DATA

The following tables present selected historical financial information and key operational data during the Track Record Period. The financial information as of and for the years ended 31 March 2015, 2016 and 2017 and as of and for the six months ended 30 September 2016 and 2017 is derived from and should be read in conjunction with our audited consolidated financial statements, including the accompanying notes, set forth in the Accountants’ Report included as Appendix I to this prospectus.

SUMMARY AND HIGHLIGHTS

Highlight of consolidated statements of comprehensive income

	Year ended 31 March			Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Revenue	65,252	81,877	77,316	38,463	40,560
Cost of sales	(20,959)	(27,029)	(26,303)	(13,627)	(13,058)
Gross profit	44,293	54,848	51,013	24,836	27,502
Other income	77	272	286	40	82
Selling and marketing expenses	(27,472)	(30,148)	(32,806)	(16,952)	(17,291)
Administrative expenses	(8,532)	(10,940)	(12,118)	(4,881)	(5,486)
Listing-related expenses	–	(1,289)	(10,066)	(3,853)	(4,658)
Share-based compensation expense	–	(2,487)	(2,331)	(1,497)	(656)
Finance costs	(157)	(165)	(140)	(57)	(158)
Profit/(Loss) before income tax	8,209	10,091	(6,162)	(2,364)	(665)
Income tax expense	(1,419)	(2,297)	(986)	(619)	(763)
Profit/(Loss) and total comprehensive income/(loss) for the year/period attributable to equity holders of the Company	<u>6,790</u>	<u>7,794</u>	<u>(7,148)</u>	<u>(2,983)</u>	<u>(1,428)</u>

Highlight of gross profit and gross profit margin

	Year ended 31 March						Six months ended 30 September			
	2015		2016		2017		2016		2017	
	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000 (unaudited)	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %
Sale of furniture and home accessories										
Direct Sales	40,091	67.5	47,919	67.1	44,548	65.5	21,706	64.0	24,339	66.8
Distribution Sales	–	–	1,917	51.7	1,259	52.4	471	52.0	585	51.5
Sub-total	40,091	67.5	49,836	66.4	45,807	65.1	22,177	63.6	24,924	66.3
Distribution and licence fee income	–	–	1,800	100.0	2,720	100.0	1,200	100.0	1,880	100.0
Food and beverage income	3,075	64.5	2,853	61.6	2,115	54.9	1,309	57.8	348	46.4
Commission income	349	100.0	359	100.0	271	100.0	150	100.0	105	100.0
Consulting income	778	100.0	–	–	100	100.0	–	–	245	100.0
Total	<u>44,293</u>	<u>67.9</u>	<u>54,848</u>	<u>67.0</u>	<u>51,013</u>	<u>66.0</u>	<u>24,836</u>	<u>64.6</u>	<u>27,502</u>	<u>67.8</u>

SUMMARY AND HIGHLIGHTS

Our gross profit was approximately HK\$44.3 million, HK\$54.8 million, HK\$51.0 million and HK\$27.5 million, representing gross profit margins of approximately 67.9%, 67.0%, 66.0% and 67.8%, for the three years ended 31 March 2017 and the six months ended 30 September 2017, respectively.

For the two years ended 31 March 2017 and the six months ended 30 September 2017, (i) the gross profit of our Distribution Sales were approximately HK\$1.9 million, HK\$1.3 million and HK\$0.6 million, representing approximately 3.5%, 2.5% and 2.1% of our total gross profit, respectively; and (ii) our distribution and licence fee income was approximately HK\$1.8 million, HK\$2.7 million and HK\$1.9 million, representing approximately 3.3%, 5.3% and 6.8% of our total gross profit, respectively. In aggregate, for the same periods, the gross profit generated from our PRC Distributor accounted for approximately 6.8%, 7.8% and 9.0% of our total gross profit, respectively.

Our gross profit margin for the sale of furniture and home accessories decreased from approximately 67.5% for FY2015 to approximately 66.4% for FY2016, primarily due to (i) the Distribution Sales that commenced in November 2015 which carried a lower gross profit margin compared to that of the Direct Sales; and (ii) the increased sales of home accessories with lower average selling price as part of our marketing strategy to drive our revenue. We sell our products to our PRC Distributor at a lower gross profit margin given that our PRC Distributor is responsible for all operating expenses for distributing our products in the PRC, under the Distribution Agreement. Our Directors believe that as a result of increased cost of goods as well as our marketing strategy in offering complementary beverages to our customers as part of our customer services, our gross profit margin for the sale of food and beverages decreased from approximately 64.5% for FY2015 to approximately 61.6% for FY2016 and further decreased to approximately 54.9% for FY2017.

Our gross profit margin for the sale of furniture and home accessories decreased from approximately 66.4% for FY2016 to approximately 65.1% for FY2017, mainly attributable to the decrease in revenue and the increase in cost of sale of our furniture sold during FY2017. Our gross profit margin for the Distribution Sales, however, increased slightly from approximately 51.7% for FY2016 to approximately 52.4% for FY2017.

Our gross profit margin for the sale of furniture and home accessories increased from approximately 63.6% for the six months ended 30 September 2016 to approximately 66.3% for the six months ended 30 September 2017, mainly attributable to the increase in gross profit margin of the Direct Sales due to the increase in revenue and the decrease in cost of sales of our furniture sold during the six months ended 30 September 2017. Our gross profit margin for the Distribution Sales decreased slightly from approximately 52.0% for the six months ended 30 September 2016 to approximately 51.5% for the six months ended 30 September 2017. Our gross profit margin for the sale of food and beverages further decreased from approximately 57.8% for the six months ended 30 September 2016 to approximately 46.4% for the six months ended 30 September 2017, mainly due to the increase in cost of purchasing disposable utensils.

Highlight of consolidated statements of financial position

	2015	As at 31 March 2016	2017	As at 30 September 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets	28,348	38,222	24,439	29,470
Current liabilities	10,844	11,478	18,479	23,801
Net current assets	17,504	26,744	5,960	5,669

SUMMARY AND HIGHLIGHTS

Highlight of consolidated statements of cash flows

	Year ended 31 March			Six months ended 30 September 2017
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	HK\$'000
Operating profit/(loss) before working capital changes	9,431	13,606	(2,463)	809
Net cash from/(used in) operating activities	7,158	7,622	1,960	(458)
Net cash used in investing activities	(9,090)	(3,696)	(1,792)	(137)
Net cash from/(used in) financing activities	2,461	(1,364)	(5,336)	464
Net increase/(decrease) in cash and cash equivalents	529	2,562	(5,168)	(131)
Cash and cash equivalents at the beginning of the year/period	2,256	2,785	5,347	179
Cash and cash equivalents (including bank balances and cash and bank overdraft) at the end of the year/period	2,785	5,347	179	48

Our operating loss of approximately HK\$2.5 million before working capital changes for the year ended 31 March 2017 was mainly due to our listing-related expenses and share-based compensation expense of approximately HK\$10.1 million and HK\$2.3 million, respectively.

Key financial ratios

	Year ended/As at 31 March			Six months ended/As at 30 September 2017
	2015	2016	2017	
Net profit margin before interest and tax (%)	12.8	12.5	Net loss	Net loss
Net profit margin (%)	10.4	9.5	Net loss	Net loss
Return on total assets (%)	21.1	18.1	N/A	N/A
Return on equity (%)	31.9	24.7	N/A	N/A
Interest coverage (times)	53.3	62.2	N/A	N/A
Current ratio (times)	2.6	3.3	1.3	1.2
Quick ratio (times)	1.7	2.4	0.8	0.7
Gearing ratio (%)	20.5	10.9	66.5	90.1
Net debt-to-equity ratio (%)	7.4	Net cash	44.5	62.5

Please refer to the section headed “Financial information – Key financial ratios” in this prospectus for further information on these ratios.

Number of items sold and average selling price by each product category

	2015		Year ended 31 March 2016		2017		Six months ended 30 September 2016		2017	
	Average selling price ⁽¹⁾ HK\$	Quantity sold ⁽²⁾ (approximately)	Average selling price ⁽¹⁾ HK\$	Quantity sold ⁽²⁾ (approximately)	Average selling price ⁽¹⁾ HK\$	Quantity sold ⁽²⁾ (approximately)	Average selling price ⁽¹⁾ HK\$	Quantity sold ⁽²⁾ (approximately)	Average selling price ⁽¹⁾ HK\$	Quantity sold ⁽²⁾ (approximately)
Furniture	5,114	9,900	5,269	12,000	5,239	11,700	4,637	6,400	5,399	6,000
Table and chairs	3,700	5,800	3,820	6,600	4,015	6,300	3,693	3,100	3,997	3,300
Storage solutions	5,809	3,000	5,532	3,800	5,353	4,000	4,375	2,500	5,774	1,900
Sofa and beds	10,675	1,100	10,622	1,600	10,419	1,400	9,313	800	10,292	800
Home accessories	420	18,600	415	23,500	450	17,400	508	8,600	578	8,000

SUMMARY AND HIGHLIGHTS

Notes:

- (1) Based on the total revenue divided by the quantity sold
- (2) As confirmed by our Directors based on information extracted from our POS system

COMPETITIVE LANDSCAPE

According to the Euromonitor Report, we operate within the lifestyle furniture and home furnishing market in Hong Kong, which is a sub-set of the overall furniture and home furnishing industry. Euromonitor estimated that there were 40 to 50 industry players and that there were approximately 63 outlets for lifestyle furniture and home furnishing in Hong Kong in 2016. In 2016, retail value sales for lifestyle furniture and home furnishing stores amounted to approximately HK\$1,362 million.

We operate in a highly fragmented and competitive market with no dominant company and with significant levels of competition among different retailers. The barriers of entry for lifestyle furniture and home furnishing industry are low with no significant deterrent to new entrants. Please refer to the section headed “Industry overview – Overview of competitive landscape of lifestyle furniture and home furnishing companies in Hong Kong” in this prospectus for further information.

LISTING EXPENSES

Our Directors are of the view that the financial results of our Group for the year ended 31 March 2018 are expected to be adversely affected by, among others, the listing expenses in relation to the Share Offer which is non-recurring in nature. The expenses in relation to the Listing (including underwriting commission) are expected to be approximately HK\$36.7 million (assuming the Offer Price of HK\$0.15 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.13 to HK\$0.17 per Offer Share), of which (i) approximately HK\$11.4 million is directly attributable to the issue of Offer Shares under the Share Offer and are expected to be accounted for as a reduction from equity; and (ii) the remaining amount of approximately HK\$25.3 million is expected to be reflected in the consolidated statements of comprehensive income, of which approximately HK\$1.3 million, HK\$10.1 million and HK\$4.7 million were charged in FY2016, FY2017 and the six months ended 30 September 2017, respectively, and an additional amount of approximately HK\$9.2 million is expected to be recognised in the period subsequent to the Track Record Period and upon Listing.

DIVIDEND

Our Group currently does not have a dividend policy nor any fixed dividend pay-out ratio and may distribute dividends by way of cash or by other means that our Directors consider appropriate. The payment and the amount of any dividends will be at the discretion of our Directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors consider relevant. Our Group did not declare and pay any dividend for FY2015 and FY2016. On 30 June 2016, we declared an interim dividend for the period ended 30 June 2016 to offset the amount due from Tiptop, which was approximately HK\$10.4 million. On 30 November 2016, we further declared an interim dividend for the period ended 30 November 2016 in the amount of HK\$5.0 million which was paid on 15 December 2016.

SUMMARY AND HIGHLIGHTS

REASONS FOR LISTING

Our Directors believe that the Listing will facilitate the implementation of our business strategies as stated in the section headed “Business – Our business strategies” in this prospectus. Our Directors consider that the net proceeds from the Listing will provide financial resources to our Group to achieve such business strategies which will facilitate the expansion of our geographical coverage in Hong Kong, further strengthen our market position and expand our market share in the lifestyle furniture and home furnishing market in Hong Kong. In particular, our Directors believe the commercial rationale of the Listing is that (i) our Group can expand with the enhanced operational efficiency; (ii) our Group can capitalise on our well-established brand and current market position by expanding our retail network; (iii) our Directors expect that there is sufficient demand to warrant the expansion of our retail network with the proceeds from the Listing; (iv) a successful listing can allow our Group to get access to the necessary funds for our expansion plans in the capital market, without negatively affecting our financial position; and (v) our Group can benefit from various commercial benefits arising from a public listed company status. For more details, please refer to the section headed “Future plans and use of proceeds – Reasons for the Listing and use of proceeds” in this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

The net proceeds from the Share Offer based on the Offer Price of HK\$0.15 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.13 to HK\$0.17 per Offer Share, are estimated to be approximately HK\$22.7 million, after deducting the estimated underwriting commission and listing expenses of approximately HK\$36.7 million paid and payable by our Company from the gross proceeds from the Share Offer.

We intend to apply the net proceeds under the Share Offer in the following manner:

	From the Latest Practicable Date to 31 March 2018 HK\$'000	Six months ending 30 September 2018 HK\$'000	Six months ending 31 March 2019 HK\$'000	Six months ending 30 September 2019 HK\$'000	Six months ending 31 March 2020 HK\$'000	Total HK\$'000	% of total net proceeds %
Expand our sales network	–	9,728	5,412	1,096	–	16,236	71.5
– leasing of new retail stores	–	4,980	2,490	–	–	7,470	32.9
– leasehold improvement	–	1,992	996	–	–	2,988	13.2
– rent and utility deposits for new retail stores	–	830	415	–	–	1,245	5.5
– renovation and upgrade of our Flagship Store	–	415	415	–	–	830	3.6
– establishment of an e-commerce platform	–	764	349	349	–	1,462	6.4
– leasing of a new warehouse	–	747	747	747	–	2,241	9.9
Promote and strengthen brand image and recognition	150	699	723	723	–	2,295	10.1
Enhance styling and consulting services	172	516	687	687	–	2,062	9.1
Enhance operational efficiencies	830	830	455	–	–	2,115	9.3
	<u>1,152</u>	<u>11,773</u>	<u>7,277</u>	<u>2,506</u>	<u>–</u>	<u>22,708</u>	<u>100.0</u>

SUMMARY AND HIGHLIGHTS

STATISTICS OF SHARE OFFER

	Based on an Offer Price of	
	HK\$0.13 per Offer Share	HK\$0.17 per Offer Share
Market capitalisation of our Shares (<i>Note 1</i>)	HK\$205,920,000	HK\$269,280,000
Unaudited adjusted net tangible assets of our Group per Share (<i>Note 2</i>)	HK\$0.03	HK\$0.04

Notes:

1. The calculation of market capitalisation of the Shares is based on 1,584,000,000 Shares in issue and expected to be in issue immediately after completion of the Capitalisation Issue and the Share Offer.
2. The unaudited pro forma adjusted net tangible assets per Share is arrived on the basis of 1,584,000,000 Shares (being the number of ordinary shares expected to be in issue immediately after completion of the Share Offer and the Capitalisation Issue). No account has been taken of our Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company under the general mandates granted to our Directors.

SHAREHOLDER INFORMATION

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any of our Shares that may be allotted and issued upon exercise of the options that may be granted under the Share Option Scheme), our Company will be owned as to 69.8% by Tiptop, which is wholly-owned by Mr. Tong, our chairman and one of our non-executive Directors. As Tiptop and Mr. Tong will be directly or indirectly entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company immediately following the Listing, each of Tiptop and Mr. Tong will be regarded as a Controlling Shareholder under the GEM Listing Rules. Each of our Controlling Shareholders confirms that each of them does not have any interest in a business apart from our Group's business which competes or may compete, directly or indirectly, with our Group's business. Please refer to the sections headed "History, development and reorganisation – Reorganisation" and "Relationship with Controlling Shareholders" in this prospectus for details of the shareholding structure among our Controlling Shareholders.

PRE-IPO INVESTMENT

Pursuant to the Sale and Purchase Agreement, Tiptop executed the Call Option Deed on 1 June 2015 to grant the Call Option to Ms. Haslock or her nominee to purchase 2% of the ordinary shares in Tree Limited or its holding company from Tiptop at a consideration of HK\$1,300,000 prior to Listing. On 10 August 2016, Ms. Haslock exercised the Call Option to procure Savvy, being wholly-owned by Ms. Haslock, to purchase 2% of the issued share capital of our Company from Tiptop at a consideration of HK\$1,300,000. On the same day, Tiptop transferred two Shares, being 2% of the then issued share capital of our Company, to Savvy and the consideration for the transfer was by way of off-set and irrevocably settled. Upon completion of the above transfer, our Company was owned as to 2% by Savvy.

In addition, in recognition of the valuable contribution of Ms. Babington, our chief executive officer, our executive Director and Managing Director, to the growth and expansion of our business, Tree Limited, Tiptop and Ms. Babington executed the Incentive Shares Deed on 1 June 2015, under which Tiptop agreed to transfer 5% of the ordinary shares in Tree Limited or its holding company to Ms. Babington or her nominee at a consideration of HK\$1. On 10 August 2016, Tiptop transferred five Shares, being 5% of the then issued share capital of our Company, to Rothley, being wholly-owned by Ms. Babington, at a consideration of HK\$1, which was paid on the same day pursuant to the Incentive Shares Deed. Upon completion of the above transfer, our Company was owned as to 5% by Rothley. All the rights contemplated under the Incentive Shares Deed, including the put option and the tag-along right, shall lapse automatically upon Listing.

SUMMARY AND HIGHLIGHTS

Please refer to the section headed “History, development and reorganisation – Pre-IPO Investment” in this prospectus for details of the Pre-IPO Investment.

RECENT DEVELOPMENT SUBSEQUENT TO THE TRACK RECORD PERIOD AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the date of this prospectus, except as described below, our Directors confirmed that there were no material changes to our business model, revenue structure and cost structure. Our principal business remained to include sale and distribution of furniture and home accessories, distribution and licencing of our intellectual property rights, provision of styling and consulting services and operation of TREE Café in our Flagship Store.

Our PRC Distributor opened its first retail store (with a café inside) and second retail store (without a café inside) in Chaoyang District, Beijing, the PRC, in March 2016 and February 2017, respectively. In February 2017, through Sanya Jun Lai, our PRC Distributor opened a retail store in Hainan province, the PRC. As advised by our PRC Distributor, it was informed in May 2017 that the location of its first retail store was subject to a change in the policy of the PRC government on the area in which its first retail store was situated and it was requested by the landlord to move out from its first retail store. As a result, in May 2017, our PRC Distributor closed down its first retail store (including the café). As advised by our PRC Distributor, it has been looking for a new location for a new store and café. Our PRC Distributor expects to reopen a new store and café in the first quarter of 2018. As at the Latest Practicable Date, our PRC Distributor operated two retail stores, one in Beijing and one in Hainan province, the PRC, respectively. We entered into the Renewed Distribution Agreement with our PRC Distributor on 17 October 2017 to renew the Distribution Agreement which will expire on 30 June 2018. The Renewed Distribution Agreement will take effect from 1 July 2018 for a period of three years.

Based on the unaudited financial information, during the two months ended 30 November 2017, we experienced an increase in the Direct Sales and a decrease in our food and beverage income as compared to the corresponding period in 2016.

Prospective investors should note that based on information available as at the Latest Practicable Date, the Directors expect to record a net loss for the year ending 31 March 2018 as the financial performance of our Group for the year ending 31 March 2018 is expected to be materially and adversely affected by (i) the non-recurring expenses in relation to the Listing; and (ii) the share-based compensation expenses arising from the incentive shares and put option granted by Tiptop to Ms. Babington under the Incentive Shares Deed. Prospective investors are specifically warned that given the aforesaid expenses, our Group’s financial performance for the year ending 31 March 2018 may not be comparable to those of the previous financial years.

Our Directors confirmed that up to the date of this prospectus, save as disclosed above, there has been no material adverse change in our financial or trading position or prospects since 30 September 2017 and there has been no event since 30 September 2017 which would materially affect the information in our consolidated financial statements included in the Accountants’ Report set forth in Appendix I to this prospectus, in each case except as otherwise disclosed herein.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:

“Accountants’ Report”	the accountants’ report on our Group for the Track Record Period set out in Appendix I to this prospectus
“AEM Advisory”	AE Majoris Advisory Company Limited, a company incorporated in Hong Kong with limited liability on 1 December 2011 and wholly-owned by Mr. Tsui, our executive Director and a connected person
“AEM Corporate Services”	AE Majoris Corporate Services Company Limited, a company incorporated in Hong Kong with limited liability on 30 October 2013 and wholly-owned by Mr. Tsui, our executive Director and a connected person
“Amended and Restated Sale and Purchase Agreement”	the amended and restated sale and purchase agreement dated 1 June 2015 to amend and restate the Sale and Purchase Agreement and entered into by Ms. Haslock, Tiptop and Mr. Tong
“American Tree”	American Tree, Ltd., a Washington Profit Corporation incorporated in the State of Washington, the U.S. on 4 October 2013 and is wholly-owned by Ms. Haslock, one of our non-executive Directors and a connected person
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s), GREEN Application Form(s) and PINK Application Form(s) or, where the context so requires, any of them to be used in connection with the Public Offer
“Articles of Association” or “Articles”	the articles of association of our Company, conditionally adopted by our Shareholders on 5 January 2018 and effective on the Listing Date as amended or supplemented from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Audit Committee”	the audit committee of our Board
“Board”	our board of Directors

DEFINITIONS

“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Call Option”	the call option granted by Tiptop to Ms. Haslock to purchase and/or procure her nominee to purchase 2% of the issued share capital of Tree Limited or its holding company from Tiptop at a consideration of HKD1,300,000 prior to Listing pursuant to the Call Option Deed, which was exercised by Ms. Haslock on 10 August 2016
“Call Option Deed”	the call option deed dated 1 June 2015 executed by Tiptop and Ms. Haslock, pursuant to which Tiptop granted the Call Option to Ms. Haslock
“Capitalisation Issue”	the allotment and issue of 1,187,999,900 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the section headed “Appendix IV – A. Further information about our Company – 2. Changes in our share capital” in this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and fractions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant

DEFINITIONS

“close associate(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Code on Corporate Governance Practices”	the principles of good governance, code provisions and recommended best practices as set out in Appendix 15 to the GEM Listing Rules
“Companies Law” or the “Cayman Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which took effect from 3 March 2014, as amended, supplemented or otherwise modified from time to time
“Companies Registry”	Companies Registry of Hong Kong
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Tree Holdings Limited (齊家控股有限公司), a company incorporated on 9 March 2016 under the laws of the Cayman Islands as an exempted company with limited liability
“connected person(s)”	has the same meaning ascribed to it in the GEM Listing Rules
“connected transaction”	has the same meaning ascribed to it in the GEM Listing Rules
“Controlling Shareholder(s)”	has the same meaning ascribed to it in the GEM Listing Rules and, in the context of our Company, means each of Tiptop and Mr. Tong
“core connected person(s)”	has the same meaning ascribed to it in the GEM Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 5 January 2018 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries), particulars of which are set out in the section headed “Appendix IV – E. Other information – 1. Tax and other indemnities” in this prospectus

DEFINITIONS

“Deed of Non-Competition”	the deed of non-competition dated 5 January 2018 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries) regarding the non-competition undertakings, particulars of which are set out in the section headed “Relationship with Controlling Shareholders – Non-competition undertakings” in this prospectus
“Direct Sales”	sale of our products to our customers other than our PRC Distributor
“Director(s)”	the director(s) of our Company
“Distribution Agreement”	the distribution agreement dated 30 November 2016 entered into between Tree Limited and Yimu as amended and supplemented by the Supplemental Distribution Agreement, the Second Supplemental Distribution Agreement and the Third Supplemental Distribution Agreement and where the context requires, includes the Framework Distribution Agreement
“Distribution Sales”	sale of our products to our PRC Distributor
“Eligible Employee(s)”	a full-time or a part-time employee of our Group who joined our Group on or before the Latest Practicable Date and who: (a) is at least 18 years of age; (b) has a Hong Kong address and is a holder of Hong Kong Identity Card; (c) remains as a full-time employee of our Group as at the Latest Practicable Date; (d) has not tendered his/her resignation or been given notice of termination of employment for any reason other than redundancy or retirement on or before the Latest Practicable Date; (e) is not a director or chief executive of our Company and/or any of its subsidiaries; (f) is not an existing beneficial owner of Shares or of shares of any of the subsidiaries of our Company; (g) is not a connected person of our Company; and (h) is not an associate or close associate, where applicable, of the persons listed in (e), (f) and/or (g) above

DEFINITIONS

“Employee Preferential Offering”	the preferential offer of the Employee Reserved Shares to the Eligible Employees for subscription at the Offer Price on a preferential basis as to allocation only, as further described in the section headed “Structure and conditions of the Share Offer – The Employee Preferential Offering” in this prospectus
“Employee Reserved Shares”	the 3,960,000 Offer Shares (representing 10% of the total number of Offer Shares initially being offered under the Public Offer), being offered pursuant to the Employee Preferential Offering and which are to be allocated out of the Public Offer Shares
“Euromonitor”	Euromonitor International Limited, an independent industry consultant engaged by our Company
“Euromonitor Report”	the independent industry report commissioned by our Company and prepared by Euromonitor
“Flagship Store”	our retail store and TREE Café located at 28/F, Horizon Plaza, 2 Lee Wing Street, Ap Lei Chau, Hong Kong
“Framework Distribution Agreement”	the framework distribution agreement entered into on 25 November 2015 between Tree Limited and World Luxury as amended and supplemented by the Supplemental Distribution Agreement, the Second Supplemental Distribution Agreement and the Third Supplemental Distribution Agreement
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM (as amended from time to time)
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context permits, shall include the CCASS Operational Procedures
“GREEN Application Form(s)”	the application form(s) to be completed by HK eIPO White Form Service Provider

DEFINITIONS

“Group”, “our Group”, “we”, “us” or “our”	our Company and our subsidiaries or, where the context so required, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were our Company’s subsidiaries at the relevant time, or the business acquired or operated by them or (as the case may be) their predecessors
“ HK eIPO White Form ”	the application of the Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of the HK eIPO White Form service at www.hkeipo.hk
“ HK eIPO White Form Service Provider ”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“HK\$” or “HKD” or “HK dollar(s)” and “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar of our Company
“Incentive Shares Deed”	the incentive shares deed dated 1 June 2015 executed by Tree Limited, Tiptop and Ms. Babington, pursuant to which Tiptop agreed to transfer 5% of the ordinary shares in Tree Limited or its holding company to Ms. Babington or her nominee at a consideration of HK\$1, or as the context may require, the Incentive Shares Deed as amended and supplemented by the Supplemental Incentive Shares Deed and the Second Supplemental Incentive Shares Deed

DEFINITIONS

“Independent Third Party(ies)”	individual(s), company(ies) or party(ies) who or which is/are independent from and not connected with (within the meaning of the GEM Listing Rules) any of the connected persons (including any directors, chief executive and substantial shareholders, (as defined under the GEM Listing Rules) of our Company, our subsidiaries or any of their respective associates
“IT”	information technology
“Joint Bookrunners” or “Joint Lead Managers”	Oceanwide Securities, Yuanta Securities and Sinolink Securities, being the joint bookrunners and joint lead managers of the Share Offer
“Joint Global Coordinators”	Oceanwide Securities and Yuanta Securities
“Latest Practicable Date”	4 January 2018, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
“Legal Counsel”	Mr. Chan Chung, barrister-at-law of Hong Kong, who is an Independent Third Party
“Listing”	the listing of our Shares on GEM
“Listing Date”	the date on which dealings in our Shares on GEM first commence, which is expected to be on Thursday, 25 January 2018
“Managing Director”	the managing director of Tree Limited, as at the Latest Practicable Date, Ms. Babington
“Master Sale Agreement”	the master sale agreement dated 16 December 2016 and entered into by Tree Limited as vendor and American Tree as purchaser in respect of the sale of certain goods by Tree Limited to American Tree, details of which are set out in the section headed “Connected transactions” in this prospectus
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company adopted on 5 January 2018, a summary of which is set out in Appendix III to this prospectus, and as amended from time to time

DEFINITIONS

“Mr. Tong”	Mr. Tong Tang Joseph (唐登), our chairman, one of our non-executive Directors and Controlling Shareholders
“Mr. Tsui”	Mr. Tsui Wing Tak (徐穎德), one of our executive Directors and compliance officer
“Ms. Babington”	Ms. Mary Kathleen Babington, alias Mary Kathleen Kate Babington, one of our executive Director, chief executive officer and Managing Director
“Ms. Haslock”	Ms. Nicole Lucy Haslock, one of our non-executive Directors
“Ms. Haslock’s Deed of Non-Competition”	the deed of non-competition dated 16 December 2016 executed by Ms. Haslock in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries) regarding the non-competition undertakings, particulars of which are set out in the section headed “Connected transactions – Non-competition undertakings by Ms. Haslock” in this prospectus
“Nomination Committee”	the nomination committee of our Board
“North America Licence Agreement”	the licence agreement dated 1 June 2015 entered into between Tree Limited as licensor, American Tree as licensee and Ms. Haslock as guarantor in relation to the grant of the exclusive right to American Tree to use certain trademarks and intellectual property rights of Tree Limited in the U.S. and Canada, or as the context may require, and as amended and supplemented by the Supplemental North America Licence Deed
“Oceanwide Securities”	Oceanwide Securities Company Limited, a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities, one of the Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers and one of the Underwriters

DEFINITIONS

“Offer Price”	the final offer price of each Offer Share (excluding brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), which is expected to be not more than HK\$0.17 per Offer Share and not less than HK\$0.13 per Offer Share, and such price is to be determined on or before the Price Determination Date
“Offer Shares”	collectively, the Placing Shares and the Public Offer Shares
“ PINK Application Form(s)”	the application form(s) to be sent to Eligible Employees to subscribe for the Employee Reserved Shares pursuant to the Employee Preferential Offering
“Placing”	the conditional placing by the Placing Underwriters on behalf of our Company of the Placing Shares to selected professional, institutional and other investors at the Offer Price, as further described under the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Shares”	the 356,400,000 new Shares being initially offered by our Company for subscription at the Offer Price under the Placing, representing 90% of the number of the Offer Shares, subject to reallocation, as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Underwriter(s)”	the underwriter(s) of the Placing named in the section headed “Underwriting – Underwriters – Placing Underwriters” in this prospectus who is/are expected to enter into the Placing Underwriting Agreement
“Placing Underwriting Agreement”	the conditional underwriting agreement relating to the Placing and expected to be entered into by, among others, our Company, our Controlling Shareholders, our executive Directors, our non-executive Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriters on or before the Price Determination Date as further described in the section headed “Underwriting – Underwriting arrangements and expenses – The Placing Underwriting Agreement” in this prospectus

DEFINITIONS

“PRC” or “China”	the People’s Republic of China which, for the purpose in this prospectus only (unless otherwise indicated), excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“PRC Distributor”	Yimu, Yimu Beijing, Sanya Jun Lai, and in the context of the Framework Distribution Agreement, our PRC Distributor was World Luxury and Yimu Beijing
“PRC Legal Advisers”	Beijing Dentons Law Offices, LLP (Shenzhen), a firm qualified to provide legal advice in the PRC
“Pre-IPO Investment”	the investment by the Pre-IPO Investors as further described in the section headed “History, development and reorganisation” of this prospectus
“Pre-IPO Investors”	collectively, Savvy (as a nominee of Ms. Haslock) and Rothley (as a nominee of Ms. Babington)
“Price Determination Agreement”	the agreement to be entered into between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or around the Price Determination Date to fix the final Offer Price
“Price Determination Date”	the date, expected to be on or before Thursday, 18 January 2018, or such later date as may be agreed between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), on which the final Offer Price will be fixed for the purpose of the Share Offer
“Public Offer”	the conditional offer to the public in Hong Kong for subscription of the Public Offer Shares at the Offer Price, on and subject to the terms and conditions stated in this prospectus and in the Application Forms, details of which are described in the section headed “Structure and conditions of the Share Offer” in this prospectus and the related Application Forms

DEFINITIONS

“Public Offer Shares”	the 39,600,000 new Shares offered by our Company for subscription at the Offer Price pursuant to the Public Offer, representing 10% of the number of the Offer Shares, subject to reallocation, as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Public Offer Underwriter(s)”	the underwriter(s) of the Public Offer named in the section headed “Underwriting – Underwriters – Public Offer Underwriters” in this prospectus who have entered into the Public Offer Underwriting Agreement
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 11 January 2018 relating to the Public Offer entered into by, among others, our Company, our Controlling Shareholders, our executive Directors, our non-executive Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters, as further described in section headed “Underwriting – Underwriting arrangements and expenses – The Public Offer Underwriting Agreement” in this prospectus
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of our Board
“Renewed Distribution Agreement”	the renewed distribution agreement dated 17 October 2017 entered into between Tree Limited, Yimu, Yimu Beijing, Sanya Jun Lai and World Luxury to renew the Distribution Agreement
“Reorganisation”	the corporate reorganisation of our Group in preparation for Listing, details of which are set out in the section headed “History, development and reorganisation” in this prospectus
“Rothley”	Rothley Investment Limited, a company incorporated in BVI with limited liability on 12 April 2016 and wholly-owned by Ms. Babington and a connected person
“Sai Kung Store”	our retail store located at G/F, No. 116 Man Nin Street, Sai Kung, Hong Kong

DEFINITIONS

“Sale and Purchase Agreement”	the sale and purchase agreement dated 27 March 2015 in respect of the entire issued share capital of Tree Limited and entered into by Ms. Haslock, Tiptop and Mr. Tong, or as the context may require, the Sale and Purchase Agreement as amended and restated by the Amended and Restated Sale and Purchase Agreement, details of which are set out in the section headed “History, development and reorganisation” in this prospectus
“Sanya Jun Lai”	Sanya Jun Lai Trading Company* (三亞君萊貿易有限公司), a company incorporated on 14 December 2016 in the PRC with limited liability and an Independent Third Party
“Savvy”	Savvy Consulting Limited, formerly known as Homeport International Limited, a company incorporated in BVI with limited liability on 4 January 2006 and wholly-owned by Ms. Haslock and a connected person
“Second Supplemental Distribution Agreement”	the second supplemental distribution agreement dated 27 January 2017 entered into between Tree Limited and Yimu to amend the Distribution Agreement
“Second Supplemental Incentive Shares Deed”	the supplemental deed dated 15 November 2016 executed by Tree Limited, Tiptop and Ms. Babington to amend the Incentive Shares Deed as amended and supplemented by the Supplemental Incentive Shares Deed
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Sha Tin Store”	our retail store located at Shop Nos. 101-102 on Level 1 of the Retail (or Commercial) Accommodation of the messuages erections and premises at 138 Sha Tin Rural Committee Road, Sha Tin, New Territories, Hong Kong
“Share(s)” or “our Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of our Company
“Share Offer”	collectively, the Public Offer and the Placing

DEFINITIONS

“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 5 January 2018, the principal terms of which are summarised in the section headed “Appendix IV – D. Share Option Scheme” to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“Sinolink Securities”	Sinolink Securities (Hong Kong) Company Limited, a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities, one of the Joint Bookrunners and Joint Lead Managers and one of the Underwriters
“SoHo Store”	our previous retail store located at Ground Floor of 22 Elgin Street, Hong Kong
“Sole Sponsor” or “Oceanwide Capital”	Oceanwide Capital Limited, a licensed corporation under the SFO permitted to carry out type 6 (advising on corporate finance) regulated activity, being the sole sponsor to Listing
“sq.ft” and “sq.m”	square feet and square metres, respectively
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the same meaning ascribed to it in the GEM Listing Rules
“Supplemental Distribution Agreement”	the supplemental distribution agreement dated 20 December 2016 entered into between Tree Limited, World Luxury, Yimu and Yimu Beijing to amend the Framework Distribution Agreement and the Distribution Agreement
“Supplemental Incentive Shares Deed”	the supplemental deed dated 31 May 2016 executed by Tree Limited, Tiptop and Ms. Babington to amend the Incentive Shares Deed

DEFINITIONS

“Supplemental North America Licence Deed”	the supplemental licence deed dated 16 December 2016 entered into between Tree Limited as licensor, American Tree as licensee and Ms. Haslock as guarantor to amend the North America Licence Agreement
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Third Supplemental Distribution Agreement”	the third supplemental distribution agreement dated 5 April 2017 entered into between Tree Limited, World Luxury, Yimu and Sanya Jun Lai to amend the Framework Distribution Agreement and the Distribution Agreement
“Tiptop”	TIPTOP HONOUR LIMITED (譽頂有限公司), a company incorporated in the Independent State of Samoa with limited liability on 1 January 2015 and one of our Controlling Shareholders. Tiptop is wholly-owned by Mr. Tong and is a connected person
“Track Record Period”	the period comprising the three financial years ended 31 March 2015, 2016 and 2017 and the six months ended 30 September 2017
“Trading (China)”	Trading (China) Limited (貿易(中國)有限公司), formerly known as Tree (China) Limited (大樹(中國)有限公司), a company incorporated in Hong Kong with limited liability on 28 January 2011 and a connected person. Ms. Babington has been the sole registered shareholder of Trading (China) holding the entire issued share capital on trust for Ms. Haslock since 1 July 2011
“Tree (Shanghai)”	Tree (Shanghai) Limited* (名樹貿易(上海)有限公司), a wholly foreign-owned enterprise established in the PRC on 21 September 2011 and was wholly-owned by Trading (China) from its establishment to its deregistration. Tree (Shanghai) was dissolved by deregistration on 23 July 2014
“TREE Café”	the café operated by Tree Limited in our Flagship Store

DEFINITIONS

“Tree Investment”	Tree Investment Group Limited, a company incorporated in BVI on 6 April 2016 with limited liability and a direct wholly-owned subsidiary of our Company
“Tree Limited”	Tree Limited (大樹有限公司), formerly known as Wisdom Magic Limited, Anteaks Limited and Tree Limited, a company incorporated in Hong Kong with limited liability on 22 February 2002 and an indirect wholly-owned subsidiary of our Company
“U.S.”	the United States of America, including its territories and its possessions
“Underwriters”	collectively, the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	collectively, the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“US\$” or “US dollar(s)” or “USD”	United States dollars, the lawful currency of the U.S.
“ WHITE Application Form(s)”	the application form(s) for use by the public who require such Public Offer Shares to be issued in the applicant’s own name(s)
“World Luxury”	World Luxury HK Limited (世蒼香港有限公司), a company incorporated in Hong Kong on 26 May 2015 and with whom we have entered into the Framework Distribution Agreement and an Independent Third Party
“ YELLOW Application Form(s)”	the application form(s) for use by the public who require such Public Offer Shares to be deposited directly in CCASS
“Yimu”	Yimu Shenzhen Furniture Trade Limited* (深圳一木家具貿易有限公司), a wholly foreign-owned enterprise incorporated on 18 May 2016 in the PRC with limited liability and with whom we have entered into the Distribution Agreement and the Supplemental Distribution Agreement and an Independent Third Party

DEFINITIONS

“Yimu Beijing”	Yimu (Beijing) Commerce and Trade Limited* (一木(北京)商貿有限公司), a company incorporated on 24 November 2015 in the PRC with limited liability and an Independent Third Party
“Yuanta Securities”	Yuanta Securities (Hong Kong) Company Limited, a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities, one of the Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers and one of the Underwriters
“%”	per cent.

Certain amounts and percentage figures included in this prospectus may have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

*If there is any inconsistency between the Chinese names of entities, authorities, organisations, institutions or enterprises established in the Hong Kong and/or PRC or awards or certificates given in Hong Kong and/or PRC and their English translations, the Chinese language version or Chinese names shall prevail. The English translations of company names in Chinese which are marked with * are for identification purposes only.*

Unless otherwise specified, all times refer to Hong Kong time and reference to years in this prospectus are to calendar years.

Unless expressly stated or the context requires otherwise solely for your convenience, this prospectus contains conversions of certain USD into HKD at specified rates. You should not construe these translations as representations that USD could actually be, or have been, converted into HKD at the rates indicated or at all. Unless we indicate otherwise, the conversions of USD into HKD have been made at the rate of US\$1.00:HK\$7.80.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations and definitions of certain terms used in this prospectus in connection with our Group and our business. These terms and their meanings may not correspond to meanings or usage of these terms as used by others or standard industry definitions.

“CAGR”	compound annual growth rate, the year-on-year growth rate over a specified period of time
“Ex works basis”	the seller delivers when it places the goods at the disposal of the buyer at the seller’s premises or at another named place (i.e., works, factory, warehouse, etc.). The seller does not need to load the goods on any collecting vehicle, nor does it need to clear the goods for export, where such clearance is applicable
“FOB basis”	the seller delivers the goods on board the vessel nominated by the buyer at the named port of shipment or procures the goods already so delivered. The risk of loss of or damage to the goods passes when the goods are on board the vessel, and the buyer bears all costs from that moment onwards
“FSC”	Forest Stewardship Council A.C., an organisation which aims to promote environmentally appropriate, socially beneficial, and economically viable management of the world’s forests
“FSC 100%”	certification offered by FSC on products which contain only fibre from forests certified by FSC
“FSC Recycled”	certification offered by FSC on products which contain verified post-consumer and/or pre-consumer reclaimed materials
“FSC-certified”/ “FSC-certification”	a certification issued by FSC accredited certification bodies
“GDP”	an acronym for gross domestic product
“GFA”	gross floor area

GLOSSARY OF TECHNICAL TERMS

“Lifestyle furniture and home furnishing industry/market/sector”	lifestyle furniture and home furnishing industry constitutes retailers whose primary business focus is on the sale of wooden furniture and who also sell a range of home accessories. While the majority of such retailers’ revenue arises from the sale of wooden furniture, they must also sell one or more types of home accessories such as homeware (dining and kitchen), lighting (lighting fixtures), home textiles (bed, bath, kitchen and dining, living room and rugs) and other home accessories (mirrors, paintings, home fragrances etc). Players in this sector exclude retailers who focus on low value DIY, veneer furniture or retailers who sell mostly basic homeware needs and a limited range of sofas and beds
“p.a.”	per annum
“POS system”	point of sale system, usually at the checkout/cashier counter in a store or a location where a transaction occurs, to keep track of inventory record, product price, sales and returns

FORWARD-LOOKING STATEMENTS

FORWARD-LOOKING STATEMENTS CONTAINED IN THIS PROSPECTUS MAY NOT MATERIALISE

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategies, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words “believe”, “expect”, “aim”, “intend”, “project”, “will”, “may”, “plan”, “consider”, “anticipate”, “seek”, “should”, “would” or similar expressions or the negative thereof, are forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- future development, trends and conditions in the industry and markets in which we operate;
- expansion, consolidation or other trends in the industry in which we operate;
- the changes to the regulatory environmental in the industry and markets in which we operate;
- general political, business and economic conditions in the markets in which we operate;
- macroeconomic measures taken by the Hong Kong and/or the PRC governments to manage economic growth;
- our operation and business prospects;
- our sales and marketing activities;
- the competition for our business activities and the actions and development of our competitors;
- financial condition and performance of our Group;
- our dividend policy;

FORWARD-LOOKING STATEMENTS

- changes to our expansion plans and capital expenditures; and
- realisation of the benefits of our business plan and strategies.

We believe that the sources of information and assumptions contained in such forward-looking statements are appropriate sources for such statements and have taken reasonable care in extracting and reproducing such information and assumptions. We have no reason to believe that information and assumptions contained in such forward-looking statements are false or misleading or that any fact has been omitted that would render such forward-looking statements false or misleading in any material respect.

The information and assumptions contained in the forward-looking statements have not been independently verified by us, the Controlling Shareholders, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any other party involved in the Share Offer or their respective directors, officers, employees, advisers or agents and no representation is given as to the accuracy or completeness of such information or assumptions on which the forward-looking statements are made. Additional factors that could cause actual performance or achievements of our Group to differ materially include, but are not limited to those discussed under the section headed “Risk factors” and elsewhere in this prospectus.

These forward-looking statements are based on current plans and estimates, and apply only as of the date they are made. We undertake no obligation to update or revise any forward-looking statements in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

In this prospectus, statements of or references to our intentions or those of any of our Directors are made as at the date in this prospectus. Any such intentions may change in light of future developments.

RISK FACTORS

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in the Offer Shares. The business, financial condition, results of operations and prospects of our Group could be materially and adversely affected by any of these risks and uncertainties. Additional risks and uncertainties not presently known to us or not expressed or implied below, or that we deem immaterial, could also harm our business. The trading price of our Shares could decline significantly due to any of these risks and uncertainties, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We experienced a decrease in revenue for the year ended 31 March 2017 as compared to the year ended 31 March 2016 and our sales may not grow and may decline

Our revenue growth is dependent on a variety of factors, including, among other things, the continued demand for our products, our ability to continually source products to meet customers' changing tastes and preferences, maintaining our relationships with our suppliers or identifying suitable new suppliers, the effectiveness of our marketing, sales and after sales support activities, our ability to expand our sales networks in Hong Kong and expand our distribution networks in overseas markets and our ability to generate additional sales from existing customers. Our revenue amounted to approximately HK\$77.3 million for the year ended 31 March 2017, representing a decrease of approximately HK\$4.6 million or 5.6% from approximately HK\$81.9 million for the year ended 31 March 2016. If we fail to sustain our revenue, our results of operations and financial condition will be adversely affected.

We recorded a net operating cash outflow for the six months ended 30 September 2017 and may have difficulty in meeting our payment obligations if we continue to record net operating cash outflow in the future

For the six months ended 30 September 2017, our Group recorded net operating cash outflow in the amount of approximately HK\$0.5 million. Please refer to the section headed "Financial Information – Liquidity and capital resources – Cash flows – Operating activities" for more details.

We cannot guarantee that prospective business activities of our Group and/or other matters beyond our control (such as market competition and changes to the macroeconomic environment) will not adversely affect our operating cashflow and lead to net operating cash outflows in the future. If we face net operating cash outflows in the future, (i) we may not have sufficient working capital to cover our operating costs and we may have to fund our operating costs by obtaining bank borrowings. There is however no assurance that we will succeed in obtaining bank borrowings at terms favourable to us and we may incur significant finance costs for any such bank borrowings; and (ii) our liquidity may be adversely affected and we may not be able to meet our payment obligations, such as our trade payables. This may materially and adversely affect our business, financial position and results of operations.

RISK FACTORS

We recorded a significant decline in our revenue from our food and beverage business after the rectification of the non-compliance with the food factory licence of our Tree Café

During the Track Record Period, we provided non-disposable utensils and plastic trays at our TREE Café and our display tables and chairs were not located far away from our TREE Café and we may be considered as preparing food for sale for human consumption within the premises in breach of section 31(1) of the Food Business Regulation (Chapter 132X of the Laws of Hong Kong). To rectify such non-compliance, since 23 December 2016, we have stopped providing non-disposable utensils and plastic trays at our TREE Café and have put a label inside the counter of our TREE Café indicating to our customers that the food and beverages sold by our TREE Café are for takeaway. Please refer to the section headed “Business – Litigation and legal compliance – Legal compliance – Non-compliance matters” in this prospectus for more details.

Our Directors believed that the rectification of the aforesaid non-compliance affected our customers’ willingness to purchase from our TREE Café given that our food factory licence only allows us to prepare food and beverages for sale for human consumption off our premises and therefore resulted in the significant decrease in our food and beverage income for the year ended 31 March 2017 and the six months ended 30 September 2017. Our revenue from our food and beverage business may further decline if we fail to restore our customers’ willingness to purchase from our TREE Café.

We do not have any long-term purchase commitments from our customers and may suffer from a decrease in sales as a result of shift in customers’ tastes and preferences

Due to the nature of the furniture retail industry, our Directors believe that our customers generally purchase our products on an infrequent basis. Apart from our PRC Distributor, we do not have any purchase commitments from our customers and there is no obligation for them to purchase any products from us in the future. We cannot assure you that we will have a consistent source of revenue. 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.

The demand for our products is subject to various factors including the tastes and preferences of customers for furniture, which can be affected by market trends, recommendations and marketing and advertising campaigns. Further, our business is susceptible to adverse changes in customers’ spending patterns, which could materially and adversely affect the demand for our products. We cannot assure you that we will be able to anticipate the changes in market demand. We also may not be able to effectively promote our products through our marketing and advertising campaigns. If we fail to react to the changes in consumers’ tastes and preferences in a timely manner, our sales may decline and our financial condition and results of operations may be adversely affected.

RISK FACTORS

We may not succeed in expanding our sales network to new locations in Hong Kong or through online platform

A substantial part of our business strategy is to expand our sales network by establishing new retail stores in Hong Kong and launch an online store. For more details of our expansion plans, please refer to the section headed “Business – Our business strategies” in this prospectus. Our retail expansion plans require significant working capital and capital expenditure and are subject to uncertainties and risks such as our ability to identify suitable locations or negotiate lease terms acceptable to us, our ability to adapt to customers’ preferences in new locations and general market conditions. In addition, we will incur costs in executing our expansion plans such as an increase in sales, marketing and administrative expenses which may place a substantial strain on our Group’s managerial, operational and financial resources. A further part of our expansion plan is to launch an online platform for the sale of our products. As part of our expansion plans, we will invest considerable time and resources to establish our online platform including, website development, design and management, expansion of our warehouse capacity and increase of delivery staff and equipment. Despite our expansion plans, we may not be able to generate substantial website traffic or online sales.

It may take longer than expected for our new stores to reach breakeven or achieve investment payback, if at all. We cannot guarantee that we will execute our plans 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.

Any adverse claims, negative media speculation, false rumours or other negative publicity may affect our brand reputation

Our brand is important to our business and we have invested resources in promoting our brand. We cannot guarantee that we will be able to maintain and enhance our brand recognition. Failure to market our brand by continuously improving our products and services may affect the market perception and customer confidence in our brand and in turn our revenue and results of operations may be adversely affected.

Adverse claims, negative media speculation, false rumours or other negative publicity relating to our business or our products may materially and adversely harm our brand reputation. We cannot assure you that we can maintain or improve our brand image following any such negative publicity and this may affect our relationship with our suppliers and deter potential customers from purchasing our products in the future. Further, any claims, allegations or negative publicity may also distract our management from their day-to-day management responsibilities and may have a material adverse effect on our business and results of operations.

RISK FACTORS

We may not be able to adequately protect our intellectual property rights which could harm our brand and our business

Our Directors believe that our trademarks are important to our business as these trademarks enable customers to differentiate our business from our competitors. Details of our intellectual property rights are set out under the section headed “Appendix IV – B. Further information about the business of our Group – 2. Intellectual property rights – (i) Trademarks” in this prospectus. The trademarks which are essential to our business are registered in Hong Kong and the PRC for the appropriate category for use. We are in the process of registering our trademarks for use in Hong Kong, the PRC, the U.S. and Canada. There is no assurance that we will be able to register these trademarks as we may receive objection from other trademark owners claiming that these trademarks are substantially similar to one of their trademarks. Accordingly, we may not be entitled to the same protections with respect to our registered trademarks. Unauthorised use of our trademarks and brand names may damage our brand, name recognition and reputation. Although we have registered our trademarks, there is no assurance that infringement of our intellectual property will not take place. In certain jurisdictions that do not have developed intellectual property laws or a record of protecting intellectual property rights, we may face considerable difficulties and costly litigation in order to protect and enforce such rights. In the event that we are not able to protect our intellectual property rights, our brand reputation and sales volume may be harmed. Further, there is no assurance that our products do not and will not infringe other registered trademarks or intellectual property rights belonging to third parties.

Failure to protect our intellectual property rights from our PRC Distributor, American Tree and third parties may affect our reputation and business

We have entered into agreements with our PRC Distributor and American Tree, whereby we have granted each of our PRC Distributor and American Tree a licence to use certain trademarks and intellectual property rights of our Group in Beijing and Hainan province, the PRC and in the U.S. and Canada respectively. For more information, please refer to the sections headed “Business” and “Connected transaction” in this prospectus. We have limited control over the way our PRC Distributor and American Tree use our trademarks or operate. If our PRC Distributor and/or American Tree takes actions which are detrimental to our brand or provide sub-standard services to end customers, it may damage or lead to negative associations with our brand and adversely affect our reputation and business and harm our brand building efforts.

We are susceptible to infringement of our intellectual property rights by third parties and we cannot assure you that our intellectual property rights will not be misappropriated by third parties. We cannot assure you that we will not be subject to disputes, claims or litigation involving intellectual property rights. Litigation over our intellectual property rights may be costly and may lead to adverse media speculation and reports which may have adverse effects on our business and results of operations.

RISK FACTORS

We rely on our PRC Distributor for our distribution business and we have limited control over the way it operates

During the Track Record Period, our PRC Distributor was our only distributor and we relied on them to market and sell our products in Beijing and Hainan province, the PRC. It was also our largest customer for the two years ended 31 March 2017 and the six months ended 30 September 2017, with aggregate transaction amounts of approximately HK\$5.5 million, HK\$5.1 million and HK\$3.0 million, respectively. In addition, we are entitled to receive annual non-refundable fees of HK\$2.4 million and HK\$0.8 million from our PRC Distributor for distribution of our products in Beijing and Hainan province, the PRC, respectively, under the Distribution Agreement. For further information, please refer to the section headed “Business – Distribution and licence” in this prospectus.

We cannot guarantee that our PRC Distributor will efficiently and successfully sell our products in Beijing or Hainan province, the PRC. Our PRC Distributor opened its first retail store (with a café inside) and second retail store (without a café inside) in Chaoyang District, Beijing, the PRC, in March 2016 and February 2017, respectively. In February 2017, through Sanya Jun Lai, our PRC Distributor opened a retail store in Hainan province, the PRC. As advised by our PRC Distributor, they were informed in May 2017 that the location of its first retail store was subject to change in the policy of the PRC government on the area in which its first retail store was situated and they were requested by the landlord to move out from its first retail store. As a result, in May 2017, our PRC Distributor closed down its first retail store (including the café). As advised by our PRC Distributor, it has been looking for a new location for a new store and café. Our PRC Distributor expects to reopen a new store and café in the first quarter of 2018. As at the Latest Practicable Date, our PRC Distributor had two retail stores in Beijing and Hainan province, the PRC, respectively.

Further, we have limited control over the way our PRC Distributor operates its business. Our PRC Distributor may (i) have different economic or business interests and goals than we do; (ii) take actions contrary to our instructions or requests or the terms of the Distribution Agreement; (iii) be unwilling or unable to fulfil their obligations under the Distribution Agreement; and (iv) fail to comply with the relevant laws and regulations. Any negative publicity arising from the misconduct of our PRC Distributor may adversely affect our reputation and any breach of the Distribution Agreement may bring an end to the distributorship, which could materially and adversely affect our revenue and results of operations.

We are exposed to credit risk arising from our PRC Distributor

Our PRC Distributor may have financial or operating difficulties, which may expose us to credit risk. Since the engagement of our PRC Distributor, there have been instances where we have arranged shipment of products to our PRC Distributor before receiving full payment. As at 31 March 2015, 2016, 2017 and 30 September 2017, trade receivables from our PRC Distributor were approximately nil, HK\$1.6 million, nil and HK\$0.4 million, respectively. We cannot guarantee that our PRC Distributor will settle its purchase in a timely manner in the future. Our results of operations could be materially and adversely affected if our PRC Distributor fails to settle its purchase from us or pay us the distribution and licence fee.

RISK FACTORS

We may not succeed in renewing the Distribution Agreement with our PRC Distributor

In 2015, we entered into a Framework Distribution Agreement with our PRC Distributor for the distribution of our products in Beijing, the PRC, for a term of three years. We entered into the Renewed Distribution Agreement with our PRC Distributor on 17 October 2017 to renew the Distribution Agreement which will expire on 30 June 2018. The Renewed Distribution Agreement will take effect from 1 July 2018 for a period of three years. We cannot guarantee that we will be able to renew the distribution arrangement in the future. In addition, our relationship with our PRC Distributor may deteriorate. If our PRC Distributor chooses not to renew the distribution arrangement with us in the future, we may not be able to find a new distributor in a timely manner, or on terms commercially acceptable to us, or at all. Thus, the possible loss of our PRC Distributor could adversely affect our revenue, results of operations and growth prospects, as well as limit our presence in the PRC.

We may not succeed in expanding our distribution network to other regions in the PRC or other overseas markets

Our business strategies include expansion of our distribution network to new regions in the PRC (including but not limited to Shanghai, Guangzhou and Shenzhen) and/or other overseas markets. However, there is a risk that we may not be able to identify any suitable new distributors. Whether we can expand our distribution network depends on our ability to engage appropriate distributors, the new distributors' familiarity with local customers' tastes and preferences, the new distributors' ability in operating their retail stores at suitable locations, their ability to attract customers, the availability of qualified staff and compliance with applicable local laws and regulations. We may have to incur significant costs in identifying new distributors and the new distributors may not be able to perform well which may harm our business and adversely affect our results of operations.

We have not entered 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.

RISK FACTORS

Our success depends on the continued service of our Directors and senior management

Some of our Directors and senior management, in particular, Ms. Babington, possess in-depth knowledge of the retail industry and have made significant contributions to our Group's business development. Details of our current management personnel, including their relevant areas of expertise, are set forth in the section headed "Directors and senior management" in this prospectus. Our continued success depends, to a large extent, on the ability to attract and retain the services of our key management personnel. Accordingly, if we lose or are unable to attract or retain any of our key management personnel, thereby losing their services without suitable and timely replacements, there may be disruption to our operation, which may adversely affect our results of operations and prospects.

An increase in procurement costs or our inability to procure furniture and accessories at satisfactory prices may adversely affect our profitability

Our procurement costs may fluctuate due to factors such as shortage in raw materials or fluctuations in our shipping costs or general market conditions. In particular, the prices of wooden furniture may fluctuate due to factors affecting supply of raw wood materials such as natural disasters, stricter local rules and regulations or the availability of alternative comparable materials. As we do not enter into any long-term purchase agreements with our suppliers and our shipping agents, we are subject to risks of fluctuations in procurement costs or shortage in supply of products. If we are unable to obtain products from our suppliers at satisfactory prices or pass the increased costs on to our customers, our profitability and financial performance may be harmed. In addition, if we are unable to find alternative suppliers of furniture and accessories or shipping agents, our business, financial condition and results of operations may be materially and adversely affected.

We are exposed to risks of obsolete and slow-moving inventory which may adversely impact our cash flow and liquidity

The amount of our inventory as at 31 March 2015, 2016 and 2017 and 30 September 2017 was approximately HK\$9.6 million, HK\$10.9 million, HK\$10.0 million and HK\$11.7 million, respectively. For the three years ended 31 March 2017 and the six months ended 30 September 2017, the average inventory turnover days of our products was approximately 153 days, 139 days, 145 days and 152 days and the amount of write off of inventories was approximately nil, HK\$47,000, HK\$32,000 and nil, respectively. The demand for our products is highly dependent on customers' tastes preferences, which are beyond our control. Any increase in inventory may adversely affect our working capital. If we cannot manage our inventory level efficiently in the future, our liquidity and cash flow may be adversely affected. Further, if we fail to source appropriate products to suit customers' tastes and preferences in the future, the volume of obsolete and slow-moving inventory may increase and we may need to either sell off such inventory at a lower price or write off such inventory, in the event of which our financial position and results of operations may be materially and adversely affected.

RISK FACTORS

We may not be able to detect quality issues in our products

For the year ended 31 March 2016, we had a product recall incident relating to rocking chairs. For more details, please refer to the section headed “Business – Customer complaints” in this prospectus. We source our products from our suppliers and we cannot assure you that our internal control measures can identify all the quality or safety issues of our products. For details of our quality control measures, please refer to the section headed “Business – Sales of furniture and home accessories – Quality control” in this prospectus. For details of our internal control measure on product safety, please refer to the section headed “Business – Internal control and risk management – Internal control on product safety” in this prospectus. Any defects or quality or safety issues with our products may adversely affect our reputation and the confidence of our customers to purchase from us, thereby adversely affecting our sales.

We are exposed to product liability claims and litigation risks for defective or unsafe products

If there are any defects or quality or safety issues with our products, our customers may not fulfil their payment obligations or ask for refund of goods and may bring claims against us for any injury suffered due to the defects of our products. For details of our product return policy with our retail customers, please refer to the section headed “Business – Sales of furniture and home accessories – A. Direct Sales – After-sale services and product return policy” in this prospectus. During the Track Record Period, we had a product recall incident relating to rocking chairs. The total amount refunded was approximately HK\$0.1 million. For more details, please refer to the section headed “Business – Customer complaints”. Further, our PRC Distributor is entitled to return any defective product to us within three months of the date of delivery, in which case we shall replace at our own cost all defective products.

We do not maintain product liability insurance and we cannot assure you that we will not be subject to any product liability claims pursuant to regulations on sales of goods. Any such product liability claim may result in litigation and legal costs, which are inherently expensive, and divert management attention and other resources from our business and operations. Additionally, our brand reputation may be harmed regardless of the merits of the claim. Further, if compensation awarded to affected customers is substantial, this could adversely affect our results of operations and financial conditions.

Our business could be adversely affected by increase in labour costs

Our success depends in part upon our ability to attract, retain and motivate our employees. As at Latest Practicable Date, we had 63 employees, including sales and store operations, administration, marketing, merchandising and shipping, logistics, and warehousing employees. According to the Euromonitor Report, wages for labour in Hong Kong is increasing, and as such, this may have a material adverse effect on our business, results of operations and prospects due to the increasing labour costs.

Further, we may require additional employees as a result of the implementation of our business strategies. If we implement such strategies but fail to realise the benefits and efficiencies we anticipate, we may be unable to offset the increase in our labour costs or pass along these increased labour costs to our customers, and our profitability and results of operations could be materially and adversely affected.

RISK FACTORS

We have no control over our suppliers and the FSC-certified products supplied to us. If their product certification does not meet our expectations, we could be exposed to product liabilities

Our Directors are committed to offering products with FSC 100% or FSC Recycled certification as part of our product range to our customers and we source from suppliers who supply FSC-certified products. We have no control over the FSC-certification process of our suppliers. If circumstances arise resulting in our suppliers' FSC-certification being revoked due to events beyond our control, the products supplied to us by these suppliers will not be FSC-certified. Alternatively, the FSC-certification systems may be challenged. If the above circumstances happen, our brand reputation may be adversely harmed and as a result our sales and revenue may decrease.

We generally rely on third parties to deliver products to our warehouses

In general, we are responsible for the marine freight transport and delivery of the products from our suppliers' original port to our warehouses in Hong Kong by engaging third party shipping agents. For more information, please refer to the section headed "Business – Procurement procedures – Procurement from suppliers – Furniture and home accessories – (iii) Delivery of goods to us" in this prospectus. We engage shipping agents when needed without entering into any long-term agreements with them. We cannot guarantee that we will be able to engage them on favourable terms and we may be exposed to the risk of an increase in fees which may adversely affect our results of operations.

Further, we have limited or no control over the operation of our shipping agents, and our products may face the risk of theft or damage. If any of our products are lost or damaged, or delivery of which is delayed, we may not be able to find suitable replacement products for our customers on a timely basis. We may also be required to refund our customers. Our business and results of operations may be adversely affected if there is any disruption to the delivery chain.

The leases for our retail stores and warehouses are generally short-term and we may not be able to renew such leases on favourable terms or at all

As at the Latest Practicable Date, we have entered into leases in relation to six properties in Hong Kong for the operation of our business. Three of our leased premises were used as our retail stores while three of them were used as our warehouses which were located on two separate floors in a building near our Flagship Store. Part of the area in our Flagship Store was also used as our office. Our rental payment and related expenses amounted to approximately HK\$12.0 million, HK\$12.3 million, HK\$12.3 million and HK\$6.7 million for the three years ended 31 March 2017 and the six months ended 30 September 2017, which represent approximately 18.4%, 15.1%, 15.9% and 16.5% of our revenue, respectively. The term of our lease agreements for all of our retail stores range from approximately six months to approximately three years. For more details of our leases with our retail stores, please refer to the section headed "Business – Properties" in this prospectus. We cannot assure you that the rental costs for our retail stores and warehouses will not increase in the future and this may expose us to potentially significant risks and may limit our cash available for other purposes. If we cannot renew the lease agreements for our existing retail stores and warehouses on

RISK FACTORS

similar terms or on terms acceptable to us or the lease agreements are terminated, we may need to find alternative locations at a higher rent and our financial condition and results of operations may be adversely affected.

During the Track Record Period, we terminated our lease in respect of our SoHo Store due to certain unauthorised building works that were unable to be rectified by us. If our leased premises are unsuitable for retailing or being warehouses or otherwise our respective landlords are unable or unwilling to make our stores or warehouses suitable for our business, we may be required to terminate our leases and close affected retail stores or warehouses. Such closure may have a material adverse effect on our revenue, financial condition and results of operations.

Our information technology system, notably our POS system, is important to our operations. A system failure or breakdown may cause interruptions of our business and operations

Our information technology system, in particular, our POS system, is important for us to conduct our operations. We currently use an integrated POS System to keep track of our inventory record, product price, sales and returns record. We plan to acquire a new and more updated POS System for our operations. Any failure or breakdown in a particular part of our information technology system, particularly our current or future POS system, for an extended period of time may cause interruptions in our business and operations. Furthermore, a dispute with our information technology service provider or termination of a service contract with such provider may adversely affect our ability to use our information technology infrastructure or upgrade such infrastructure in a timely and cost-effective manner. If any of these events occur, our business, financial condition and results of operations may be materially and adversely affected.

Our Group's insurance coverage may not be sufficient to cover all the risks which our operations are exposed to and therefore our Group is susceptible to significant liabilities

No assurance can be given that our operations will be free of accidents and there is a risk that our insurance coverage may not adequately protect us against all risks relating to, and arising from, our business operations, including risk of fire, accidents, injuries and other hazards. Our products and protective coating materials are stored in our warehouses and our retail stores showcase our products, all of which are susceptible to the risk of fire. Our business may be adversely affected due to the occurrence of fire, typhoons, earthquakes, floods or other natural disasters or similar events at our warehouses, retail stores or in transit. We cannot assure you that we will have adequate, or any, insurance for any losses incurred. In the event that an accident or natural disaster occurs, we could suffer financial losses, product losses and damage to our reputation. Any material loss, even if covered by our insurance, could severely disrupt our business operations, resulting in loss of income and business opportunities. Please refer to the section headed "Business – Insurance" in this prospectus for more information on our insurance policies. Further, we cannot assure you that we will be able to maintain sufficient insurance coverage in the future or that upon expiry of our current insurance policy that we will be able to renew our insurance policy on terms favourable to us.

RISK FACTORS

We may be unable to detect, deter and prevent all instances of fraud or other misconduct committed by our employees, customers or other third parties which could subject us to financial losses and harm our reputation

As a furniture retailer, we receive and handle cash and credit card transactions in our daily operations. We cannot assure you that there will not be any instances of fraud, theft or other misconduct involving our employees, customers and other third parties in future. We may be unable to prevent, detect or deter all instances of misconduct. Any misconduct committed against our interests, which may include past acts that have gone undetected or future acts, could subject us to financial losses, harm our reputation and may have a material adverse effect on our business and results of operations.

If we fail to maintain an effective system of internal controls, we may not be able to comply with the GEM Listing Rules and other regulatory requirements

We have established measures, policies, systems and procedures which we believe are adequate to assist us and our Directors in our obligations to comply with the GEM Listing Rules and other regulatory requirements, for example, the Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong), the Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong) and the Toys and Children's Products Safety Ordinance (Chapter 424 of the Laws of Hong Kong). For details of the regulatory requirements, please refer to the section headed "Regulatory overview" in this prospectus. We believe that these measures, policies, systems and procedures are sufficient to enable our Directors to make a proper assessment of our operations, financial position and prospects. We have also adopted measures and policies on our internal control systems covering areas such as corporate governance, operations, management, human resources and finance. Our Audit Committee reviews and supervises our internal control systems. Notwithstanding this, our internal controls may not prevent or detect misstatements with regard to our operations, financial position and prospects. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that internal controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Any failure to maintain an effective system of internal controls could result in our financial statements being unreliable and could harm our operating results or cause us to fail to manage our business effectively or to meet our various regulatory obligations.

RISKS RELATING TO OUR INDUSTRY

We are and may continue to be reliant on the performance of the property market in Hong Kong

The business and prospects of our Group partly depends on the performance of the property market in Hong Kong. Our Directors believe that there are increasing concerns over the affordability of housing in Hong Kong which may lead to a decline in the transaction number and sales values of residential properties in Hong Kong. We cannot guarantee that the demand for properties in Hong Kong will continue to grow or that there will not be a market downturn of the property sector in Hong Kong. Fluctuations of demand in the property market may influence the demand for furniture and home accessories in general. Our business and results of operations may be adversely affected if there is any adverse development in the property market in Hong Kong.

RISK FACTORS

We operate in a highly fragmented and competitive market and in order to remain competitive we may be required to alter our business strategies, which could affect our revenue and profitability

According to the Euromonitor Report, 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.

Further, any failure on our part to compete effectively with our competitors may result in loss or inability to expand our market share, which may have a material adverse result on our business, financial conditions and business prospects.

Economic conditions and the resulting decline in consumer spending could harm our business and financial performance

The general economic conditions in our major market, namely Hong Kong, affect consumers' spending patterns and, consequently, demand for our products. Specifically, economic factors such as a reduction in the availability of credit, increased unemployment levels, higher oil and energy costs, rising interest rates, adverse conditions in the housing markets, financial market volatility, recession, reduced consumer confidence, increased savings rates, and other factors affecting consumer spending behavior such as acts of terrorism or major epidemics (including SARS, H1N1 or other influenzas) could adversely affect demand for our products. If general economic conditions remain depressed, we may not be able to maintain or continue to grow our sales. In addition, reduced consumer spending may cause us to lower prices, which would have a negative impact on gross profit.

There is increasing competition from online retailers which may have an adverse effect on our market share and/or our revenue

There are various online sales platforms and online retailers which are engaged in the business of selling furniture and may include a wide variety of products catering to the needs and demands for different customers. Our retail business focuses solely on our physical retail outlets and we currently do not have an online retail store.

Our Directors consider that due to the rapid development of online retailing, there is a high risk that internet-based retailing will become increasingly dominant in the lifestyle furniture and home furnishing market. As compared to traditional physical stores, online sales platforms offer greater accessibility and convenience for customers who do not need to travel to purchase furniture. Further, online retailers may incur lower overhead expenses compared with physical retail stores and as such, similar products to our own may be offered at more competitive prices. We may not be able to compete with online retailers and we cannot assure you that we will be able to maintain or increase our sales in face of the competition from online furniture retailers.

RISK FACTORS

Our business is subject to seasonal fluctuations

Our business is susceptible to seasonal fluctuation. We tend to record higher revenue from sales in August and December and January. Our Directors believe this is primarily due to historical purchase trends and that we are exposed to the risks associated with such seasonal factors and the fluctuations of demand for our products. Should there be any adverse change in market condition, our profitability may be adversely affected. In addition, as a result of the seasonal impact on business, comparisons of sales and operating results between different periods within a single financial year, or between different periods in different financial years, are not necessarily meaningful and cannot be solely relied on as indicators of our Group's performance. Moreover, any seasonal fluctuations reported in the future may not match expectations of the investors and this could cause the trading price of the Shares to fluctuate.

RISK RELATING TO CONDUCTING BUSINESS IN HONG KONG

Risks relating to the economic, political, legal and social conditions in Hong Kong

Our retail stores are located in Hong Kong and any adverse changes in the economic, political, legal and social conditions of Hong Kong may lead to an adverse impact to the demand for our products and may result in deteriorating financial performance of our Group.

Furthermore, we cannot assure you that there will not be any political movements or large scale political unrest in Hong Kong which may in turn adversely impact the market or lead to disruption of the general economic, political and social conditions in Hong Kong. If such unrest or movement persists for a substantial period of time, it may lead to such disruption, and our overall business, results of operations and financial condition may be adversely affected.

Hong Kong became a special administrative region of the PRC when the sovereignty of Hong Kong was returned to the PRC in July 1997. The PRC has implemented its rule in Hong Kong through the Basic Law which provides that Hong Kong shall have a high degree of autonomy and enjoy executive, legislative and independent judicial power, including that of final adjudication under the principle of "one country, two systems". However, we cannot assure you that the economic, political and legal developments in Hong Kong will not be adversely affected as a result of the exercise of sovereignty by the PRC over Hong Kong. If there is any material adverse change in the general economic, political and legal developments in Hong Kong, our operations and financial position may be adversely affected.

Strong headwinds from a slowing global economy has seen Hong Kong's economic growth slowdown noticeably in 2016, with GDP growth standing at 3.9% for the year, compared with a CAGR of 5.2% over the period from 2012 to 2016. A slumping property market and declining exports of services in 2016 – the first annual decline recorded since 1998 – has been a major drag on Hong Kong's economy. Our primary business is the operation of retail stores located in Hong Kong and if the retail sector in Hong Kong continues to decline, this could have an impact on the demand for our products and may result in deteriorating financial performance of our Group.

RISK FACTORS

Risks of acts of God, acts of war and terrorism, natural disasters, riots, epidemics and other disasters

The economy, infrastructure and livelihood of the people of Hong Kong or such other jurisdictions may be materially and adversely affected by acts of God, acts of war and terrorism, natural disasters, riots, epidemics and other disasters which are beyond our control. Our business, financial condition and results of operations may be adversely affected if these events occur.

For example, epidemics threaten people's lives and may adversely affect their livelihood as well as their living and consumption patterns. The occurrence of an epidemic is beyond our control, and we cannot assure you that the outbreak of severe acute respiratory syndrome, the H5N1 strain of avian influenza, the H1N1 strain of swine flu, the Zika virus or any other epidemics or pandemics will not happen. Any epidemic or pandemic occurring in Hong Kong, or even in areas outside of Hong Kong, may adversely affect our business, financial condition and results of operations. Acts of war and terrorism may cause damage or disruption to us or our employees, facilities, markets, suppliers or customers, any of which may adversely impact our revenue, cost of sales, financial condition and results of operations or the trading price of our Share. Potential war or terrorist attacks may also cause uncertainty and cause our business to suffer in ways that we cannot currently predict.

RISKS RELATING TO THE SHARE OFFER

Our financial performance would be adversely affected by certain non-recurring expenses

Our Group's financial results for the year ending 31 March 2018 will be affected by certain non-recurring expenses including but not limited to the share-based compensation expense arising from the incentive shares and put option granted by Tiptop to Ms. Babington under the Incentive Shares Deed.

For the three years ended 31 March 2017 and six months ended 30 September 2017, our Group recognised a total share-based payment expense of nil, HK\$2.5 million, HK\$2.3 million and HK\$0.7 million, respectively, in relation to the incentive shares and put option granted by Tiptop to Ms. Babington under the Incentive Shares Deed. It is expected that our Group will recognise a total share-based compensation expense of approximately HK\$0.7 million for the year ending 31 March 2018.

RISK FACTORS

Accordingly, our Board wishes to inform the Shareholders and potential investors that our Group's financial results for the year ending 31 March 2018 is expected to be materially adversely affected by, among other things, the share-based compensation expenses which are non-recurring.

An active trading market may not develop

Prior to the Share Offer, there has not been a public market for our Shares. The Offer Price for the Offer Shares was the result of negotiations among our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters). The Offer Price may differ significantly from the market price for our Shares following the Share Offer. Furthermore, there is no assurance that an active or liquid public market for our Shares will develop or be sustained if developed. An investor who purchases our Shares in the Share Offer may not be able to resell such Shares at or above the initial Offer Price. The market price of our Shares may decline below the initial Offer Price.

There has been no prior public market for our Shares, and the liquidity, market price and trading volume of our Shares may be volatile which may result in substantial losses for investors purchasing our Shares in Share Offer

The market price and trading volume of our Shares could be affected by a number of factors from time to time, including but not limited to, the variations in our revenue, earnings and cash flows, new investments, acquisitions or alliances, regulatory developments, litigation and change of key personnel. Any such developments may result in large and sudden changes in the volume and price at which our Shares will trade. We cannot assure you that such developments will or will not occur and it is difficult to quantify the impact on our Group and on the trading volume and market price of our Shares. In addition, the Stock Exchange has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of companies quoted on the Stock Exchange. They could also be adversely affected by factors beyond our control and unrelated to our business performance such as downturn of the global and Hong Kong economy.

There may be a risk of dilution of the Shareholders' equity interests

We may need to raise additional funds in the future to finance our business development or expansion. If the funds required are raised through issuing new equity or equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the shareholding percentage of such Shareholders in the Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the Offer Shares.

RISK FACTORS

Our Company has conditionally adopted the Share Option Scheme although as at the Latest Practicable Date, no option was granted under the Share Option Scheme. As options are granted and exercised in the future there will be an increase in the number of issued Shares. As such, there may be a dilution or reduction of shareholding percentage of the Shareholders which may also result in a dilution or reduction of the earnings per Share or net asset value per Share. In addition, the fair value of the options to be granted under the Share Option Scheme will be charged to the consolidated statement of comprehensive income of our Group over the vesting periods of such options. Accordingly, the financial condition and results of operations of our Group may be adversely affected.

There can be no assurance that we will declare or distribute any dividend in the future

A decision to declare and pay any dividends would require the recommendations of our Board and the approval of our Shareholders or, in the case of interim dividends, the approval of our Board in accordance with the Articles. The decision to pay dividends will be reviewed in light of the factors such as the results of operations, financial conditions and position and other factors deemed relevant. Any distributable profits that are not distributed in any given year may be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend. Our future declarations of dividends will be at the absolute discretion of our Board.

Future sales by existing Shareholders of a substantial number of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares

The Shares held by the Controlling Shareholders are subject to a lock-up period of three years from the Listing Date. While our Group is not aware of any intentions of its existing Shareholders to dispose of significant amounts of their Shares upon expiry of relevant lock-up periods, we cannot assure you that the Controlling Shareholders will not dispose of our Shares held by them. Our Group cannot predict the effect, if any, of any future sales of our Shares by any substantial shareholder of our Company or Controlling Shareholder on the market price of our Shares. Sales of a substantial amount of Shares by any substantial shareholder of our Company or Controlling Shareholder or the issuance of a substantial amount of new Shares by our Company, or the market perception that such sales or issuance may occur, could materially and adversely affect the prevailing market price of our Shares.

The interests of our Controlling Shareholders may not always coincide with our interests and those of our other Shareholders

Immediately following completion of the Share Offer and Capitalisation Issue (and taking no account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), Tiptop will directly hold approximately 69.8% of our issued share capital. Our Controlling Shareholders will be in a position which has significant influence over the operations and business strategy of our Company, and may have the ability to require us to effect corporate actions according to their own desires. If the interests of any of our Controlling Shareholders conflict with the interests of our Company and Shareholders, our Company and Shareholders may be adversely affected.

RISK FACTORS

There may be difficulties in protecting Shareholders' interests because our Company is incorporated under the Companies Law

Our corporate affairs are governed by our Memorandum of Association, Articles of Association and by the Companies Law and common law of the Cayman Islands. The law of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes and judicial precedent in existence in Hong Kong and other jurisdictions. For more details, please see the section headed "Summary of the constitution of our Company and Cayman Islands Company Law" in Appendix III to this prospectus.

RISKS RELATING TO THIS PROSPECTUS

Risk of accuracy and completeness of statistics and facts

This prospectus contains certain statistics and facts that have been extracted from government official sources and publications or other sources. We believe that the sources of these statistics and facts are appropriate and have taken reasonable care in extracting and reproducing such statistics and facts. We have no reason to believe that such statistics and facts are false or misleading or that any fact has been omitted that would render such statistics and facts false or misleading. Nevertheless, due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such information and statistics may be inaccurate or may not be comparable to information and statistics produced with respect to other countries. Statistics, industry data and other information relating to the economy and the industry derived from various public or governmental sources used in this prospectus may not be consistent with other information available from other sources and therefore, these statistics and facts should not be unduly relied upon. In addition, these statistics and facts have not been independently verified by us, the Controlling Shareholders, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other party involved in the Listing and therefore, we make no representation as to the accuracy or completeness of these statistics and facts, as such these statistics and facts should not be unduly relied upon.

Investors should read the entire prospectus carefully and should not consider any particular statements in this prospectus or in published media reports without carefully considering the risks and other information contained in this prospectus

There may have been or may be coverage in the media regarding the Share Offer and our operations. We do not accept any responsibility for the accuracy or completeness of the information and make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. To the extent that any information in the media is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should not rely on any of the information in press articles or other media coverage.

RISK FACTORS

Forward-looking statements contained in this prospectus may prove inaccurate and therefore investors should not place undue reliance on such information

This prospectus contains certain forward-looking statements relating to the plans, objectives, expectations and intentions of our Directors and our Group. Such forward-looking statements are based on numerous assumptions as to the present and future business strategies of our Group and the development of the environment in which our Group operates. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual financial results, performance or achievements of our Group to be materially different from the anticipated financial results, performance or achievements of our Group expressed or implied by these statements. The actual financial results, performance or achievements of our Group may differ materially from those discussed in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, (i) the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive; (ii) there are no other matters the omission of which would make any statement herein or this prospectus misleading; and (iii) all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. So far as the Share Offer is concerned, no person is authorised to give any information or to make any representation not contained in this prospectus, and any information or representation not contained herein shall not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors (where applicable) or any other parties involved in the Share Offer.

Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus, and the procedures for applying for the Public Offer Shares are set out in the section headed “How to apply for Public Offer Shares and Employee Reserved Shares” in this prospectus and in the relevant Application Forms.

OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus is published in connection with the Share Offer for which Oceanwide Capital Limited is the Sole Sponsor. For applications in the Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Public Offer. The listing of, and permission to deal in the Shares on the Stock Exchange is sponsored by the Sole Sponsor and the Share Offer is managed by the Joint Global Coordinators. The Public Offer is fully underwritten by the Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement. The Placing is expected to be fully underwritten by the Placing Underwriters pursuant to the Placing Underwriting Agreement and is subject to our Company and the Joint Global Coordinators (for itself and on behalf of the Underwriters) agreeing on the Offer Price. For further information about the Underwriters and underwriting arrangements, please refer to the section headed “Underwriting” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Joint Global Coordinators (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or around Thursday, 18 January 2018, or such later date as may be agreed by the Joint Global Coordinators (for itself and on behalf of the Underwriters) and our Company. The Offer Price is currently expected to be not more than HK\$0.17 per Share and not less than HK\$0.13 per Share. The Joint Global Coordinators (for itself and on behalf of the Underwriters) may reduce the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, a notice of the extension or reduction of the indicative Offer Price range will be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.treeholdings.com.

If the Joint Global Coordinators (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on the Price Determination Date, the Share Offer will not proceed and will lapse.

RESTRICTIONS ON SUBSCRIPTION OF THE OFFER SHARES

Each person acquiring the Offer Shares will be required to confirm, or by his/her/its acquisition of the Offer Shares will be deemed to confirm, that he/she/it is aware of the restrictions on offer and sale of the Offer Shares described in this prospectus.

As at the Latest Practicable Date, no action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Offer Shares or the distribution in this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in relation to the Share Offer in any jurisdiction or in any circumstance in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such offer or invitation. The distribution of this prospectus and the offer and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under any applicable laws, rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities as an exemption therefrom.

Prospective investors for the Offer Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe the applicable laws, rules and regulations of any relevant jurisdictions. Prospective applicants for the Offer Shares should also inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

APPLICATION FOR LISTING ON GEM

Our Company satisfies the requirements relating to continuity of ownership and control throughout the full financial year immediately preceding the Latest Practicable Date and up until the Listing Date under Rule 11.12A(2) of the GEM Listing Rules.

Our Company has applied to the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and which are to be issued or may be issued pursuant to the Capitalisation Issue and the Share Offer (including any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme) and as otherwise described herein on GEM. Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public (as defined in the GEM Listing Rules).

No part of the share or loan capital of our Company is listed, traded or dealt in on any other stock exchange. As at the Latest Practicable Date, our Company was not seeking or proposing to seek a listing of, or permission to deal in, any part of its share or loan capital on any other stock exchange other than the Stock Exchange.

Under Section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment or transfer made in respect of any offering of the Offer Shares will be void if the permission for the listing of, and dealing in, our Shares on GEM has been refused before the expiration of three weeks from the date of the closing of the Share Offer or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of listing and at all times thereafter, the Company must maintain the minimum prescribed percentage of at least 25% of the issued share capital of the Company in the hands of the public (as defined in the GEM Listing Rules). A total of 396,000,000 Offer Shares, representing 25% of the enlarged issued share capital of the Company immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any options which may be granted under the Share Option Scheme) will be made available under the Share Offer.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors for the Offer Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in our Shares or exercising their rights thereunder. None of our Company, our Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective directors or employees or any other persons or parties involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in our Shares, or exercising their rights thereunder.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal share register will be maintained by our principal share registrar, Estera Trust (Cayman) Limited, in the Cayman Islands and our Company's Hong Kong branch register will be maintained by our Hong Kong branch share registrar, Tricor Investor Services Limited.

The Shares are freely transferable. Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

All the Offer Shares will be registered on our branch register of members to be maintained in Hong Kong. Dealings in our Shares registered on our branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty. For further details about Hong Kong stamp duty, please refer to the section headed "Appendix IV – Statutory and General Information – E. Other information – 12. Taxation of holders of Shares" in this prospectus. Dealings in our Shares will not be subject to the Cayman Islands stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of our Shares will be paid to the Shareholders listed on our branch register of members to be maintained in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder or if joint Shareholders, to the first-named therein in accordance with the Memorandum of Association.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Further details of the structure and conditions of the Share Offer are set out in the section headed "Structure and conditions of the Share Offer" in this prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus on GEM and the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date, or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements as such arrangements will affect their rights and interests.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for our Shares to be admitted into CCASS.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in our Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on or about Thursday 25 January 2018. Shares will be traded in board lots of 20,000 Shares each. The stock code of our Shares will be 8395. Our Company will not issue any temporary document of title.

LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese translation in this prospectus, the English version of this prospectus shall prevail.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables or charts may not be equal to the apparent total of individual items. Where information is presented in thousands or millions of units, amounts may have been rounded up or down. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

EXCHANGE RATE CONVERSION

Unless the context requires otherwise, conversion of US\$ into HK\$ is made in this prospectus, for illustration purposes only, at the rate of US\$1.00 to HK\$7.80. No representation is made that any amount in US\$ and HK\$ could have been or could be converted at the above rate or at any other rate or at all.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Ms. Mary Kathleen BABINGTON, alias Mary Kathleen Kate BABINGTON (Chief executive officer)	3B Jolly Garden 7 Wang Fung Terrace Tai Hang Road Hong Kong	British
Mr. TSUI Wing Tak (徐穎德)	Flat D, 17/F Foong Shan Mansion Gao Shan Terrace 23 Taikoo Shing Road Taikoo Shing Hong Kong	Chinese
<i>Non-executive Directors</i>		
Mr. TONG Tang Joseph (唐登) (Chairman)	House 23, Strawberry Hill 8 Plunkett's Road The Peak Hong Kong	Canadian
Ms. Nicole Lucy HASLOCK	21840 Peissner Road SE Yelm, Washington 98597 USA	British
<i>Independent non-executive Directors</i>		
Mr. YEUNG Man Chung Charles (楊文忠)	Flat H, 30/F, Tower 12 Yee Moon Court (South Horizons) 12 South Horizon Drive Hong Kong	Chinese
Mr. TSANG Wai Yin (曾偉賢)	Flat F, 24/F, Block 1 Ronsdale Garden 25 Tai Hang Drive Tai Hang Hong Kong	Chinese
Mr. SIT Hoi Wah Kenneth (薛海華)	Flat B, 4/F, Yick King Building 3 Chun Fai Road Jardine's Lookout Hong Kong	British

For further information, please refer to the section headed "Directors and senior management" in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor

Oceanwide Capital Limited
25/F, Two Chinachem Central
26 Des Voeux Road Central
Hong Kong

Joint Global Coordinators

Oceanwide Securities Company Limited
18/F-19/F, China Building
29 Queen's Road Central
Hong Kong

Yuanta Securities (Hong Kong) Company Limited
23/F, Tower 1 Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

**Joint Bookrunners and
Joint Lead Managers**

Oceanwide Securities Company Limited
18/F-19/F, China Building
29 Queen's Road Central
Hong Kong

Yuanta Securities (Hong Kong) Company Limited
23/F, Tower 1 Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

Sinolink Securities (Hong Kong) Company Limited
Units 2503, 2505-06 25/F
Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal advisers to our Company

As to Hong Kong law

Deacons

5th Floor, Alexandra House
18 Chater Road
Central, Hong Kong

Mr. Chan Chung, barrister-at-law

Hin Lee Chambers
10/F, Grand Building
15-18 Connaught Road Central
Central, Hong Kong

As to PRC law

**Beijing Dentons Law Offices, LLP
(Shenzhen)**

3F & 4F, Block A, Shenzhen International
Innovation Center
No. 1006 Shennan Boulevard
Futian District
Shenzhen
China

As to Cayman Islands law

Appleby

2206-19 Jardine House
1 Connaught Place
Central
Hong Kong

Legal adviser to the Sole Sponsor and the Underwriters

As to Hong Kong law

Charltons

12th Floor, Dominion Centre
43-59 Queen's Road East
Hong Kong

Auditors and reporting accountants

Grant Thornton Hong Kong Limited

Level 12
28 Hennessy Road
Wanchai
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Internal control consultant**RSM Consulting (Hong Kong) Limited**

29th Floor, Lee Garden Two

28 Yun Ping Road

Causeway Bay

Hong Kong

Industry consultant**Euromonitor International Limited**

60-61 Britton Street

London

EC1M 5UX

Receiving Bank**The Bank of East Asia, Limited**

10 Des Voeux Road Central

Hong Kong

CORPORATE INFORMATION

Registered office	PO Box 1350 Clifton House, 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Head office and principal place of business in Hong Kong	28/F, Horizon Plaza 2 Lee Wing Street Ap Lei Chau Hong Kong
Company's website	<u>www.treeholdings.com</u> <i>(Note: the information contained in this website does not form part in this prospectus)</i>
Company secretary	Mr. LAM Yiu Cho (<i>HKICPA</i>) Flat B, 6/F, Block 2 Balwin Court 154-164 Argyle Street Kowloon Hong Kong
Authorised representatives (for the purpose of the GEM Listing Rules)	Mr. TSUI Wing Tak Flat D, 17/F Foong Shan Mansion Gao Shan Terrace 23 Taikoo Shing Road Taikoo Shing Hong Kong Mr. LAM Yiu Cho (<i>HKICPA</i>) Flat B, 6/F, Block 2 Balwin Court 154-164 Argyle Street Kowloon Hong Kong
Compliance officer	Mr. TSUI Wing Tak
Audit committee	Mr. YEUNG Man Chung Charles (楊文忠) <i>(Chairman)</i> Mr. TSANG Wai Yin (曾偉賢) Mr. SIT Hoi Wah Kenneth (薛海華)

CORPORATE INFORMATION

Remuneration committee	Mr. SIT Hoi Wah Kenneth (薛海華) (<i>Chairman</i>) Mr. TSUI Wing Tak (徐穎德) Mr. YEUNG Man Chung Charles (楊文忠)
Nomination committee	Mr. TONG Tang Joseph (唐登) (<i>Chairman</i>) Ms. Mary Kathleen BABINGTON, alias Mary Kathleen Kate BABINGTON Mr. YEUNG Man Chung Charles (楊文忠) Mr. TSANG Wai Yin (曾偉賢) Mr. SIT Hoi Wah Kenneth (薛海華)
Principal share registrar and transfer office	Estera Trust (Cayman) Limited PO Box 1350 Clifton House, 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal banker	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
Compliance adviser	Oceanwide Capital Limited 25/F, Two Chinachem Central 26 Des Voeux Road Central Hong Kong

INDUSTRY OVERVIEW

This information and statistics set out in this section has been prepared by Euromonitor and reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Euromonitor should not be considered as the opinion of Euromonitor as to the value of any security or the advisability of investing in our Group. Our Directors believe that the sources of information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. Our Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information prepared by Euromonitor and set out in this section has not been independently verified by our Group, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Share Offer and neither they nor Euromonitor give any representations as to its accuracy and the information should not be relied upon in making, or refraining from making, any investment decision.

Our Directors confirm that after making reasonable enquiries, there is no adverse change in the market information since the date of the commissioned report which may qualify, contradict or have an impact on the information in the section below.

SOURCES OF INFORMATION & RESEARCH METHODOLOGY

We have commissioned Euromonitor, an Independent Third Party, to conduct market analysis and prepare a report on the lifestyle furniture and home furnishing market in Hong Kong and have agreed to pay a fee of approximately HK\$0.6 million. Established in 1972, Euromonitor is the world leader in strategy research with offices around the world and analysts in over 80 countries worldwide, researching and tracking for both consumer and industrial markets. Except for this report, we have not commissioned any other customised research report in connection with the Listing or this prospectus.

The Euromonitor Report was prepared based on the following methodologies: (i) primary research, which involved interviews with a sample of leading industry participants and industry experts for latest data and insights on future trends and to verify and cross-check the consistency of data and research estimates; (ii) secondary research, which involved reviewing published sources including National statistics and official sources such as Census and Statistics Department of Hong Kong, Badan Pusat Statistik (Statistics Indonesia) and company reports including audited financial statements where available, independent research reports, and data based on Euromonitor's research database; (iii) projected data, which was obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related drivers; and (iv) a review and cross-checks of all sources and independent analysis to build final estimates including the size, shape, drivers and future trends of the lifestyle furniture and home furnishing market in Hong Kong, used in preparing the final report.

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The Euromonitor report was prepared based on the following assumptions: (i) the Hong Kong economy is expected to maintain a steady growth over the forecast period; (ii) the Hong Kong social, economic, and political environment is expected to remain stable in the forecast period; (iii) key market drivers such as Hong Kong's moderate and steady GDP growth and the gradual expansion of Hong Kong's furniture industry are expected to boost the development of Hong Kong's lifestyle furniture and home furnishing market; (iv) key drivers including government policy on housing, property sales, economic growth and rising affluence among consumers are likely to drive the future growth of Hong Kong's lifestyle furniture and home furnishing market; and (v) there will be no external shock, such as financial crisis or raw material shortage that would affect the demand and supply of wooden furniture into Hong Kong during the forecast period.

MACROECONOMIC ENVIRONMENT IN HONG KONG

i. Average monthly wages and labour earnings increased significantly since 2012, but growth lags behind overall GDP growth

Over the period from 2012 to 2016, average monthly wages and labour earnings in Hong Kong have been growing steadily at a CAGR of 3.6% which was largely attributed to the economic growth in Hong Kong, the employment levels and the labour income environment over the same period. In 2016, average monthly wages and labour earnings reached HK\$15,451, up from HK\$13,437 in 2012. Comparatively, the growth in average monthly wages and labour earnings in Hong Kong has lagged behind the economic growth experienced in Hong Kong over the same period.

Table 1 Average monthly wages and labour earnings in Hong Kong, 2012-2016

	2012	2013	2014	2015	2016	CAGR 2012- 2016
Average monthly wages and labour earnings (HK\$)	13,437	13,877	14,569	15,126	15,451	3.6%

Source: Census and Statistics Department, Hong Kong

ii. Growth in annual disposable income largely in line with economic growth

Over the period from 2012 to 2016, annual disposable income in Hong Kong has been growing steadily at CAGR of 5.7% from HK\$2,046 billion in 2012 to HK\$2,553 billion in 2016. This growth in total disposable income was largely in line with the economic growth experienced in Hong Kong over the same period.

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Table 2 Annual disposable income in Hong Kong, 2012-2016

	2012	2013	2014	2015	2016	CAGR 2012-2016
Annual disposable income (HK\$ million)	2,046,178	2,157,948	2,286,826	2,420,689	2,553,476	5.7%

Source: Euromonitor Passport Data – Economies & Consumers 2016

HOUSING AND PROPERTY MARKET IN HONG KONG

The sales value of residential properties in Hong Kong declined from HK\$452,275 million in 2012 to a trough of HK\$298,942 million in 2013. The market recovered in 2014 with a sales value of HK\$433,418 million, although it slowed slightly to HK\$428,041 million in 2016. This represented an overall CAGR of -1.4% for the period from 2012 to 2016. The number of sale and purchase agreements for the private domestic property market in Hong Kong has also declined from 81,333 in 2012 to 54,701 in 2016, representing a CAGR of -9.4%. In comparison, the corresponding average transaction price grew robustly from HK\$5.6 million in 2012 to HK\$7.8 million in 2016, posting a CAGR of 8.9%. Such increase in residential property prices was primarily due to the high demand for residential properties in Hong Kong.

The total number of private domestic property unit completions has increased significantly year-on-year over the period of 2012 through 2016 period, increasing at a CAGR of 9.5%. A total of 14,595 private domestic property units have been completed in 2016, which was substantially higher than the 11,280 units completed in 2015, but still lower than that in 2014. The number of private domestic properties completed is expected to rise further to 17,930 units in 2017. The number of private residential flats with consent to commence work (first submission) decreased slightly from 14,063 in 2012 to 13,250 in 2016, representing a CAGR of approximately -1.5%. As more new private residential properties are available for sale in the market, the high demand is expected to be taken up by the new supply which will in turn drive the demand for furniture and home furnishing. As the number of new homeowners increases along with the supply of private domestic properties in Hong Kong, the demand for furniture and home furnishing products is expected to stay on a long-term upward trajectory. The lifestyle furniture and home furnishing market, as a subset of the overall furniture and home furnishing market, is correspondingly expected to benefit from the same general increase in the population of homeowners and potential customers.

The introduction of various cooling measures by the Hong Kong government, such as buyer's stamp duty and special stamp duty, have also had the intended impact of curbing speculation and discouraging buyers from snapping up properties throughout the territory. Statistics from the Rating and Valuation Department indicate that home prices had fallen by more than 10% in May 2016 from their peaks in August and September 2015. Despite the decrease in home prices in the first half of 2016, the residential property market seemed to remain upbeat throughout the rest of the year. In November 2016, the Hong Kong government announced a raise in the Double Stamp Duty rates for private domestic properties to a flat rate of 15%. This introduction of yet another cooling measure might suggest the authorities' belief that the residential property market remains overheated by historical standards.

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Table 3 Private domestic property market in Hong Kong, 2012-2016

	2012	2013	2014	2015	2016	CAGR 2012-2016
Completion of private domestic properties (units)	10,149	8,254	15,719	11,280	14,595	9.5%
Stock of private domestic properties at year end (units)	1,117,932	1,123,633	1,136,430	1,145,500	1,158,765	0.9%
Number of sale and purchase agreements	81,333	50,676	63,807	55,982	54,701	-9.4%
Total consideration (HK\$ million)	452,275	298,942	433,418	416,520	428,041	-1.4%
Average transaction price (HK\$ million)	5.6	5.9	6.8	7.4	7.8	8.9%
Private domestic price index	206.2	242.4	256.9	296.8	286.1	8.5%

Source: Rating and Valuation Department, Census and Statistics Department, Hong Kong

Table 4 Private domestic property market in Hong Kong, 2017 (Forecast)

	2017
Completion of private domestic properties (units)	17,930

Source: Rating and Valuation Department, Census and Statistics Department, Hong Kong

The number of units of permanent living quarters increased from approximately 2.6 million as at 30 September 2012 to approximately 2.8 million as at 30 September 2016, representing an increase of approximately 4.4% or a CAGR of approximately 1.1%. Such growth is expected to drive the demand for furniture and home furnishing among the existing home-owners. Permanent living quarters comprise (i) public rental housing units; (ii) subsidised sale flats, i.e. public rental housing units and quarters sold by the Hong Kong Housing Authority and Hong Kong Housing Society that cannot be traded in the open market; and (iii) private residential flats.

According to the 2017 Policy Address as published by the Hong Kong Chief Executive in January 2017, the supply of first-hand residential properties for the next three to four years was projected at end-December 2016 to be 94,000 units. This figure represents a 45% increase over the corresponding number at the beginning of the previous term Government (i.e. around mid-2012), as well as a record high since supply statistics were first released on a regular basis 12 years ago.

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Table 5 Private residential housing development in Hong Kong

	2012	2013	2014	2015	2016	CAGR 2012-2016
Private residential flats with consent to commence work (number of units) – first submission	14,063	9,092	11,919	14,357	13,250	-1.5%
Stock of permanent living quarters in Hong Kong (number of units) ^{Note}	2,636,600	2,662,900	2,687,900	2,725,900	2,752,100	1.1%

Note: Figures are as at end-September of each year

Source: Census and Statistics Department of Hong Kong

OVERVIEW OF FURNITURE AND HOME FURNISHING MARKET IN HONG KONG

The furniture and home furnishing industry in Hong Kong is highly competitive and mature with low barriers of entry, with many companies offering a variety of products across a diverse range of styles and designs present. Being closely intertwined with the residential property sector, furniture and home furnishing businesses in Hong Kong follow a similar business cycle and are also influenced by the same macro and micro economic factors.

Number of retail furniture outlets

The furniture and home furnishing market in Hong Kong has been in a protracted period of consolidation, with the number of retail outlets for such products and services declining at a CAGR of 2.0% from 822 outlets in 2012 to 759 outlets in 2016. This has been largely due to a competitive and tough business environment, as operating costs such as rental and manpower costs in Hong Kong have been rising steadily, squeezing profit margins and forcing marginal retailers to merge, consolidate or close their operations entirely.

Furniture and home furnishing retail sales trend

Retail sales value for furniture and home furnishing has grown at a CAGR of 1.9% from HK\$11,137.2 million in 2012 to HK\$12,020.2 million in 2016. This growth in sales has largely been driven by the property market in Hong Kong over the same period, with property sales driving demand for furniture and home furnishing amongst property purchasers. There is also rising demand among existing home-owners to redesign, renovate and refresh the furnishings of their existing residences.

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Table 6 Furniture and home furnishing market in Hong Kong, 2012-2016

	2012	2013	2014	2015	2016	CAGR 2012-2016
Number of outlets for furniture and home furnishing	822	801	785	771	759	-2.0%
Retail value sales (in retail selling price, including sales tax) for furniture and home furnishing (HK\$ million)	11,137.2	11,221.2	11,322.2	11,856.6	12,020.2	1.9%

Source: Euromonitor Passport Data – Retailing 2017

OVERVIEW OF LIFESTYLE FURNITURE AND HOME FURNISHING MARKET IN HONG KONG

Lifestyle furniture and home furnishing retailers targeting affluent consumers

The lifestyle furniture and home furnishing market in Hong Kong is a subset of the overall furniture and home furnishing market, targeting mostly relatively affluent consumers whose purchasing decisions are less price-sensitive, and more driven by aesthetical considerations. While the majority of furniture and home furnishing retailers market generic and more affordable goods, lifestyle furniture and home furnishing retailers in comparison offer products such as high-end conventional furniture that are sophisticated in design and made of premium material, as well as tailor-made furniture targeting consumers in pursuit of a quality lifestyle. While the majority of such retailers' revenue arises from the sale of furniture, they also sell a wide range of home accessories in their retail outlets including kitchen homeware, lighting fixture, home textiles and other home accessories such as mirrors and home fragrances, among others. The consumers to which lifestyle furniture and home furnishing retailers cater are more sophisticated and demanding in their requirements, typically searching for furniture and home furnishings with a design language which complements the interior design and architecture of their property. In terms of retail value sales, lifestyle furniture and home furnishing accounted for approximately 11.3% of the overall furniture and home furnishing market in Hong Kong in 2016.

Such consumers tend to be more willing to pay for premium materials such as high quality solid wood such as mahogany, teak or other red woods, marble, top-grade leather, among others. Niche materials such as environmentally-friendly wood and recyclable materials are also in demand by such consumers. Lifestyle furniture and home furnishing retailers are also able to charge higher prices to consumers who display a greater willingness to invest in premium products such as sofas with extra features and sofa beds with high-quality mattresses. Other specific qualities sought after by such consumers are unique and innovative designs, brand pedigree from renowned designers, craftsmanship and premium features (such as integrated technology or novel functions).

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Demand for lifestyle furniture and home furnishing increased over the review period from 2012 to 2016. Retail sales value of such products have grown year-on-year from HK\$1,285 million in 2012 to HK\$1,362 million in 2016. This represented a CAGR of 0.8% over the period from 2012 to 2016, with growth turning negative in 2016 largely due to consumers' concerns about future economic growth and a general belt tightening and reduction in discretionary spending.

Provision of styling and consultancy services

In an effort to establish a competitive advantage and differentiate themselves from the competition, hybrid retailers for lifestyle furniture and home furnishing are increasingly diversifying into providing customised interior styling and furniture consultancy services to their clientele. This allows them to provide a one-stop service-and-product package to their clients by harmonising furniture selection and design with interior design services. Such services typically involve on-site visits and analysis of their clients' homes, and result in recommendations on customised furniture based on the interior design and space allowance in these homes. The consultation costs are usually waived as long as the clients satisfies a minimum spend amount on such customised furniture.

Shopping experience tendencies

The majority of goods sold by lifestyle furniture and home furnishing retailers are sold through stores owned and operated by retailers themselves. Other key sales channels would include major department store chains and home improvement and gardening stores. Lifestyle furniture and home furnishing retailers are aware of the consumer base which is likely to form the majority of their client base. For example, expatriates form a significant portion of the regular consumer base for lifestyle furniture and home furnishing, hence most retailers staff their storefronts with English-speaking staff with excellent communication skills, strong product knowledge as well as customer service skills to provide better shopping experience.

In addition, storefronts for lifestyle furniture and home furnishing retailers are well designed and presented to showcase how their various products can be utilised and put together to form an integrated set-up with a coherent design language. Such storefronts tend to be more spacious and utilise mood lighting compared to their more generic counterparts, as part of their efforts to provide a premium shopping experience to more demanding and sophisticated consumers.

Supply chain

Retailers of wooden furniture in Hong Kong source almost all of their stocks from China, with the latter being the largest exporter of furniture to many countries as well, including the USA and Japan. Almost all imports of wooden furniture imported into Hong Kong originate from China in value terms, with Italy, Thailand, Malaysia and Japan are other notable exporters of wooden furniture to Hong Kong. As such, the supply of wooden furniture in Hong Kong is almost exclusively from China.

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Over the review period of 2012 to 2016, the average import price of wooden furniture imported into Hong Kong stood at HK\$427.2. The import price has increased significantly, rising by a CAGR of 7.4% over the past five years to reach HK\$427.2 in 2016, up from HK\$320.7 back in 2012. Affluent Hong Kong consumers, particularly young couples, have contributed significantly to the rising demand for wooden furniture which is increasingly perceived as stylish and sophisticated in Hong Kong and has strong price support. There has also been an upward trend in the demand for wooden furniture globally over the past five years, which has driven up prices of wooden furniture exports from China overall.

Major drivers, challenges and opportunity for the lifestyle furniture and home furnishing market in Hong Kong

Major market drivers

The following are the major drivers for the lifestyle furniture and home furnishing market in Hong Kong:

i. More Hong Kong consumers seeking a premium, high quality lifestyle

A growing segment of consumers in Hong Kong – including residents as well as expatriates – are increasingly becoming more sophisticated in their preferences and tastes, partly due to the increased exposure to a multitude of new, diverse cultures and information sources. This change in preference has led some to pursue a more premium, high quality lifestyle in multiple areas of their lives, including the interior design, furnishing and layout of their homes and offices. This has helped to raise awareness and appreciation of premium lifestyle design products across the market, and has lifted demand for lifestyle furniture and home furnishing.

ii. Interior design and furnishing of homes as self-expression and fulfilment

Residential property prices in Hong Kong are consistently valued at one of the highest in the world, with the average transaction price of a sale and purchase agreement reaching HK\$7.8 million in 2016. Some of the smallest flats in the world can be found in Hong Kong, where living space comes at a high premium. Ownership of a residential property is one of the most important accomplishments for most Hong Kong households, and smaller apartments are becoming the norm for residential properties. Trade respondents have shared that these factors have led to more consumers turning towards lifestyle furniture and home furnishing to maximise the utility and functionality of the living space available to them, as well as to maximise the value of their residential property with regard to their lifestyle.

As a result, such consumers are increasingly regarding the interior design, furnishing and set-up of their residential properties as an important aspect of their self-expression, embodying their design preferences, cultural background and heritage in a single space. Trade respondents believe that this has in turn helped to stimulate demand for premium lifestyle furniture and home furnishing. As such, consumers now find it more justifiable to devote more of their disposable incomes towards an aspect of their self-fulfilment, rather than valuing furniture and home furnishing purely for their utilitarian functions.

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iii. Customised furniture for consumers seeking exclusivity

For consumers seeking exclusivity, premium lifestyle furniture and home furnishing have become mainstream and commonplace. Such consumers are seeking exclusivity through customised furniture which are tailor-made to their specific, exacting requirements and preferences, encapsulating their personal preferences in unique pieces of furniture. The growing availability of such personalised services even at lower price points have seen a boost in the popularity of such services even among price-conscious consumers who are drawn by the prospects of customised furniture at a reasonable price point. Growing demand for customised furniture among the entire industry will help to drive growth among hybrid retailers who are well equipped to cater to such demands with their in-house consultancy services and interior design stylists.

iv. Growth in expatriate population likely to boost demand for lifestyle furniture

Based on internal estimates by Euromonitor, the number of expatriates in Hong Kong was approximately 32,400 in 2016, representing a CAGR of 3.9%, from approximately 27,800 in 2012. Lifestyle furniture and home furnishing is a segment of the overall furniture and home furnishing market, with products that are generally marketed at premium price points. The expatriate population, with its relative affluence and purchasing power, represents a key target consumer group for retailers of lifestyle furniture and home furnishing products. The expatriate population is expected to continue its growth at a steady long-term rate, which in turn should lead to a steady growth in demand for high-end lifestyle furniture in the forecast period.

Major challenges

The following are the major challenges for the lifestyle furniture and home furnishing market in Hong Kong:

i. Gloomy economic prospects weigh down on consumers' willingness to spend on frills

Growth prospects appear bleak for Hong Kong's economy as a protracted slowdown in China's economic growth and the global economy growth are expected to reduce demand for Hong Kong exports. The general negative market temperament will lead to a slower GDP. The expectations of a shrinking economy, wage cuts and increases in unemployment rate may negatively affect consumers' willingness to spend on non-essential products such as premium lifestyle furniture and home furnishing. As a result of the downward economic expectations, it may reduce the growth prospects for the lifestyle furniture and home furnishing market.

ii. Stiffer competition from mass market retailers offering more premium and attractive designs

Mass market retailers of furniture and home furnishing and local retailers have taken note of the rising demand for premium lifestyle furniture and home furnishing with high quality materials and craftsmanship by consumers. In response, such

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retailers are beginning to offer more premium designs in their furniture and home furnishing products as well as paying more attention to how their product offerings can integrate well with each other and matching popular interior design schemes and set-ups in Hong Kong. Such initiatives, if successful, may erode potential sales for lifestyle furniture and home furnishing retailers.

iii. Residential property market cooling measures potentially a drag on retail sales growth

In 2013, the Hong Kong government first introduced cooling measures for the property market in response to concerns regarding a property bubble building up as high demand for residential properties in Hong Kong has led to residential property prices soaring to new highs.

In the first half of 2016, a number of Hong Kong property analysts and economists had called for the government to ease those cooling measures introduced at the height of the property market bubble. Government statistics show that property sales in Hong Kong fell almost 40% in the first half of 2016 compared with the same period in 2015, suggesting that the cooling measures, along with slower growth in the PRC, had taken a toll on the local property market. Statistics released by the Rating and Valuation Department showed, however, that the residential property market witnessed a strong and rapid revival in the second half of 2016. In response, the Hong Kong government implemented the latest round of cooling measures in November 2016 to reduce overheating in the residential property market and to lower the risks of a housing bubble. The ad valorem stamp duty on residential property transactions was raised to a flat rate of 15%. Based on the long term housing strategy announced in December 2016, the Hong Kong government's continued efforts in boosting housing land supply is expected to contribute to a steady increase in the future housing supply in the private residential market.

Major opportunity

Table 7 Lifestyle furniture and home furnishing market in Hong Kong, 2012-2016

	2012	2013	2014	2015	2016	CAGR 2012- 2016
Number of outlets for lifestyle furniture and home furnishing	62	64	65	65	63	0.4%
Retail value sales (in retail selling price, including sales tax) for lifestyle furniture and home furnishing stores (HK\$ million)	1,285	1,334	1,376	1,397	1,362	0.8%

Source: Euromonitor estimates from trade interviews and desk research

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Five new specialist retailers also entered the market during the period from 2012 to 2016, attracted by the rapid increase in consumer interest of lifestyle furniture and home furnishing products, and by strong potential for further growth in this expanding sub-sector. In particular, there has been an increase in consumer interest in premium wooden furniture and home furnishing, hand-crafted from premium woods such as oak, ash, walnut, teak, mahogany, etc. Such solid wood furniture and home furnishings are highly attractive due to their natural look and feel.

A new trend developing in premium wooden furniture and home furnishing is the usage of recycled wood collected from existing wooden construction or objects such as boats, furniture or buildings. These are processed and polished before being used to craft furniture or home furnishing products, which tend to give off a raw and vintage feel compared to products that are crafted using raw wood. In addition, these recycled wood furniture and home furnishing products are regarded as being eco-friendly as they do not require newly harvested wood to produce.

One of the bright spots of growth has been the growing trend of customised furniture, which has helped lifestyle and home furnishing retailers differentiate themselves and draw in customers attracted by such value-added, personalised services. This has been successful in establishing competitive advantages for specialist retailers across different price points within the industry, with consumers across the spectrum being attracted by such value-added services. The assurances provided through professional advice and recommendations from interior design professionals has also played a big part in the growing popularity of such services, which is likely to be one of the new growth areas and opportunities for expansion in this industry.

OVERVIEW OF COMPETITIVE LANDSCAPE OF LIFESTYLE FURNITURE AND HOME FURNISHING COMPANIES IN HONG KONG

i. Low barriers of entry for lifestyle furniture and home furnishing companies in Hong Kong

The lifestyle furniture and home furnishing industry in Hong Kong is highly competitive, with no significant regulations which impose high costs or additional hurdles for companies to enter the industry. Capital costs requirement varies depending on the inventory level being held by companies and the costs of their inventory, which varies significantly depending on quality, branding and premium.

As there are no dominant firms in this industry, new entrants are able to establish a foothold for themselves in the market through extensive marketing and promotional activities in the market. Overall, the low switching costs and the lack of economies of scale in the industry implicates that the barriers of entry to this industry are relatively low with no significant deterrent to new entrants.

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ii. Highly fragmented and competitive market for lifestyle furniture and home furnishing in Hong Kong

The lifestyle furniture and home furnishing industry in Hong Kong is highly fragmented, with an estimated 40 to 50 industry players in 2016. The top four players in Hong Kong are believed to be made up entirely of local retailers, who captured a total of approximately 16.7% of the lifestyle furniture and home furnishing market in 2016. The top four retailers had estimated market shares of between 2.4% and 6.0% by retail value sales in 2016. As a small market within the overall furniture and home furnishing industry, there are also significant levels of competition among different retailers, although certain retailers also establish competitive advantages through producing their own products, signing on exclusive brands and offering unique, hard-to-find products.

Smaller marginal retailers with no tangible competitive advantage are likely to consolidate and merge amongst themselves in a tougher business environment to achieve better economies of scale, cost savings across their operations and expand their product offerings to appeal to a wider range of consumers. As a result of the expected consolidation in the industry, the number of outlets for lifestyle furniture and home furnishing is expected to decrease at a rate of approximately 1.2% over the forecast period.

Table 8 Profiles and rankings of key competitors in the lifestyle furniture and home furnishing market in Hong Kong, 2016

Ranking	Leading retailers by retail value sales	Publicly listed company (Y/N)	Number of retail stores in Hong Kong	Market shares in terms of retail sales value	Company description
1	Company A	N	7	6.0%	Established in 1979, Company A is an upscale retailer providing interior design and furniture services. Its product portfolio includes furniture, home accessories as well as baby and child products.
2	Tree Limited	N	3	4.7%	–
3	Company C	N	2	3.6%	Company C was established in 2000 and its product portfolio includes furniture, home accessories and art and lifestyle products. In addition, it also provides furniture customisation and consultation as well as home décor services.
4	Company D	N	2	2.4%	Company D was founded in 1991 in Hong Kong and offers furniture, fabric and home accessories. It has since grown into an iconic local brand that is known for a wide range of home furniture designed in its signature style.

Source: Euromonitor estimates from trade interviews and desk research

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FUTURE OUTLOOK IN THE LIFESTYLE FURNITURE AND HOME FURNISHING MARKET IN HONG KONG

It is expected that the lifestyle furniture and home furnishing market in Hong Kong will be affected by the following factors in the future:

i. Strong growth projected for furniture and home furnishing industry despite strong economic headwinds

Market growth is expected to be driven by consumer interest in furniture and home furnishing products, especially in the premium segment where consumers have a higher propensity to spend. Going forward, retail sales of furniture and home furnishing is expected to grow at a CAGR of 1.7% from HK\$12,182.8 million in 2017 to HK\$13,045.1 million by 2021.

The growth is expected to continue over the forecast period despite the downturn currently experienced in China and other major economies worldwide which is expected to persist in the short term. However, this is not expected to significantly affect on the overall furniture and home furnishing market in Hong Kong, as resilient domestic demand is likely to remain the stable growth driver in Hong Kong retailing.

Table 9 Furniture and home furnishing market in Hong Kong, 2017-2021 (Forecast)

	2017	2018	2019	2020	2021	CAGR 2017- 2021
Number of outlets for furniture and home furnishing	751	744	736	729	722	-1.0%
Retail value sales (in retail selling price, including sales tax) for furniture and home furnishing (HK\$ million)	12,182.8	12,370.8	12,579.7	12,803.7	13,045.1	1.7%

Source: Euromonitor Passport Data – Retailing 2017

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ii. Retail sales value for lifestyle furniture and home furnishing projected to grow

Changes in consumers' tastes and rising affluence will help to generate new retail and marketing opportunities for premium lifestyle furniture and home furnishing sales. Mass market furniture and home furnishing tend to be utilitarian products where functionality takes precedence over form. For premium lifestyle furniture and home furnishing, the successful transition to an emphasis on form, design and complementary attributes has helped to create intrinsic value for such products, making them more resilient to short term changes in the economy and fluctuations in price and allowing retailers to enjoy a higher profit margin on such desirable designer products.

Other considerations such as environmental friendliness are equally important, as more consumers in Hong Kong are increasingly becoming environmentally conscious. Such considerations will help drive the popularity of recycled wood lifestyle furniture and home furnishing products, such as environmental-friendly products crafted by wood recycled from other wooden buildings or objects, over the forecast period.

Table 10 Lifestyle furniture and home furnishing market in Hong Kong, 2017-2021 (Forecast)

	2017	2018	2019	2020	2021	CAGR 2017-2021
Number of outlets for lifestyle furniture and home furnishing	63	60	60	60	60	-1.2%
Retail value sales (in retail selling price, including sales tax) for lifestyle furniture and home furnishing stores (HK\$ million)	1,383	1,403	1,431	1,460	1,489	1.9%

Source: Euromonitor estimates from trade interview and desk research

INDUSTRY OVERVIEW

SOURCING COSTS OF WOODEN FURNITURE

The total value of wooden furniture exported by Indonesia, an important raw material for many furniture companies, has seen a significant increase over most of the period from 2012 to 2016, rising from HK\$5,505.5 million in 2012 to HK\$6,340.3 million in 2015, and decreased to HK\$5,811.0 million in 2016, resulting in a CAGR of 1.4%. As the corresponding increase in the volume of wooden furniture exported was a much smaller 0.7% over the period from 2012 to 2015, the calculated unit price of exported wooden furniture saw a robust CAGR of 4.1%, contributing to a sustained increase in sourcing costs for furniture companies.

Table 11 Export of wooden furniture by Indonesia, 2012-2016

	2012	2013	2014	2015	2016	CAGR 2012- 2016
Export value (in FOB) of wooden furniture by Indonesia (HK\$ million)	5,505.5	5,996.1	6,392.6	6,340.3	5,811.0	1.4%
Export volume of wooden furniture by Indonesia (kg)	283,736,363	283,276,531	299,791,715	289,761,210	Not available	0.7%

Source: Badan Pusat Statistik (Statistics Indonesia)

Table 12 Export unit prices of wooden furniture by Indonesia, 2012-2015

	2012	2013	2014	2015	CAGR 2012- 2015
Export unit price (HK\$ per kg)	19.4	21.2	21.3	21.9	4.1%

Source: Euromonitor estimates from Badan Pusat Statistik (Statistics Indonesia) data

NO MATERIAL ADVERSE CHANGE

As at the Latest Practical Date, the Directors were not aware of any adverse change to the market information since the date of the Euromonitor Report which may materially qualify or contradict the information in this section.

REGULATORY OVERVIEW

This section sets out a summary of certain aspects of the Hong Kong laws and regulations which are relevant to our Group's operations and business. Information contained in this section should not be construed as a comprehensive summary of laws and regulations applicable to our Group.

REGULATIONS IN RELATION TO OUR RETAIL BUSINESS

Regulations on sale of goods

In Hong Kong, laws and regulations on the sale of goods are provided in legislation as well as common law. Civil liability in relation to product liability claims under the sale of goods arises under the law of contract and the law of negligence.

Contracts for the sale of goods in Hong Kong are mainly governed by the Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong). In relation to consumer transactions, certain terms are implied into sale contracts to strengthen protection to consumers. These include the implied undertaking that the goods are of merchantable quality, requiring that the goods should be fit for the purpose(s) for which goods of that kind are commonly bought, of such standard of appearance and finish, free from defects (including minor defects), safe, and durable as reasonably expected having regard to the relevant circumstances. As the principal business of our Group includes the sale and distribution of furniture and home accessories, we are subject to the Sale of Goods Ordinance.

Retailers in Hong Kong also owe a duty of care to consumers and may be liable for damage resulting from defects in goods caused by their negligent acts or for any fraudulent misrepresentation made in the sale of goods. Liability may arise if a retailer disregards the instructions of the manufacturers or suppliers in handling relevant goods or fails to pass on to the buyers instructions for use and warnings received from such manufacturers or suppliers. If a retailer knows or reasonably believes that the goods may be defective or dangerous, it may have to cease to supply such goods and take basic precautions such as warning the buyers and informing the relevant manufacturers or suppliers.

The extent to which liability for breach of contract, or for negligence or other breach of duty, can be avoided through contractual terms is limited by the Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong). The Unconscionable Contracts Ordinance (Chapter 458 of the Laws of Hong Kong) further empowers the courts of Hong Kong to (i) refuse to enforce any consumer contracts; (ii) enforce the remainder of a contract without the unconscionable part; or (iii) limit the application of, revise or alter any part of a contract which is found to be unconscionable.

Our Group's products are regulated by the Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong) which imposes certain obligations on manufacturers, importers and suppliers of general consumer goods. Under the Consumer Goods Safety Ordinance, a person shall not supply, manufacture or import into Hong Kong consumer goods unless the consumer goods comply with general safety requirement and an applicable standard approved

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by the Secretary for Commerce and Economic Development (if any), for the particular consumer goods. The general safety requirement is an objective test which requires the consumer goods supplied to be reasonably safe having regard to all of the circumstances, including (i) the manner in which, and the purpose for which, the goods are presented, promoted or marketed; (ii) the use of marks, instructions or warnings on the goods in connection with its keeping, use or consumption; (iii) compliance with reasonable safety standards published by a standards institute; and (iv) the existence of any reasonable means to make the goods safer taking into account the cost, likelihood and extent of any improvement. Criminal sanctions are imposed for violations of such requirements unless a due diligence defence can be successfully established. The Commissioner of Customs and Excise has the power under the Consumer Goods Safety Ordinance to serve on a person a recall notice requiring the immediate withdrawal and retrieval of consumer goods which he reasonably believes to be unsafe or do not comply with approved safety standards, and that there is a significant risk that the consumer goods will cause a serious injury.

As some of our products may be classified as children's products, we are also regulated by the Toys and Children's Products Safety Ordinance (Chapter 424 of the Laws of Hong Kong). Under the Toys and Children's Products Safety Ordinance, all children's products must comply with the corresponding standards set out therein. Children's products with no relevant standard requirements must comply with the Toys and Children's Products Safety Ordinance's general safety requirements, which impose a statutory duty on manufacturers, importers and suppliers to ensure that their products are reasonably safe.

Advertising and promotion practices

Hong Kong does not have a single generic legislation to govern or regulate advertising practice. There are however a number of Ordinances regulating advertising and promotion practices, such as the Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong). A trade description, in relation to goods, means an indication, direct or indirect, and by whatever means given, with respect to any goods or parts of goods including an indication of, among other things, quantity, method of production, composition, fitness for purpose, performance and/or compliance with a standard. Therefore, our products are subject to the Trade Descriptions Ordinance. Under the Trade Descriptions Ordinance, it is an offence for any person to apply a false or misleading trade description to goods or to supply goods to which false trade descriptions have been applied. The Trade Descriptions Ordinance also prohibits specified unfair trade practices deployed by traders against consumers, including false trade descriptions of goods used in advertisements, misleading omissions, aggressive commercial practices, bait advertising, bait-and-switch and wrongly accepting payment. The Trade Descriptions Ordinance provides a mechanism enabling aggrieved consumers to commence civil actions to recover any loss or damage suffered in addition to criminal sanctions. The Customs and Excise Department of Hong Kong is responsible for enforcing the Trade Descriptions Ordinance and its subsidiary legislation.

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REGULATIONS IN RELATION TO OUR OPERATION OF TREE CAFÉ

Food Business Regulation (Chapter 132X of the Laws of Hong Kong)

We operate our TREE Café at our Flagship Store serving light refreshments for consumption out of the premises. Section 31(1) of the Food Business Regulation provides that no person shall carry on or cause, permit or suffer to be carried on any food business except with a licence. There are seven types of food businesses, namely, (i) food factory, (ii) restaurant, (iii) factory canteen, (iv) siu mei and lo mei shop, (v) fresh provision shop, (vi) cold store, and (vii) composite food shop.

“Food factory” is defined as any food business which involves the preparation of food for sale for human consumption off the premises but does not include a frozen confection factory, a milk factory or any business carried out by a hawker who is the holder of a licence under the Hawker Regulation. A full food factory licence granted by the Food and Environment Hygiene Department of Hong Kong is valid generally for a period of one year, subject to payment of the prescribed licence fees and continuous compliance with the requirements under the relevant legislation and regulations. A full food factory licence is renewable annually.

Section 35 of the Food Business Regulation provides that any person who is in contravention of section 31(1) of the Food Business Regulation shall be guilty of an offence. The maximum penalty is a fine of HK\$50,000 (together with a daily fine of HK\$900 where it is a continuing offence) and imprisonment for six months.

During the Track Record Period and as at the Latest Practicable Date, Tree Limited held a full food factory licence. However, during the Track Record Period, there were factors suggesting that we may be considered as carrying on food business (i.e. a restaurant) without a licence in breach of section 31(1) of the Food Business Regulation. For details, please refer to the section headed “Business – Litigation and legal compliance” in this prospectus.

Demerit point system

The demerit point system is a penalty system operated by the Food and Environmental Hygiene Department to sanction food businesses for repeated violations of relevant hygiene and good safety legislation. Under the system:

- (i) if within a period of 12 months, a total of 15 demerit points or more have been registered against a licensee in respect of any licensed premises, the license in respect of such licensed premises will be subject to suspension for seven days (“**First Suspension**”);
- (ii) if, within a period of 12 months from the date of the last offence leading to the First Suspension, a total of 15 demerit points or more have been registered against the licensee in respect of the same licensed premises, the license will be subject to suspension for 14 days (“**Second Suspension**”);
- (iii) thereafter, if within a period of 12 months from the date of the last offence leading to the Second Suspension, a total of 15 demerit points or more have been registered against the licensee in respect of the same licensed premises, the license will be subject to cancellation;

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- (iv) for multiple offenses found during any single inspection, the total number of demerit points registered against the licensee will be the sum of the demerit points for each of the offenses;
- (v) the prescribed demerit points for a particular offence will be doubled and tripled if the same offence is committed for the second and the third time within a period of 12 months; and
- (vi) any alleged offence pending, that is the subject of a hearing and not yet taken into account when a license is suspended, will be carried over for consideration of a subsequent suspension if the licensee is subsequently found to have violated the relevant hygiene and food safety legislation upon the conclusion of the hearing at a later date.

GENERAL COMPLIANCE

Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)

As an employer, we are required to comply with the Occupational Safety and Health Ordinance. The Occupational Safety and Health Ordinance aims to ensure the safety and health of employees when they are at work and improve the safety and health standards applicable to certain hazardous processes, plant and substances used or kept in workplaces.

The employer shall ensure the safety and health at works of all his employees by, so far as reasonably practicable, (i) providing and maintaining plant and work systems that are safe and without risk to health; (ii) making arrangements for ensuring safety and the absence of risks to health in connection with the use, handling, storage and transport of plants and substances; (iii) providing all information, instruction, training and supervision as may be necessary to ensure safety and health; (iv) providing and maintaining safe access to and egress from the workplaces; and (v) providing and maintaining a work environment that is safe and without risk to health.

Under section 9(1) of the Occupational Safety and Health Ordinance, the Commissioner for Labour may serve an improvement notice on an employer, or an occupier of premises where a workplace is located, if the employer or occupier is contravening the Occupational Safety and Health Ordinance or the Factories and Industrial Undertakings Ordinance (as explained below), or has contravened either of those ordinances in circumstances that make it likely that the contravention will be continued or repeated. Section 9(2)(e) of the Occupational Safety and Health Ordinance stipulates that an improvement notice must require the employer or occupier either to remedy the contravention within a period specified in the notice, or to refrain from continuing or repeating the contravention.

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Section 9(5) of the Occupational Safety and Health Ordinance stipulates that an employer who, without reasonable excuse, fails to comply with a requirement of an improvement notice commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 12 months.

Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong)

As we deliver furniture and home accessories from our warehouses to our customers in the course of our operations, the Factories and Industrial Undertakings Ordinance applies to us. Under the Factories and Industrial Undertakings Ordinance, an “industrial undertaking” includes, but is not limited to the loading, unloading, or handling of goods or cargo at any dock, quay, wharf, warehouse or airport, and the transport of passengers or goods by road, rail, cableway or aerial ropeway, and a “proprietor” in relation to any industrial undertaking includes the person for the time being having the management or control of the business carried on in, inter alia, such industrial undertaking. The Factories and Industrial Undertakings Ordinance provides for the safety and health protection of workers in an industrial undertaking. It provides that every proprietor shall take care of the safety and health at work of all persons employed by it at an industrial undertaking by (i) providing and maintaining plant and work systems that are safe and without risks to health; (ii) making arrangement for ensuring safety and absence of risks to health in connection with the use, handling, storage and transport of articles and substances; (iii) providing all necessary information, instruction, training and supervision for ensuring safety and health at work; (iv) providing and maintaining safe access to and egress from the workplaces; and (v) providing and maintaining a safe and healthy work environment.

A proprietor who contravenes these duties commits an offence and is liable to a fine of HK\$500,000. A proprietor who commits such an offence wilfully and without reasonable excuse is liable to a fine of \$500,000 and to imprisonment for six months.

Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong)

We conducted our business in leased properties and are required to comply with the Occupiers Liability Ordinance which regulates the obligations of a person occupying or having control of premises for injury or damage resulting to persons or goods lawfully on the land or other property from dangers.

Employment Ordinance (Chapter 57 of the Laws of Hong Kong)

The Employment Ordinance provides for a comprehensive range of employment protection and benefits for employees, and regulates general conditions of employment and matters connected therewith, including wage protection, maternity protection and termination of employment contract.

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Under section 25 of the Employment Ordinance, where a contract of employment is terminated, any sum due to the employee shall be paid to him as soon as is practicable and in any case not later than seven days after the day of termination. Any employer who wilfully and without reasonable excuse contravenes section 25 of the Employment Ordinance commits an offence and is liable to a maximum fine of HK\$350,000 and to imprisonment for a maximum of three years. Further, under section 25A of the Employment Ordinance, if any wages or any sum referred to in section 25(2)(a) of the Employment Ordinance are not paid within seven days from the day on which they become due, the employer shall pay interest at a specified rate on the outstanding amount of wages or sum from the date on which such wages or sum become due up to the date of actual payment. Any employer who wilfully and without reasonable excuse contravenes section 25A of the Employment Ordinance commits an offence and is liable on conviction to a maximum fine or HK\$10,000.

Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)

The Employees' Compensation Ordinance establishes a no-fault, non-contributory employee compensation system for work injuries and lays down obligations of employers in respect of injuries sustained by, or death of their employees caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases suffered by the employees.

Under the Employees' Compensation Ordinance, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is generally liable to pay for the compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, under section 32 of the Employees' Compensation Ordinance, an employee who suffers incapacity or dies arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents. Further, section 40 of the Employees' Compensation Ordinance provides that an employer is not permitted to employ any employee in any employment unless there is in force in relation to such employee a policy of insurance issued by an insurer for an amount not less than that specified in the Employees' Compensation Ordinance.

Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)

The Minimum Wage Ordinance provides a statutory minimum wage for employees in Hong Kong. In essence, wages payable to an employee in respect of any wage period, when averaged over the total number of hours worked in the wage period, should be no less than the statutory minimum wage, which was HK\$34.5 per hour as at the Latest Practicable Date. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employees by the Minimum Wage Ordinance is void.

REGULATORY OVERVIEW

Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong)

Under the Business Registration Ordinance, every person (a company or individual) carrying on a business in Hong Kong is required to register with the Inland Revenue Department of Hong Kong and is required to obtain a business registration certificate within one month of the commencement of the business. Such business registration serves to notify the Inland Revenue Department of the establishment of a business in Hong Kong and therefore, is designed to facilitate the Inland Revenue Department to collect tax from businesses in Hong Kong.

Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong)

The Personal Data (Privacy) Ordinance covers any data relating directly or indirectly to a living individual (data subject), from which it is practicable to ascertain the identity of the individual and which are in a form in which access to or processing of the data is practicable. It applies to a data user, i.e. any person who, either alone or jointly or in common with other persons, controls the collection, holding, processing or use of personal data.

As we may collect personal data of our customers during the course of our business such as for delivery of products to our customers, we are required to comply with the data protection principles set out in the Personal Data (Privacy) Ordinance, which are:

Principle 1 – Purpose and manner of collection: This provides for the lawful and fair collection of personal data and sets out the information a data user must give to a data subject when collecting personal data from that subject.

Principle 2 – Accuracy and duration of retention: This provides that personal data should be accurate, up-to-date and kept no longer than necessary.

Principle 3 – Use of personal data: This provides that unless the data subject gives consent, personal data should be used for the purposes for which they were collected or a directly related purpose.

Principle 4 – Security of personal data: This requires appropriate security measures to be applied to personal data (including data in a form in which access to or processing of the data is not practicable).

Principle 5 – Information to be generally available: This provides for openness by data users about the kinds of personal data they hold and the main purposes for which personal data are used.

Principle 6 – Access to personal data: This provides that data subjects have rights of access to and correction of their personal data.

In the event of the non-compliance with any of the above principles, the Privacy Commissioner for Personal Data may serve an enforcement notice to direct the data user to remedy the contravention and/or instigate prosecution. Section 50A of the Personal Data (Privacy) Ordinance provides that contravention of an enforcement notice is an offence which could result in a maximum fine of HK\$50,000 and imprisonment for two years.

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The Personal Data (Privacy) Ordinance also criminalises (i) misuse or inappropriate use of personal data in direct marketing activities under Part 6A of the Personal Data (Privacy) Ordinance; (ii) non-compliance with data access request under section 19 of Personal Data (Privacy) Ordinance; and (iii) unauthorised disclosure of personal data obtained without data user's consent under section 64 of the Personal Data (Privacy) Ordinance.

An individual who suffers damage, including injured feelings, by reason of a contravention of the Personal Data (Privacy) Ordinance in relation to his or her personal data may claim damages from the data user concerned by way of civil proceedings.

Our Group has established policies and procedures to ensure our compliance with the Personal Data (Privacy) Ordinance. Please refer to the section headed "Business – Internal control and risk management – Internal control on personal data privacy" in this prospectus for details.

Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong)

The Waste Disposal Ordinance provides for the control and regulation of the production, storage, collection and disposal including treatment, reprocessing, and recycling of waste. Under section 11 of the Waste Disposal Ordinance, a person or entity is prohibited from collecting, removing and disposing of household waste, street waste, trade waste, livestock waste and animal waste unless such person or entity is licensed by the Director of Environmental Protection or the Director of Food and Environmental Hygiene. A person or entity that provides such services without a licence commits an offence and is liable to a fine of HK\$100,000. Our Group is not required to obtain a licence under the Waste Disposal Ordinance.

HISTORY, DEVELOPMENT AND REORGANISATION

OUR COMPANY

Our Company was incorporated in the Cayman Islands on 9 March 2016 as an exempted company with limited liability under the Companies Law. Pursuant to the Reorganisation as more particularly described in the paragraph headed “Reorganisation” in this section, our Company has become the holding company of our Group for the purpose of the Listing and holds the entire interest of our operating subsidiary, Tree Limited, through our investment holding company, Tree Investment.

OUR BUSINESS HISTORY AND DEVELOPMENT

Headquartered in Hong Kong and operating under the brand name of “TREE”, we engage in (i) the sale and distribution of furniture and home accessories; (ii) consignment sales; (iii) the distribution and licensing of our intellectual property rights; (iv) provision of styling and consulting services; and (v) the operation of TREE Café inside our Flagship Store. Our business history can be traced back to 2006 when we started to operate our first retail store in Ap Lei Chau under the brand name of “TREE”. The source of funding used to finance our business at establishment came from the personal savings of the then shareholder of Tree Limited, including Ms. Haslock, our non-executive Director. Please refer to the section headed “Directors and senior management – Directors – Non-executive Directors” in this prospectus. Our business has grown over the years.

As at the Latest Practicable Date, we operated three “TREE” retail stores in Hong Kong, namely, our Flagship Store, our Sai Kung Store and our Sha Tin Store.

As part of our strategy to diversify our revenue base and increase our brand awareness, we entered into the Framework Distribution Agreement with our PRC Distributor with effect from 1 July 2015 and subsequently the Distribution Agreement in November 2016. Under the Distribution Agreement, our PRC Distributor sells our products through its retail store in Beijing, the PRC. On 27 January 2017, we entered into the Second Supplemental Distribution Agreement with our PRC Distributor to expand the permitted distribution territory to include Hainan province, the PRC. We entered into the Renewed Distribution Agreement with our PRC Distributor on 17 October 2017 to renew the Distribution Agreement which will expire on 30 June 2018. The Renewed Distribution Agreement will take effect from 1 July 2018 for a period of three years. As at the Latest Practicable Date, our PRC Distributor operated a retail store in Beijing, the PRC and a retail store in Hainan province, the PRC under our “TREE” brand. For details of the arrangements, please refer to the section headed “Business – Distribution and licence” in this prospectus.

The key milestones in our Group’s development to date are set out below:

Year	Event
2006	We started to operate our first retail store at 17th Floor, Horizon Plaza, Ap Lei Chau, Hong Kong, under the brand name of “TREE”
	We opened our SoHo Store, which was closed in 2016

HISTORY, DEVELOPMENT AND REORGANISATION

Year	Event
2008	Our first retail store underwent expansion and moved to the 28th Floor, Horizon Plaza, Ap Lei Chau, Hong Kong, making this our Flagship Store
2011	We opened our Sai Kung Store
2012	We were the winner of the “Best Green Company” in the “Readers’ Choice Awards” organised by “The List” magazine
2013	We were one of the awardees of the “Best Home Décor” in the “Readers’ Choice Awards” organised by “The List” magazine
2014	We were one of the awardees of the “Best Home Store” in the “Readers’ Choice Awards” organised by “The List” magazine We were awarded the “Best Home-Furnishing Shop” in the “Readers’ Choice Awards” organised by “Sai Kung & Clearwater Bay Magazine”
2015	We entered into the North America Licence Agreement with American Tree We entered into the Framework Distribution Agreement with our PRC Distributor We were awarded the “Favourite Furniture & Home Décor Store” in the “Sassy Awards 2015” organised by Sassy Hong Kong
2016	We entered into the Distribution Agreement with our Beijing Distributor We closed our SoHo Store We opened our Sha Tin Store
2017	We entered into the Second Supplemental Distribution Agreement with our PRC Distributor for the distribution of our products in Hainan province, the PRC We entered into the Renewed Distribution Agreement to renew the Distribution Agreement

HISTORY, DEVELOPMENT AND REORGANISATION

OUR CORPORATE DEVELOPMENT

The following is a brief corporate history of the establishment and major changes in the shareholdings of each of our Company's subsidiaries.

Tree Limited

On 22 February 2002, Tree Limited was incorporated in Hong Kong with limited liability under the name of "Wisdom Magic Limited". On 22 March 2002, Tree Limited changed its name from "Wisdom Magic Limited" to "Anteaks Limited". On 13 May 2006, Tree Limited changed its name from "Anteaks Limited" to "Tree Limited". On 20 July 2012, Tree Limited changed its name from "Tree Limited" to "Tree Limited (大樹有限公司)". It is our operating subsidiary, which is principally engaged in the sale and distribution of furniture and home accessories including the operation of TREE Café inside our Flagship Store.

As at the time of its incorporation, Tree Limited had an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1 each. On the same day, one subscriber share was allotted and issued as fully paid at par to each of the two subscribers, who are Independent Third Parties.

On 5 March 2002, each of Ms. Haslock and a former shareholder of Tree Limited who is an Independent Third Party (the "**Former Tree Shareholder**"), acquired one ordinary share in Tree Limited from the two subscribers, respectively, for a consideration of HK\$1 per share. After completion of the acquisition, each of Ms. Haslock and the Former Tree Shareholder held one ordinary share in Tree Limited, representing 50% of the then issued share capital of Tree Limited.

On 5 January 2005, Mr. Nigel Blake Wakley, the spouse of Ms. Haslock, acquired one ordinary share in Tree Limited from the Former Tree Shareholder for a consideration of HK\$1. After the completion of the acquisition, each of Mr. Nigel Blake Wakley and Ms. Haslock held one ordinary share in Tree Limited, representing 50% of the then issued share capital of Tree Limited. On the same day, Mr. Nigel Blake Wakley executed a trust deed declaring that he held the one ordinary share in Tree Limited on trust in favour of Ms. Haslock as the beneficiary. Since then, Ms. Haslock became beneficially interested in the entire issued share capital of Tree Limited.

In February 2005, Tree Limited (as the tenant) entered into a tenancy agreement with an Independent Third Party (as the landlord) in respect of the leasing of the premises at 17th Floor, Horizon Plaza, Ap Lei Chau, Hong Kong. We started to operate our first retail store at the said premises under the brand name of "TREE" in 2006.

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Sale and Purchase Agreement

On 27 March 2015, Ms. Haslock (as the vendor), Tiptop (as the purchaser) and Mr. Tong (as the guarantor providing guarantee against the payment obligation of Tiptop) entered into the Sale and Purchase Agreement, pursuant to which (i) Ms. Haslock agreed to sell and Tiptop agreed to purchase the legal and beneficial interest of one ordinary share and the beneficial interest of the other one ordinary share in Tree Limited; and (ii) Ms. Haslock shall procure Mr. Nigel Blake Wakley to transfer the legal interest of the one ordinary share in Tree Limited registered in his name to Tiptop, for an initial consideration of HK\$65,000,000 (the “**Initial Consideration**”) which was subject to adjustment. Such consideration was determined after arm’s length negotiation between Ms. Haslock and Tiptop with reference to the anticipated financial performance of our Group for the two years ending 31 March 2017. Completion of the Sale and Purchase Agreement took place on 30 March 2015, and the name of Tiptop was entered into the register of members of Tree Limited accordingly.

On 1 June 2015, the Amended and Restated Sale and Purchase Agreement was entered into among Ms. Haslock, Tiptop and Mr. Tong to amend and restate the terms of the Sale and Purchase Agreement.

Pursuant to the Amended and Restated Sale and Purchase Agreement, it was agreed, among other things, that the Initial Consideration, subject to adjustment, shall be paid in the following manner:

- (i) Tiptop shall instruct the escrow agent to transfer to Ms. Haslock HK\$3,250,000 (being 5% of the Initial Consideration) on 1 June 2015;
- (ii) Tiptop shall pay Ms. Haslock HK\$42,250,000 (being 65% of the Initial Consideration) on 1 June 2015;
- (iii) Tiptop shall deduct from the amount payable by it under paragraph (ii) above the loan due from Ms. Haslock and/or her related parties to Tree Limited as shown in the unaudited completion accounts of Tree Limited as at 31 March 2015 (the “**Completion Accounts**”);
- (iv) the amount payable by Tiptop under paragraph (ii) above shall be adjusted in the manner that (a) if the net asset value as determined from the Completion Accounts exceeds HK\$14,000,000, the amount payable by Tiptop under paragraph (ii) above shall be increased by an amount equivalent to such excess on a dollar to dollar basis; and (b) if the net asset value as determined from the Completion Accounts is less than HK\$14,000,000, the amount payable by Tiptop under paragraph (ii) above shall be decreased by an amount equivalent to such shortfall on a dollar to dollar basis;

HISTORY, DEVELOPMENT AND REORGANISATION

- (v) HK\$6,500,000 (being 10% of the Initial Consideration) together with interest thereon at the rate of 8% per annum shall be payable within five business days after the date of sign off of the audited financial statements of Tree Limited for the year ended 31 March 2016 by the auditors (“**2016 Audit Sign Off Date**”) provided that the profit before tax of Tree Limited as shown in its audited financial statements of 2016 shall not be less than HK\$10,000,000;
- (vi) the amount payable by Tiptop under paragraph (v) above shall be adjusted in the following manner: (a) if the net asset value as determined from the audited accounts of Tree Limited as at 31 March 2015 (the “**Audited Accounts**”) exceeds the net asset value as determined from the Completion Accounts, the amount payable by Tiptop under paragraph (v) above shall be increased by an amount equivalent to such excess on a dollar to dollar basis; and (b) if the net asset value as determined from the Audited Accounts is less than the net asset value as determined from the Completion Accounts, the amount payable by Tiptop under paragraph (v) above shall be decreased by an amount equivalent to such shortfall on a dollar to dollar basis;
- (vii) HK\$13,000,000 (being 20% of the Initial Consideration) together with interest thereon at the rate of 8% per annum shall be payable within five business days after the date of sign off of the audited financial statements of Tree Limited for the year ended 31 March 2017 by the auditors (“**2017 Audit Sign Off Date**”) provided that the profit before tax of Tree Limited as shown in its audited financial statements of 2017 shall not be less than HK\$10,000,000;
- (viii) if the profit before tax of Tree Limited for the financial year ended 31 March 2016 is more than HK\$10,000,000, Tiptop shall pay to Ms. Haslock an additional 2% of the Initial Consideration subject to adjustment under paragraphs (iv) and (vi) above (the “**Extra Payment**”) for every HK\$1,000,000 in excess of the anticipated profit before tax of HK\$10,000,000 within five business days after the 2016 Audit Sign Off Date (and the Extra Payment shall be subject to a maximum cap of 15% of the Initial Consideration, and shall be offset against and deducted from the payment payable by Tiptop in accordance with paragraph (vii) above);
- (ix) any unpaid portion of the consideration contemplated under paragraph (v) and (vii) above shall become due and payable within five business days after the earlier of the occurrence of: (a) the first day of trading following the initial public offering of the shares in Tree Limited or its holding company, provided that such occurs on or before 31 March 2019; or (b) the 2017 Audit Sign Off Date, provided that the aggregate profit before tax for the two financial years ended 31 March 2017 exceeds HK\$20,000,000; and
- (x) it was agreed that, in determining the profit targets as more particularly described in paragraphs (v), (vii), (viii) and (ix) above, adjustments shall be made to exclude any sales revenue or expenses attributable to the operations under the Framework Distribution Agreement and the Distribution Agreement (the “**PRC Business**”) in

HISTORY, DEVELOPMENT AND REORGANISATION

the manner that (a) any gross sales revenue attributable to the PRC Business shall be disregarded; and (b) for every HK\$1,000,000 gross revenue excluded, HK\$200,000 shall be disregarded as general overhead expenses relating to such sales and HK\$350,000 shall be disregarded as costs of goods sold.

On 3 December 2015, for a consideration of HK\$1 and the transfer of the entire issued share capital of Tree Limited from Ms. Haslock to Tiptop, (i) a deed of memorandum of novation was entered into among Ms. Haslock, Tiptop and Tree Limited, under which the parties confirmed that on 30 March 2015, Tiptop took up the repayment obligation of Ms. Haslock in relation to a debt of HK\$6,402,690 to Tree Limited; and (ii) a deed of memorandum of novation was entered into among American Tree, Tiptop and Tree Limited, under which the parties confirmed that on 30 March 2015, Tiptop took up the repayment obligation of American Tree in relation to a debt of HK\$2,011,382 to Tree Limited.

On 1 June 2015, a net amount of HK\$44,926,904 was paid by Tiptop to Ms. Haslock, which comprised of:

- (a) HK\$45,500,000, being 70% of the Initial Consideration;
- (b) HK\$7,840,977, being the adjustment made pursuant to the mechanism stated in paragraph (iv) above; and
- (c) the deduction of the nominal consideration of HK\$1 and the assignment of the indebtedness of Ms. Haslock and American Tree at an aggregate amount of HK\$8,414,072 pursuant to the mechanism stated in paragraph (iii) above and the aforesaid two deeds of memorandum of novation.

On 10 August 2016, Tiptop agreed to pay to Ms. Haslock an amount of HK\$6,500,000, being 10% of the Initial Consideration, plus interest at the rate of 8% per annum. The parties further agreed that:

- (i) HK\$1,300,000 of the amount agreed to be paid by Tiptop to Ms. Haslock became due and payable on 10 August 2016;
- (ii) the balance of the amount agreed to be paid by Tiptop to Ms. Haslock became due and payable in accordance with paragraph (v) above; and
- (iii) the consideration payable by Ms. Haslock to Tiptop upon exercise of the Call Option became due and payable on 10 August 2016.

As such, the parties offset the payment by Tiptop to Ms. Haslock in item (i) above against the payment by Ms. Haslock to Tiptop in item (iii) above. On 16 December 2016, the amount in item (ii) above was settled.

HISTORY, DEVELOPMENT AND REORGANISATION

Given the adjusted profit before tax of Tree Limited as shown in its audited financial statements for the year ended 31 March 2017 is less than HK\$10,000,000, Tiptop is not required to pay the remaining consideration of HK\$13,000,000, being 20% of the Initial Consideration, together with interest thereon at the rate of 8% per annum from 1 June 2015, to Ms. Haslock.

Tiptop is a company incorporated in the Independent State of Samoa on 1 January 2015, and wholly-owned by Mr. Tong, our chairman and our non-executive Director. The principal business activity of Tiptop is investment holding. Upon completion of the above transfer of shares in Tree Limited on 30 March 2015, Tiptop became the sole shareholder of Tree Limited.

North America Licence Agreement

Pursuant to the Sale and Purchase Agreement, Ms. Haslock, American Tree and Tree Limited entered into the North America Licence Agreement. For details of the North America Licence Agreement, please refer to the section headed “Connected transactions” in this prospectus.

Call Option Deed

Pursuant to the Sale and Purchase Agreement, Tiptop executed the Call Option Deed on 1 June 2015 to grant the Call Option to Ms. Haslock or her nominee to purchase 2% of the ordinary shares in Tree Limited or its holding company from Tiptop at a consideration of HK\$1,300,000 prior to the Listing. The consideration of HK\$1,300,000 represented 2% of the Initial Consideration at which Tiptop acquired the entire issued share capital of Tree Limited pursuant to the Sale and Purchase Agreement. On 10 August 2016, Ms. Haslock exercised the Call Option to procure Savvy, being wholly-owned by Ms. Haslock, to purchase 2% of the issued share capital of our Company from Tiptop at a consideration of HK\$1,300,000. On the same day, Tiptop transferred two Shares, being 2% of the then issued share capital of our Company, to Savvy at a consideration of HK\$1,300,000, which was paid on the same day in accordance with the offset arrangement as described in the paragraph headed “Sale and Purchase Agreement” in this section. Upon completion of the above transfer, our Company was owned as to 2% by Savvy.

Incentive Shares Deed

In addition, in recognition of the valuable contribution of Ms. Babington, our chief executive officer, one of our executive Directors and Managing Director, to the growth and expansion of our business, Tree Limited, Tiptop and Ms. Babington executed the Incentive Shares Deed on 1 June 2015, under which Tiptop agreed to transfer 5% of the ordinary shares in Tree Limited or its holding company (the “**Incentive Shares**”) to Ms. Babington or her nominee at a consideration of HK\$1. Pursuant to the Incentive Shares Deed, Ms. Babington has the following rights:

- (i) Put option: Conditional upon Tree Limited achieving profits targets of HK\$10,000,000 for each of the two years ended 31 March 2017, Ms. Babington has

HISTORY, DEVELOPMENT AND REORGANISATION

a put option to sell the Incentive Shares to Tiptop at a consideration of HK\$5 million if the Listing does not take place within 24 months from 1 June 2015 or such other date as the parties may agree. However, Ms. Babington shall not be entitled to exercise the put option for a period of six months commencing on the filing of any listing application(s) by the Company; and

- (ii) Tag-along right: If Tiptop receives from or otherwise negotiates with a third party an offer to purchase any Shares or any interest held by Tiptop, Ms. Babington shall have a tag-along right to require the third party to purchase up to a maximum of all the Incentive Shares held by Ms. Babington or her nominee at a consideration in cash per Share that is equal to the highest price per Share offered or paid by the third party to Tiptop for the transfer of any Share owned by Tiptop.

As at the Latest Practicable Date, Ms. Babington had not exercised the above put option and tag-along right. The above put option and tag-along right will lapse automatically upon the Listing.

On 10 August 2016, Tiptop transferred five Shares, being 5% of the then issued share capital of our Company, to Rothley, being wholly-owned by Ms. Babington, at a consideration of HK\$1, which was paid on the same day pursuant to the Incentive Shares Deed. Upon completion of the above transfer, our Company was owned as to 5% by Rothley.

Tree Investment

On 6 April 2016, Tree Investment was incorporated in BVI as a BVI business company. It is principally engaged in the business of investment holding.

As at the date of its incorporation, Tree Investment was authorised to issue a maximum of 50,000 ordinary shares with a par value of US\$1.00 each.

On 6 April 2016, one subscriber share of Tree Investment with a par value of US\$1.00 was allotted and issued, as fully paid, to our Company, and Tree Investment became a wholly-owned subsidiary of our Company.

HISTORY, DEVELOPMENT AND REORGANISATION

PRE-IPO INVESTMENT

Pursuant to the Call Option Deed, Savvy acquired two Shares from Tiptop, one of our Controlling Shareholders, on 10 August 2016. Pursuant to the Incentive Shares Deed, Rothley acquired five Shares from Tiptop on 10 August 2016. The following table sets out details of the Pre-IPO Investment.

	Call Option Deed	Incentive Shares Deed
Pre-IPO Investors:	Savvy (as nominee of Ms. Haslock)	Rothley (as nominee of Ms. Babington)
Date of deed:	1 June 2015	1 June 2015 as supplemented by the Supplemental Incentive Shares Deed dated 31 May 2016 and the Second Supplemental Incentive Shares Deed dated 15 November 2016
Number of Shares acquired:	two Shares, representing 2% of the issued share capital of the Company immediately before the Capitalisation Issue and the Share Offer	five Shares, representing 5% of the issued share capital of the Company immediately before the Capitalisation Issue and the Share Offer
Consideration:	HK\$1,300,000	HK\$1
Payment date of the consideration:	10 August 2016	10 August 2016
Date of completion:	10 August 2016	10 August 2016
Cost per Share (Note 1):	HK\$0.05	Nil
Discount to the Offer Price (Note 2):	66.7%	100%
Basis of determination of the consideration:	The consideration was determined with reference to the Initial Consideration pursuant to the Sale and Purchase Agreement.	The consideration is nominal as an employee incentive measure.

HISTORY, DEVELOPMENT AND REORGANISATION

	Call Option Deed	Incentive Shares Deed
Strategic benefits the Pre-IPO Investors brought to our Company:	As Ms. Haslock is currently a non-executive Director, our Directors believe that (i) the Pre-IPO Investment strengthens our existing relationship with Ms. Haslock; and (ii) our business would be benefited from Ms. Haslock's experience and knowledge in the retail industry as well as in our Group.	Our Directors are of the view that our business would be benefited from Ms. Babington's experience and knowledge in the retail industry as well as in our Group.
Shareholding of the Pre-IPO Investors in our Company upon Listing (Note 3):	23,760,000 Shares, representing 1.5% of the issued share capital of our Company	59,400,000 Shares, representing 3.7% of the issued share capital of our Company
Special rights of the Pre-IPO Investors	Nil	Put option and tag-along right which will lapse automatically upon Listing <i>(please refer to the paragraph headed "Our corporate development" in this section for details.)</i>
Use of proceeds from the Pre-IPO Investment and whether they have been fully utilised	Not applicable. The consideration was paid to Tiptop by Savvy. No consideration was received by our Company.	Not applicable. The consideration was paid to Tiptop by Rothley. No consideration was received by our Company.
Lock-up period	six months after Listing	six months after Listing

Notes:

- (1) Calculated based on the total consideration paid by the relevant Pre-IPO Investor for the acquisition of the Shares, divided by the number of Shares expected to be held by such Pre-IPO Investor, immediately after completion of the Capitalisation Issue but prior to the completion of the Share Offer.
- (2) Assuming the Offer Price is fixed at HK\$0.15, being the midpoint of the indicative Offer Price range of HK\$0.13 and HK\$0.17 per Offer Share.
- (3) Based on the Shares to be held by the respective Pre-IPO Investors upon completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme).

HISTORY, DEVELOPMENT AND REORGANISATION

Information on the Pre-IPO Investors

Savvy is a company incorporated under the laws of BVI. The principal business activity of Savvy is investment holding. Savvy is wholly-owned by Ms. Haslock, our non-executive Director. For details of the biography of Ms. Haslock, please refer to the section headed “Directors and senior management” in this prospectus. Since Ms. Haslock is our non-executive Director and Savvy is her close associate, all Shares held by Savvy shall not be counted as part of the public float for the purposes of Rule 11.23 of the GEM Listing Rules.

Rothley is a company incorporated under the laws of BVI. The principal business activity of Rothley is investment holding. Rothley is wholly-owned by Ms. Babington, our chief executive officer, executive Director and Managing Director. For details of the biography of Ms. Babington, please refer to the section headed “Directors and senior management” in this prospectus. Since Ms. Babington is our executive Director and Rothley is her close associate, all Shares held by Rothley shall not be counted as part of the public float for the purposes of Rule 11.23 of the GEM Listing Rules.

Accounting treatment of the Pre-IPO Investment

The Incentive Shares were granted to Ms. Babington in return for her continuous services to our Group. The Incentive Shares and the put option granted by Tiptop to Ms. Babington under the Incentive Shares Deed were treated as linked and accounted for as a share-based compensation transaction by way of capital contribution from the shareholder in accordance with Hong Kong Financial Reporting Standard 2 (“**HKFRS 2**”), “Share-based payment”. The fair value of the services received in exchange for the grant of the equity instruments is measured at the grant date and is recognised as expense over the vesting period over which all of the specified vesting conditions are to be satisfied. The fair value of the Incentive Shares and the put option as at the date of grant, i.e. 1 June 2015, was approximately HK\$5.5 million. Such fair value shall be recognised as expenses over the period from the date of grant of the Incentive Shares and the put option to the earlier of (i) the Listing Date; (ii) the date of any change of control as defined in the employment contract; or (iii) 30 June 2017. For further details of the application of HKFRS 2 for accounting for the issuance of the Incentive Shares and the put option and relevant accounting policies, please refer to Note 2.16 and Note 26 to the Accountants’ Report set out in Appendix I to this prospectus. As for the Call Option granted by Tiptop to Ms. Haslock under the Call Option Deed, it has no accounting impact on our Group. Our Directors consider the accounting treatment of the Pre-IPO Investment is in accordance with Hong Kong Financial Reporting Standards.

For the three years ended 31 March 2017 and the six months ended 30 September 2017, our Group recognised a total share-based compensation expense of nil, HK\$2.5 million, HK\$2.3 million and HK\$0.7 million, respectively, in relation to the above Incentive Shares and the put option. It is expected that our Group will recognise a total share-based compensation expense of approximately HK\$0.7 million for the year ending 31 March 2018.

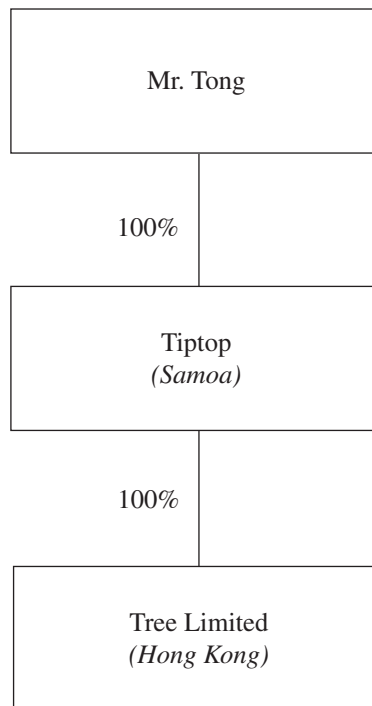
HISTORY, DEVELOPMENT AND REORGANISATION

Confirmation by the Sole Sponsor

The Sole Sponsor considers that the Pre-IPO Investment is in compliance with (i) the Interim Guidance on Pre-IPO Investments HKEx-GL29-12 issued by the Stock Exchange in January 2012 (reproduction of HKEx News Release dated 13 October 2010) as the consideration for the Pre-IPO Investment was irrevocably settled more than 28 clear days before the date of our submission of the listing application form to the Listing Division of the Stock Exchange in relation to Listing; and (ii) the Guidance Letter HKEx-GL43-12 issued in October 2012 and updated in July 2013 by the Stock Exchange as the special rights under the Incentive Shares Deed will terminate prior to Listing.

REORGANISATION

Our Group underwent the Reorganisation in preparation for Listing. The following chart sets forth our Group's shareholding and corporate structure immediately before the Reorganisation:



The Reorganisation involved the following major steps:

Incorporation of our Company

On 9 March 2016, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. It is principally engaged in the business of investment holding. As at the date of its incorporation, the authorised share capital of our Company was HK\$380,000 divided into 38,000,000 Shares with a par value of HK\$0.01 each. On the same day, one subscriber Share with a par value of HK\$0.01 was allotted and issued, nil paid, to the initial subscriber. On the same day, the said one Share was transferred to Tiptop at par value of HK\$0.01. Upon completion, our Company became wholly-owned by Tiptop.

HISTORY, DEVELOPMENT AND REORGANISATION

Incorporation of Tree Investment

On 6 April 2016, Tree Investment was incorporated in BVI. It is an investment holding company. As at the date of its incorporation, Tree Investment was authorised to issue a maximum of 50,000 ordinary shares with a par value of US\$1.00 each. On the same day, one subscriber share of Tree Investment with a par value of US\$1.00 was allotted and issued, as fully paid, to our Company, and Tree Investment became wholly-owned by our Company.

Acquisition of Tree Limited by Tree Investment from Tiptop

On 29 July 2016, Tiptop (as transferor), Tree Investment (as transferee), our Company and Tree Limited entered into a reorganisation agreement, pursuant to which, Tiptop transferred two ordinary shares in Tree Limited, representing the entire issued share capital of Tree Limited, to Tree Investment. In consideration of the transfer, our Company allotted and issued 99 Shares in our Company, credited as fully paid, to Tiptop.

Upon completion of the above transfer, (i) Tree Limited became a wholly-owned subsidiary of Tree Investment; and (ii) Tiptop held 100 Shares, representing the entire issued share capital of our Company.

Acquisition of 5% of the issued share capital of our Company by Rothley from Tiptop

On 10 August 2016, pursuant to the Incentive Shares Deed, Tiptop (as transferor) transferred five Shares to Rothley (as transferee nominated by Ms. Babington) at a consideration of HK\$1. On the same day, the name of Rothley was entered into the register of members of our Company as the holder of five Shares, representing 5% of the then issued share capital of our Company.

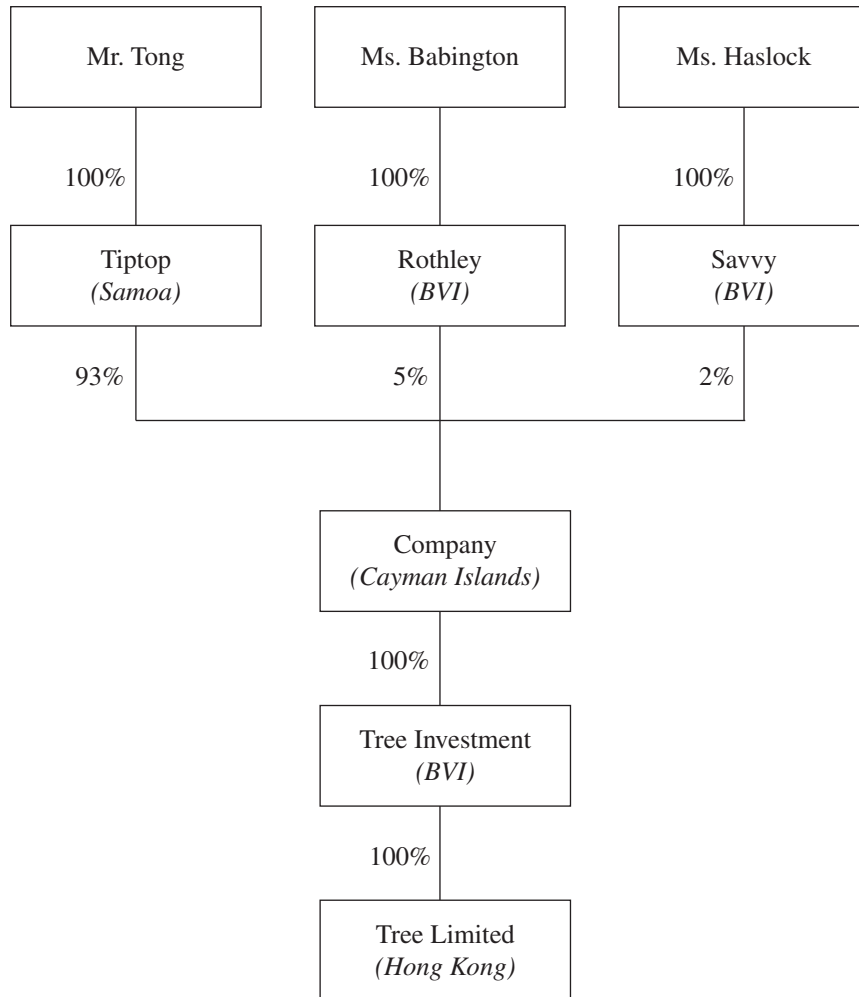
Acquisition of 2% of the issued share capital of our Company by Savvy from Tiptop

On 10 August 2016, Ms. Haslock exercised the Call Option pursuant to the Call Option Deed to procure Savvy to purchase 2% of the issued share capital of our Company from Tiptop at a consideration of HK\$1,300,000. On the same day, Tiptop (as transferor) transferred two Shares to Savvy (as transferee) at the consideration of HK\$1,300,000. On the same day, the name of Savvy was entered into the register of members of our Company as the holder of two Shares, representing 2% of the then issued share capital of our Company.

Upon completion of the above transfers of 5% and 2% of the then issued share capital of our Company to Rothley and Savvy from Tiptop respectively, our Company was owned as to 93%, 5% and 2% by Tiptop, Rothley and Savvy, respectively.

HISTORY, DEVELOPMENT AND REORGANISATION

The following chart sets forth our Group's shareholding and corporate structure immediately after the Reorganisation but before the Capitalisation Issue and the Share Offer:



Increase of authorised share capital

In contemplation of the Share Offer, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 shares of a par value of HK\$0.01 each to HK\$50,000,000 divided into 5,000,000,000 shares of a par value of HK\$0.01 each by the creation of an additional 4,962,000,000 Shares, pursuant to the written resolutions of all Shareholders of our Company passed on 5 January 2018.

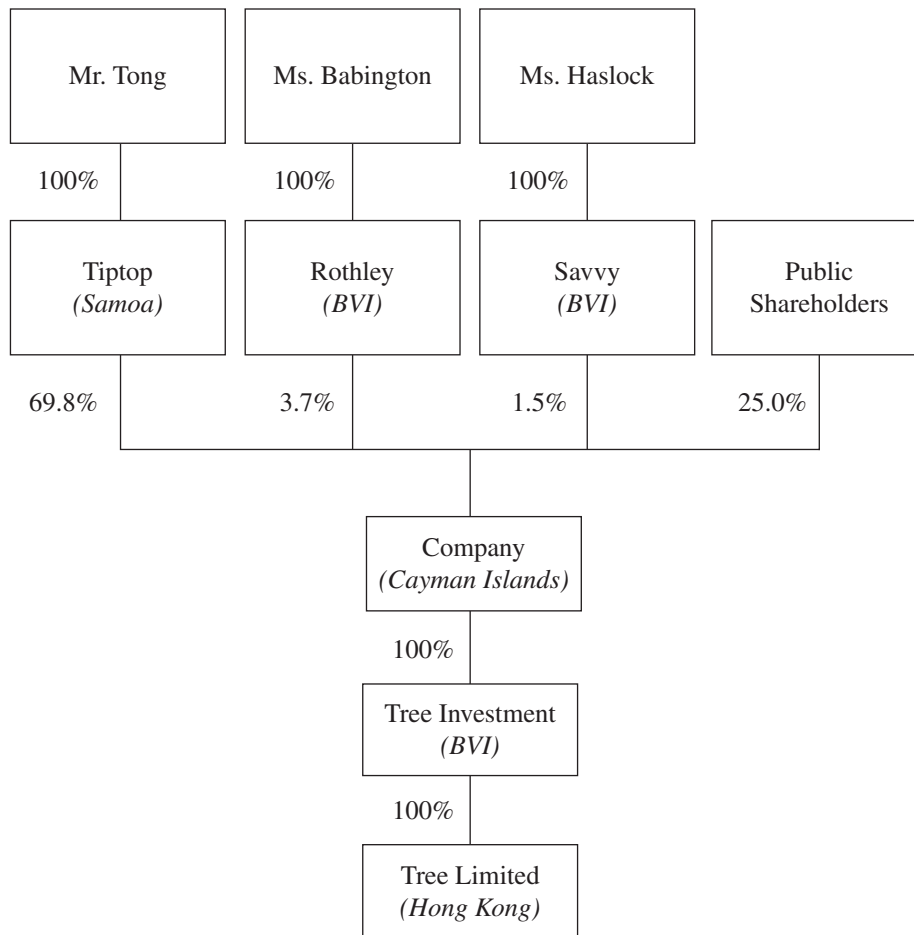
Capitalisation Issue

Conditional upon the grant of the listing approval for the listing of and permission to deal in the Shares on GEM, our Company will offer 396,000,000 Offer Shares comprising 356,400,000 Placing Shares and 39,600,000 Public Offer Shares, subject to reallocation, being an aggregate of 25% of total issued share capital of our Company (as enlarged by the Offer Shares offered under the Share Offer and the Shares issued under the Capitalisation Issue excluding the Shares which may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme).

HISTORY, DEVELOPMENT AND REORGANISATION

Conditional upon the crediting of our Company's share premium account as a result of the issue of the Offer Shares pursuant to the Share Offer, our Directors are authorised to capitalise an amount of HK\$11,879,999.01 standing to the credit of the share premium account of our Company by applying such sum towards paying up in full at par (i) the one subscriber Share; and (ii) a total of 1,187,999,900 Shares for allotment and issue, immediately prior to Listing, to the Shareholders whose names appear on the register of members of our Company as of 12 January 2018, on a pro rata basis.

The following chart sets forth our Group's shareholding and corporate structure immediately after the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme):



BUSINESS

OVERVIEW

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 sale; (iii) the distribution and licencing of our intellectual property rights; (iv) provision of styling and consulting services; and (v) the operation of TREE Café in our Flagship Store. We offer a variety of furniture including tables, chairs, storage solutions, sofas and beds, and home accessories including kitchenware, bed and bathroom related products, jars, cushions, mattresses, utensils and baskets. According to the Euromonitor Report, we operate in the lifestyle furniture and home furnishing market in Hong Kong, which is a subset of, and accounts for approximately 11.3% of, the overall furniture and home furnishing market in Hong Kong in terms of retail sales value in 2016. According to the Euromonitor Report, in 2016, we ranked second and had a market share of approximately 4.7% in terms of retail sales value in the lifestyle furniture and home furnishing market in Hong Kong.

As at the Latest Practicable Date, we operated three “TREE” retail stores in Hong Kong namely, our Flagship Store, our Sai Kung Store and our Sha Tin Store which we opened in October 2016.

As part of our strategy to diversify our revenue base and increase our brand awareness, we entered into the Framework Distribution Agreement with our PRC Distributor with effect from 1 July 2015 and subsequently the Distribution Agreement in November 2016. Under the Distribution Agreement, our PRC Distributor sells our products through its retail store in Beijing, the PRC and further we license our trademark and intellectual property rights to our PRC Distributor for a fixed annual distribution and licence fee. On 27 January 2017, we entered into the Second Supplemental Distribution Agreement with our PRC Distributor to expand the permitted distribution territory to include Hainan province, the PRC. In addition, we entered into the North American License Agreement in 2015 with American Tree for a license fee although no licence fee has been received from American Tree during the Track Record Period as it started its retail operations in October 2017. On 17 October 2017, we entered into the Renewed Distribution Agreement with our PRC Distributor to renew the Distribution Agreement for a period of three years.

Since 2006, we have been expanding our retail and distribution network. As at the Latest Practicable Date, our retail and distribution network included five stores, three of which we operate, and two of which are operated by our PRC Distributor. During the Track Record Period, over 70% of our revenue was generated from our Flagship Store. We also operate TREE Café in our Flagship Store which offers a range of beverages and light refreshments. We started providing styling and consulting services to our customers for the year ended 31 March 2015, in which we offer services such as styling and sourcing solutions in response to our customers’ specific requests.

In relation to the sale of our products, we maintain a retail presence in Hong Kong and have Distribution Sales in the PRC. Our customers comprise primarily customers who purchase our products at our self-operated “TREE” retail stores in Hong Kong and our PRC Distributor who operates two retail stores in the PRC under our “TREE” brand. During the Track Record

BUSINESS

Period, we derived revenue from (i) the sale of furniture and accessories to retail and corporate customers and our PRC Distributor; (ii) the sale of food and beverage at our TREE Café; (iii) the annual distribution and license fee paid by our PRC Distributor for the use of our trademarks and intellectual property rights; (iv) the provision of styling and consulting services; and (v) commission income from consignment sales.

Through our marketing strategy, we position our Group in the market not only as a retailer, but also as a Group with values and principles under our “TREE” brand and our principle of “from the heart”. Our catalogue of products includes wooden furniture and home accessories and we aim to provide our customers with a selection of products with FSC 100% or FSC Recycled certification. As we do not manufacture any products, we mainly source our products from suppliers in Southeast Asia and the PRC.

As a testament to our brand and retailing, we have been awarded the following:

- “Best Green Company” in the “Readers’ Choice Awards” organised by “The List” magazine in 2012;
- one of the awardees of the “Best Home Décor” in the “Readers’ Choice Awards” organised by “The List” magazine in 2013;
- one of the awardees of the “Best Home Store” in the “Readers’ Choice Awards” organised by “The List” magazine in 2014;
- the “Best Home-Furnishing Shop” in the “Readers’ Choice Awards” organised by “Sai Kung & Clearwater Bay Magazine” in 2014; and
- the “Favorite Furniture & Home Décor Store” in the “Sassy Awards 2015” organised by Sassy Hong Kong in 2015.

Our revenue increased from approximately HK\$65.3 million for the year ended 31 March 2015 to approximately HK\$81.9 million for the year ended 31 March 2016, representing a growth of approximately 25.5%. Our revenue decreased by approximately 5.6% from approximately HK\$81.9 million for the year ended 31 March 2016 to approximately HK\$77.3 million for the year ended 31 March 2017. Our revenue increased from approximately HK\$38.5 million for the six months ended 30 September 2016 to approximately HK\$40.6 million for the six months ended 30 September 2017, representing a growth of approximately 5.5%. Our gross profit increased from approximately HK\$44.3 million for the year ended 31 March 2015 to approximately HK\$54.8 million for the year ended 31 March 2016, representing a growth of approximately 23.8%. Our gross profit decreased by approximately 7.0% from approximately HK\$54.8 million for the year ended 31 March 2016 to approximately HK\$51.0 million for the year ended 31 March 2017. Our gross profit increased from approximately HK\$24.8 million for the six months ended 30 September 2016 to approximately HK\$27.5 million for the six months ended 30 September 2017, representing a growth of approximately 10.7%. Our gross profit margins were approximately 67.9%, 67.0%, 66.0% and 67.8% for the three years ended 31 March 2017 and the six months ended 30 September 2017, respectively. We intend to leverage on our competitive strengths to maintain or increase our growth by continuing to provide high quality products, building on our brand and expanding our sales and distribution network.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have been key factors for our success to date and will enable us to maintain our market position and capture the anticipated future growth in our market:

Strength of our brand and marketing

As a retail business, we recognise the importance of our brand and marketing on the performance of our Group. Our Group is committed to developing our brand and has invested resources in conducting advertising and other promotional efforts to build and strengthen our brand. The “TREE” brand and our principle of “from the heart” aim to position our Group in the market not only as a retailer but also as a Group with values and principles.

Part of the branding of our Group is to show our ethos of conducting our business “from the heart”, “reclaimed, recycled, reloved” and “giving back”. We have participated in the Trees4Trees initiative where we have made donations for the planting of approximately 77,000 trees. We have also taken part in activities such as beach or country park cleaning up. In addition, we offer products with FSC 100% or FSC Recycled certification. Our Company is committed to building our brand as a retailer of furniture and home accessories who gives back to the environment.

Supported by our marketing department together with an external public relations service provider, our Group uses a number of mediums to grow our brand awareness including advertising in newspapers, magazines, on minibuses in Hong Kong as well as social media through Instagram. We also provided furniture and home accessories for a show flat of a residential property located in Sha Tin jointly developed by three property developers in Hong Kong in 2015 and the show flats of two residential properties located in Ho Man Tin and Tuen Mun developed by a property developer in Hong Kong in 2017. For more information of our marketing strategies, please refer to the paragraph headed “Marketing” in this section.

Our Directors believe that as a result of our marketing campaigns, the strength of our marketing department and the positioning of our brand, our Group has built a strong brand which allows us to reach more customers and continue our growth.

We have an established merchandising team that continues to source a variety of products

Our Directors consider our sourcing capabilities and our ability to keep abreast of market trends and continually introduce new and improved products are key to our success. We have a merchandising team headed by our experienced Managing Director which aims to identify and adapt to changing consumers’ tastes and preferences in order to meet the demands of discerning customers. Our merchandising team monitors market trends and conducts overseas sourcing trips from time to time and meets local suppliers to identify new products and improve the diversity of our product offering. In particular, for our accessories products, we have engaged overseas sourcing agents to assist us in identifying new products. Our Directors believe that our sourcing capabilities allow us to effectively adjust and improve our product portfolio to meet market demands.

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We have not entered into any long-term written purchase agreements with our existing suppliers as our Directors consider that we can enjoy greater flexibility in procuring products from different suppliers. However, we have a stable business relationship of over six years with our top three suppliers during the Track Record Period. Our Directors believe such long-term relationships can ensure that we have a reliable supply of products for our operations while the absence of long-term contractual obligations can provide us with the flexibility to source from new suppliers to meet the demands of our customers as required.

To further our marketing strategy and brand positioning, when engaging with and selecting suppliers, our merchandising team seeks out suppliers who share or supplement our marketing principles including “from the heart” and “reclaimed, recycled, reloved”. By selecting suppliers who supplement our branding and marketing strategies, our merchandising team assists in developing our branding and marketing strategy.

Our destination shopping experience at our Flagship Store

We strive to manage and control all aspects of the shopping experience at our Flagship Store to ensure that our customers receive a differentiated service offering that is superior to our competitors.

We believe our appeal to customers begins with our design and aesthetic of our Flagship Store which brings immediate credibility to the product offerings within our Flagship Store. Our Flagship Store underwent renovation in 2015 to optimise retail space to showcase more of our products with an aim to accommodate more customers, provide a relaxing shopping environment and offer our customers added convenience when shopping for a range of furniture and home accessories under one roof. We believe that the internal decoration and layout of our Flagship Store provide our customers with a feeling as warm and comforting as their own home which further enhances their shopping experience.

Experienced management team led by our Managing Director, Ms. Babington

We have an experienced and committed management team. In particular, Ms. Babington, our chief executive officer, Managing Director and executive Director who is responsible for managing the business operations of our Group, has over 23 years of experience in the retail industry and a tenure of over seven years with our Group. Mr. Kong Chi Tong, our senior merchandiser who is responsible for sourcing and merchandising, has over eight years of experience in merchandising and a tenure of over six years with our Group. In addition, Mr. Tsui, our executive Director, is responsible for the financial management of our Group and has over 11 years of experience in accounting and finance. For more details, please see the section headed “Directors and senior management” in this prospectus.

We believe that our management team is capable of managing our business competently under the strategic direction of our Directors, and will be instrumental in the continuous growth of our business.

OUR BUSINESS STRATEGIES

Our goal is to maintain our competitiveness in the lifestyle furniture and home furnishing market and strengthen our position by capturing a larger market share in Hong Kong. To achieve our goal, we aim to execute the following strategies.

Solidify our market position by strategically expanding our sales network through establishing new retail stores and launching an e-commerce platform

(i) Opening of new retail stores

We expect to capitalise on the growth trend in the lifestyle furniture and home furnishing market by strategically opening new retail stores in selected locations in Hong Kong with attractive market attributes. As at the Latest Practicable Date, we operated three retail stores in Hong Kong Island and New Territories, which are our Flagship Store, our Sai Kung Store and our Sha Tin Store. Currently, we do not operate any retail store in Kowloon.

We believe that expanding our retail network and geographical footprint will further strengthen our existing network and lead to greater exposure for our products and brand. As such, we plan to open three new retail stores in the New Territories, Central and Kowloon by March 2020. We believe that our new retail store in Central allows us to capitalise on the customer base and reputation built from our SoHo Store which ceased operations in July 2016 while our other two new retail stores allow us to expand our geographic reach and tap into the lifestyle furniture and home furnishing market in Kowloon.

During the Track Record Period, we operated four retail stores in Hong Kong. Our SoHo Store and Flagship Store opened in 2006 and 2008, respectively, while our Sai Kung Store opened in 2011. Our Sha Tin Store commenced operation in October 2016. As set out in the section headed “Future plans and use of proceeds” in this prospectus, we intend to allocate an aggregate sum of approximately HK\$16.2 million of the proceeds from the Share Offer to expand our sales network including the opening of three new retail stores in the two years ending 31 March 2020.

Given our SoHo Store and Flagship Store opened more than eight years ago, our Directors are of the view that it would be more relevant to conduct an operating breakeven and investment payback analysis for our Sai Kung Store and Sha Tin Store which opened in 2011 and 2016, respectively. Based on the unaudited management accounts of our Group, each of our Sai Kung Store and Sha Tin Store achieved an operating breakeven period ^(Note 1) of within three months. We expect that our planned new retail stores opening in the two years ending 31 March 2020 will have similar operating breakeven periods as our Sai Kung Store and Sha Tin Store since they are expected to be similar in terms of floor area. Based on the unaudited management accounts of our Group, our Sai Kung Store and Sha Tin Store achieved an investment payback period ^(Note 2) of 19 months and six months, respectively. Our Directors believe that our new retail stores will have an investment payback within one year for stores located in shopping malls and two years for stores situated at street facing locations. Our

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Directors consider that the factors that affect the operating breakeven periods and the investment payback periods of different retail stores include but are not limited to (i) initial investment costs; (ii) market condition; (iii) locations of the retail stores; (iv) traffic of customers; and (v) effectiveness of our marketing efforts.

Potential investors should note that the above historical and expected operating breakeven periods and investment payback periods of our retail stores are not indicative of our future performance as our revenue, expenses and operating results may vary from period to period in response to a variety of factors beyond our control.

Notes:

1. Operating breakeven period is defined as the period required for a retail store for the first time to record a positive operating cash inflow following the month of commencement of operation of the retail store.
2. Investment payback period is defined as the period required for the renovation and furniture and fittings costs to be fully covered by the accumulated operating cash inflows of the retail store since its commencement of operation.

(ii) Establishment of an e-commerce platform

We also plan to launch an e-commerce platform to cater for online consumers (the “**Online Store**”). The Online Store will aim to establish our Group in the online market, and compete with our peers with established e-commerce platforms. We consider that the Online Store will serve as an additional channel to connect our existing and prospective retail customers and provide them with an interactive shopping experience by allowing them to view and purchase our products online. This is complementary to our physical retail store network which provides a venue for our customers to see and touch our products and receive personal customer service from our onsite staff. Moreover, the Online Store will provide us with valuable market intelligence that will enable us to collect computerised data of our customers’ purchasing behaviour to further improve our analysis and research on customers’ tastes and preferences as well as industry trends. We believe this will enhance our customer loyalty, increase their conversion rate from prospective customers to actual customers and allow us to conduct targeted marketing to our customers.

To accommodate our expansion plan, we will locate and rent a new warehouse to allow for more efficient dispatch of our products to our existing and new retail stores as well as online customers who our Directors believe typically require faster delivery time than in-store customers.

Enhance operational efficiencies by adopting a more updated POS system

We plan to enhance our existing POS system to link up, among other things, our retail stores, our warehouses, the Online Store and our accounting system to allow better sales and inventory management. We believe that this system could enhance efficiency of our operations such as inventory control, delivery of products and sales analysis and thus optimise our operation flow to yield higher profit margin.

In anticipation of our planned new retail stores and Online Store, we also plan to acquire one new delivery truck to cater for any new orders expected to be generated from our expanded retail network and the Online Store and to increase our delivery efficiency.

Currently, our headquarters is located at our Flagship Store. To accommodate the increase in our headcount, we plan to locate and rent a new head office as our headquarters, which can free up the floor space in our Flagship Store to showcase more of our products and enhance customers' shopping experience and allow us to accommodate our future staff.

Promote and strengthen our brand image and recognition

Our Directors believe that the awareness and recognition of our brand is critical to our success. We intend to continue to promote recognition and awareness of our brand in Hong Kong by advertising in traditional media channels such as newspapers, magazines and minibuses as well as social media platforms such as Instagram. To raise awareness of our brand and products, we supplied our products for display in a show flat of a residential property located in Sha Tin jointly developed by three property developers in Hong Kong in 2015. In 2017, we supplied our products and provided styling and consulting services to a property developer in Hong Kong for the show flats of two residential properties located in Ho Man Tin and Tuen Mun. We have also engaged a public relations service provider to assist us in managing media events or interviews. We also intend to continue to participate in tree planting projects organised by Trees4Trees to further solidify our marketing position as a group with value and principles. For more information on our marketing, please refer to the paragraph headed "Marketing" in this section.

To strengthen our brand in the market and maximise the shopping experience of our customers, we plan to expand our sales and marketing team by employing an in-house visual merchandiser who will be responsible for designing and enhancing the visual displays in our retail stores and a trainer specialised in providing sales and customer services who will be responsible for designing and facilitating training programs for all sale executives to enhance their customer service skills and assisting our customers on shopping floor. We also plan to launch marketing campaigns for our planned new retail stores.

Enhance our styling and consulting services

With a view to establishing a competitive advantage and differentiating ourselves from our competitors, we began to provide styling and consulting services by undertaking a styling and consulting project for a hotel in Palau in October 2014 in which we were responsible for formulating styling concepts and the general aesthetics of the hotel. We also prepared indoor and outdoor styling advice and assisted with the sourcing and procurement of certain furniture and materials for the hotel. We also provided interior styling and sourcing services to an individual customer in Hainan, the PRC, in 2016. In 2017, we provided styling and consulting services to a property developer in Hong Kong for the show flats of two residential properties located in Ho Man Tin and Tuen Mun. To capitalise on this experience and to further diversify our revenue base, we aim to expand our styling and consulting services by recruiting a project manager who will focus on sourcing new projects and an interior designer who will provide consulting advice to our retail and corporate customers. We plan to expand this segment as our Directors believe this allows us to differentiate ourselves from our competitors by offering a range of products and services to our customers and to enhance their satisfaction through providing them with customised and one-stop services from in-store advice to selection of furniture as well as in-home installation.

Expand our distribution network

We aim to strengthen our market position by expanding our distribution network and promoting our brand and products outside Hong Kong. In 2015, we started to distribute our products in Chaoyang District, Beijing, PRC, through our PRC Distributor by entering into the Framework Distribution Agreement. On 27 January 2017, we entered into the Second Supplemental Distribution Agreement with our PRC Distributor for the distribution of our products in Hainan province, the PRC. Our Directors believe that such kind of arrangement can enhance our market presence outside Hong Kong and diversify our revenue base with limited capital requirements and obligations on our part. In order to expand and leverage on such arrangement, we plan to actively seek additional distribution arrangements in Shanghai, Guangzhou and Shenzhen, the PRC. In addition to sourcing new projects for our styling and consulting services, the project manager we plan to recruit will be also responsible for identifying suitable distributors.

For more information on how we intend to utilise the proceeds from the Share Offer for the implementation of the above strategies, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

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approximately HK\$59.4 million, HK\$75.1 million, HK\$70.4 million and HK\$37.6 million, representing approximately 91.0%, 91.7%, 91.0% and 92.7% of our revenue, respectively. We also generate commission income from consignment sales.

We also operate TREE Café in our Flagship Store which offers beverages and light refreshments. For the three years ended 31 March 2017 and the six months ended 30 September 2017, revenue generated from the operation of TREE Café was approximately HK\$4.8 million, HK\$4.6 million, HK\$3.9 million and HK\$0.8 million, representing approximately 7.3%, 5.7%, 5.0% and 1.8% of our revenue for the relevant periods, respectively.

As part of our strategy to expand our network in the PRC, we entered into the Framework Distribution Agreement with World Luxury on 25 November 2015 for the distribution of our products in Beijing, the PRC, with effect from 1 July 2015. On 27 January 2017, we entered into the Second Supplemental Distribution Agreement with our PRC Distributor to expand the permitted distribution territory to include Hainan province, the PRC. On 17 October 2017, we entered into the Renewed Distribution Agreement with our PRC Distributor to renew the Distribution Agreement prior to its expiry on 30 June 2018 for another three years. As at the Latest Practicable Date, our PRC Distributor operated a retail store in Beijing and a retail store in Hainan province, the PRC under our “TREE” brand. For the two years ended 31 March 2017 and the six months ended 30 September 2017, we generated distribution and license fee income of approximately HK\$1.8 million, HK\$2.7 million and HK\$1.9 million, respectively.

We started to provide styling and consulting services for a hotel in Palau in October 2014. Under the engagement, we were responsible for formulating styling concepts and the general aesthetics of the hotel. We also advised an individual client on the interior styling of the client’s residential property located in Hainan, the PRC, in 2016. For the six months ended 30 September 2017, we were engaged to provide styling and consulting services to a property developer on the show flats of two residential properties located in Ho Man Tin and Tuen Mun. Such engagement was subsequently completed as at Latest Practicable Date.

OUR PRODUCTS

Our products portfolio can be broadly classified into:

- (i) **furniture:** typically tables, chairs, storage solutions, sofas and beds; and
- (ii) **home accessories:** typically kitchenware, bed and bathroom related products, jars, cushions, mattresses, utensils and baskets.

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Storage solutions



Sofas



Home accessories



Beds



Table and chairs

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We offer home accessories sourced from the Philippines, India and Indonesia. We also offer products made from oak, walnut or teak, some of which are products with FSC 100% or FSC Recycled certification. FSC is an organisation that aims to promote environmentally sound, socially beneficial and economically prosperous management of the world's forests and sets standards under which forests and companies are certified. FSC-certification provides that products come from responsibly managed forests that provide environmental, social and economic benefits.

Our customers can also pre-order products from us, which are generally (i) custom-made products made to suit a customer's specific needs, such as the size, the materials used, the partitioning or the number of legs on furniture; or (ii) products that are currently out-of-stock.

We also offer gift vouchers which can be used to pay for products of equivalent value. Our gift vouchers are in the value of HK\$500, HK\$1,000 or HK\$10,000.

SALE OF FURNITURE AND HOME ACCESSORIES

During the Track Record Period, we primarily sell our products to (i) retail customers who visited our retail stores, being the Direct Sales; and (ii) our PRC Distributor, being the Distribution Sales. For the three years ended 31 March 2017 and the six months ended 30 September 2017, sale of furniture and home accessories reached approximately HK\$59.4 million, HK\$75.1 million, HK\$70.4 million and HK\$37.6 million, respectively. We experienced a growth in sale of furniture and home accessories of approximately 26.5% for the year ended 31 March 2016 as compared to the previous year. Our sale of furniture and home accessories decreased by approximately 6.3% from approximately HK\$75.1 million for the year ended 31 March 2016 to approximately HK\$70.4 million for the year ended 31 March 2017. We experienced a growth in sale of furniture and home accessories from approximately HK\$34.8 million for the six months ended 30 September 2016 to approximately HK\$37.6 million for the six months ended 30 September 2017, representing an increase of approximately 7.8%. For further information on our customers, please refer to the paragraph headed "Customers" in this section.

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The following table sets forth a breakdown of our sale of furniture and home accessories by the Direct Sales and the Distribution Sales during the Track Record Period:

	2015		Year ended 31 March 2016		2017		Six months ended 30 September 2016				2017	
	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 %	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 %	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 %
	(Unaudited)											
Direct Sales	59,359	100.0	71,381	95.1	67,970	96.6	33,942	97.4	36,445	97.0		
Distribution Sales	-	-	3,708	4.9	2,403	3.4	906	2.6	1,135	3.0		
Total	59,359	100.0	75,089	100.0	70,373	100.0	34,848	100.0	37,580	100.0		

A. Direct Sales

The following flowchart illustrates the general process of our Direct Sales:



(i) Selection of products from suppliers

We are committed to purchasing a variety of products for our customers, including both furniture and home accessories, maintaining relationships with our existing suppliers and developing relationships with new suppliers. For more details on our procurement practice, please refer to the paragraph headed “Procurement procedures – (i) Selection of suppliers” in this section.

(ii) Purchase of products from suppliers

Our merchandising and shipping department is responsible for the procurement of our products. For more details on our procurement practice, please refer to the paragraph headed “Procurement procedures – (ii) Procurement arrangement” in this section.

(iii) Products delivered to our warehouses and placed in our retail stores

In general, our products are delivered to us mainly by the following methods:

- **by shipment in containers under the FOB basis** – our Group takes delivery of the products once the products leave our suppliers’ respective shipping docks. We normally engage shipping agents to handle the shipment of products to Hong Kong and to our warehouses.
- **by delivery arranged by suppliers under the ex works basis** – the suppliers generally arrange delivery of products to our warehouses and we bear the costs and risks of delivery.

For more details of the delivery arrangement, please refer to the paragraph headed “Procurement procedures – (iii) Delivery of goods to us” in this section.

(iv) Customers visit our retail stores and make purchases

We have retail stores in Hong Kong whereby customers can visit and purchase our products. Apart from purchasing available items, our customers can pre-order products from us, which are generally (a) custom-made products made to suit a customer’s specific needs; or (b) products that are currently out-of-stock.

(v) Delivery of products to customers

Customers can either pick up their purchased products in store, or we will make arrangement for the delivery of the products at an agreed date. For customers who require delivery services from us, products are generally delivered to them by our delivery team for a fee based on delivery locations. We assist our customers in furniture installation upon delivery, if requested. We request our customers to sign and acknowledge receipt of our products on delivery.

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Retail network

During the Track Record Period, we operated four retail stores in Hong Kong and as at the Latest Practicable Date, we operated three retail stores in Hong Kong. As at 31 March 2015, 2016 and 2017 and 30 September 2017, we operated three retail stores in Hong Kong with our SoHo Store ceasing operation in July 2016 and our Sha Tin Store commencing operations on 24 October 2016. Set out below is a breakdown of our Direct Sales by our retail stores during the Track Record Period:

	2015		Year ended 31 March 2016		2017		Six months ended 30 September 2016		2017	
	Revenue <i>HK\$'000</i>	% of total Direct Sales %	Revenue <i>HK\$'000</i>	% of total Direct Sales %	Revenue <i>HK\$'000</i>	% of total Direct Sales %	Revenue <i>HK\$'000</i>	% of total Direct Sales %	Revenue <i>HK\$'000</i>	% of total Direct Sales %
	(Unaudited)									
Flagship Store	50,899	85.7	61,724	86.5	56,974	83.8	30,342	89.4	27,433	75.3
Sai Kung Store	2,587	4.4	3,228	4.5	2,685	4.0	1,562	4.6	1,167	3.2
SoHo Store ⁽¹⁾	5,873	9.9	6,429	9.0	2,069	3.0	2,038	6.0	-	-
Sha Tin Store ⁽²⁾	-	-	-	-	6,242	9.2	-	-	7,845	21.5
Total	59,359	100.0	71,381	100.0	67,970	100.0	33,942	100.0	36,445	100.0

Notes: (1) Our SoHo Store ceased operations in July 2016.

(2) Our Sha Tin store commenced operations on 24 October 2016.

Our SoHo Store ceased operations in July 2016 and we terminated the lease with the landlord in September 2016 after a building order imposed on the property where our SoHo Store was situated came to our knowledge on 13 June 2016 when we were reviewing our tenancies in preparation of the Listing. The last lease agreement of our SoHo Store expired on 18 June 2016. Pursuant to a surrender agreement dated 20 September 2016 and entered into between us and the landlord, (i) we shall deliver vacant possession of our SoHo Store on 14 September 2016 and fully settle all the corresponding rent and charges under the same terms as the last lease agreement up to and inclusive of 14 September 2016 upon signing of the surrender agreement; and (ii) the landlord shall return any deposit paid by us in relation to the lease of our SoHo Store on 14 September 2016. There was no break clause in the aforesaid agreements that allowed our Company to terminate by giving a notice in advance. Our Directors confirmed that the rental rate of our SoHo Store during the Track Record Period was under normal commercial terms and comparable to that of similar properties without any building order. As advised by our Legal Counsel, the building order was imposed against the landlord of the relevant property and not against our Group and therefore, the building order had no legal effect on us even though we were the tenant who had occupied the premises. To prevent the same from happening, our Group will perform checks on any targeted retail store for any title defect or existence of any building order. Please refer to the paragraph headed “Sale of furniture and home accessories – Internal control on new retail store opening procedure – (iv) Lease negotiation and execution” in this section for details.

Internal control on new retail store opening procedure

As part of our business strategy, we plan to expand our retail network by opening more retail stores and branching out into other locations in Hong Kong. We have adopted a retail store expansion policy to manage the process of opening a new retail store, which involves the following steps:

(i) Site selection

Our Directors and senior management will consider various factors in selecting a potential location for our new retail store, including the following:

- *location* – we will consider the accessibility for customers and transportation amenities, appeal to lifestyle furniture and home furnishing customers, proximity to residential areas, number of newly completed private domestic properties, growth potentials including upcoming property development projects and number of private residential flats with consent to commence work, and maintain a reasonable distance away from existing stores to avoid internal sales cannibalisation;
- *visibility* – we will consider whether the proposed location can bring visibility and awareness to our brand and products;
- *population* – we will consider the existing and projected population of the proposed location and its stock of permanent living quarters;
- *demographics* – we will consider the demographics of the residents in the proposed location such as their age groups, income level, education levels and purchasing powers;
- *competition* – we will consider the existing and potential lifestyle furniture and home furnishing stores in the proposed location which may compete with us in terms of number, type and size;

Once we have decided on the proposed location, we will engage property agents or property management companies to locate potential retail stores.

(ii) Feasibility study

We will conduct a feasibility study after identifying a potential retail store. In conducting the feasibility study, we will take into account different criteria including rental expenses, utilities costs, set-up costs, capital expenditure, marketing and public relations expenses, staffing requirement and estimated daily revenue based on flow of target customer traffic or pedestrian traffic. Our Managing Director and the finance department are responsible for preparing financial analysis on the required budget, breakeven point, cash flow projections and estimated investment payback period for the potential retail store.

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We will visit the proposed location and inspect areas such as floor plan design, usable area, public appeal or foot traffic, and surrounding amenities.

(iii) Evaluation and approval

Once the feasibility study has been prepared, it will be reviewed and considered by our Directors and senior management who will then decide on whether to proceed with the proposed expansion.

(iv) Lease negotiation and execution

We will negotiate lease terms with the landlord for our new retail store. In negotiating the rent, we will take into account factors including the potential rent increase at expiry of the lease and the rents of comparable sites, mandatory building management fees or marketing charges, and size in the neighbouring areas. In general, we will require an initial lease term of two to five years, a rent free period of one to two months for renovation and an option to renew.

Further, we will perform due diligence procedures before we enter into any tenancy agreement for our new retail store. Such procedures include engaging third-parties to perform title searches of the targeted property including items such as occupation permits in ensuring the compliance with the use of the premises, searches on landlord background, investigating any existing building order or defect and inspecting the condition of the building.

(v) Retail store design, renovation and licence application

Upon the approval of the location for our new retail store, our Managing Director will begin to work on its initial interior design with consultation from interior design contractors for a proposal which will reflect our core principles as well as appeal to our targeted customers. The design proposal will be reviewed by and approved by our Managing Director. The design stage is expected to take approximately two to four weeks.

Once the design of the layout is finalised, we will start the renovation work by engaging a suitable contractor. We expect the renovation to take three to eight weeks but generally not exceeding the negotiated rent-free period. During the renovation period, we will also apply for all the necessary licences for our new retail store.

Our Managing Director is responsible for coordinating with different departments of our Group in preparing the opening of our new retail store and ensuring that all relevant licences are obtained before the operation of our new retail store.

(vi) Staffing

Based on our feasibility study, we will plan for the staffing of our new retail store during the renovation process by considering the number of staff required, their respective positions and duties, level of experience, recruitment and training timeline and salary structure. We may recruit new staff for the operation of our new retail store or swap existing staff from a different store based on the aforementioned staffing consideration. New staff will be adequately trained by our existing staff before deployment to our new retail store.

(vii) Procurement for our new retail store and setting up the POS system

Before the launch of our new retail store, our senior management will prepare a detailed plan for the product categories we would like to display, and the optimal amount of stock we will keep at our new retail store. Based on such plan, we will conduct the necessary procurement procedures with our suppliers.

In addition, we will install and set up the POS system in our new retail store to track our initial stock as well as subsequent movements from sales, or relocation to and from our other retail stores already integrated in the system.

(viii) Soft and official openings

When the above steps are completed, we will have a soft opening lasting about two to four weeks during which we will trial run the operations, systems and facilities of our new retail store. If our Directors and senior management are satisfied with the performance and operations after evaluation of our new retail store, we will proceed with the official opening.

Based on our experience with the opening of our Sha Tin Store, it took approximately six months from site selection to the official opening of our new retail store.

For more details of our retail stores as at the Latest Practicable Date, please refer to the paragraph headed “Properties” in this section.

Quality control

We have in place a quality control policy under which our delivery team and merchandising team will perform inspections on all furniture and home accessories displayed in our retail stores. We will normally perform a full inspection on the same batch of products if material defects are found. In such circumstances, our Managing Director may consider requesting a replacement of products or making claims to the relevant suppliers, if necessary.

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For wooden furniture, we rely on our carpenters for general quality control. Their quality control work includes the following:

- performing checks on selected wooden furniture to ensure the quality and to identify issues such as stains before delivery to our customers;
- applying protective coating on wooden furniture;
- slightly altering the design of the furniture such as adjusting the height of tables or chairs in response to customers' specific requests; and
- rounding the corners of wooden furniture to avoid sharp edges.

Credit control and payment methods

Credit terms

Under our policy, in general:

- for both furniture and home accessories, we do not allow customers to make purchases on credit. However, we may not require full payment at the time of purchase in certain cases after assessing various factors, such as relationship with customers, location of delivery, payment history of customers or any other reason for special credit terms being requested on a case-by-case basis; and
- for customers who purchase pre-ordered products, for example, custom-made or out of stock products, we generally require them to pay a deposit of 50% to 75% of the full retail price upon ordering. Once the relevant products have arrived in stock, we withhold delivery of our products until the customer has settled the remaining balance.

Overdue balance

We have adopted a policy where our stock controller and sales executives are responsible for reviewing invoices to identify any outstanding balance and inform our sales department to follow up. In cases where there is a bounced cheque from customers, our accountant will notify the responsible sales executive and our store manager of the outstanding balance who will contact the relevant customer and request payment. Under our policy, our finance department prepares a monthly aging report on outstanding balances which are reviewed on a quarterly basis and each individual outstanding amount will be reviewed and if considered appropriate, provision of such amount will be made. Our Managing Director and senior management are responsible for considering the writing off of any outstanding balance after taking into account our efforts in recovering the amount.

Please also refer to the section headed "Financial Information – Trade and other receivables – Trade receivables" for a further discussion and analysis on our accounts receivables and our collection periods during the Track Record Period.

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Payment methods

Our retail customers generally settle their purchases in Hong Kong dollars by way of cash, EPS, credit cards, bank transfer, cheques, our credit notes or our gift vouchers.

After-sale services and product return policy

We offer various after-sale services at a discretionary fee which are normally performed by our carpenters and our delivery team which include the following:

- assisting customers in moving furniture from one location to another;
- providing and assisting in the installation of new sofa covers to our customers; and
- for our wooden furniture, re-applying protective coating, providing repairing and maintenance services and touch-up services such as stain removing and handling scratches.

Under our product return policy, customers can request in writing an exchange for other products or a credit note which is valid for a year within seven days of purchase or delivery. If our customers request delivery, we normally collect the returned products from our customers for a delivery fee which may be waived.

We generally do not offer refund, exchange or return for custom-made products, products damaged by customers, gift vouchers, art pieces, mattresses, bed linen, cushions or rugs. Our Managing Director has the discretion to offer refunds in certain cases, such as late-shipment of pre-ordered item or defective products. We generally do not offer warranty for our products.

For the three years ended 31 March 2017 and the six months ended 30 September 2017, the retail value of refunded products was approximately HK\$0.1 million, HK\$0.3 million, HK\$0.2 million and HK\$0.3 million, respectively. Given such insignificant amounts, we did not make provision for returned products during the Track Record Period.

Our Directors confirm that, save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, we did not experience any material product returns or make any large-scale product recalls due to any quality defect or unsafe products, and we did not receive any material claims in relation to our products, which would have a material and adverse effect on our business and results of operations.

Pricing policy

Our merchandising team is responsible for setting the retail prices of our products, which will require the approval of our Managing Director. We adopt a cost plus policy when determining the retail prices of our products based on a variety of factors including:

- (i) market prices of similar products;

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- (ii) costs of procuring products from our suppliers;
- (iii) our operational costs and overheads for maintaining our retail stores and warehouses;
- (iv) popularity of our products;
- (v) the inventory turnover rates of our products;
- (vi) seasonality of our industry; and
- (vii) market competition, inflation and the general economic outlook of Hong Kong.

Depending on the circumstances, we may consider passing on any increase in purchase price of our products to our customers.

Our Directors confirm the following table below sets forth the approximate price ranges of our key products as extracted from our POS system:

	Price range						Six months ended	
	For the year ended 31 March				30 September			
	2015		2016		2017		2017	
	Lowest	Highest	Lowest	Highest	Lowest	Highest	Lowest	Highest
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Furniture								
Tables and chairs	425	29,950	333	26,955	452	29,950	476	28,008
Storage solutions	100	42,950	140	42,458	208	39,960	76	39,960
Sofas and beds	3,135	40,455	950	44,950	1,470	35,960	968	45,520
Others	100	800	100	1,375	100	7,000	150	900
Home accessories								
Home accents/ decorating & accessories	10	49,950	11	19,755	15	30,558	35	14,950

Note: Others include delivery income, storage fees and fees generated from our after-sale services. For details of our after-sale services, please refer to the paragraph headed “Sale of furniture and home accessories – A. Direct Sales – After-sale services and product return policy” in this section.

B. Distribution Sales

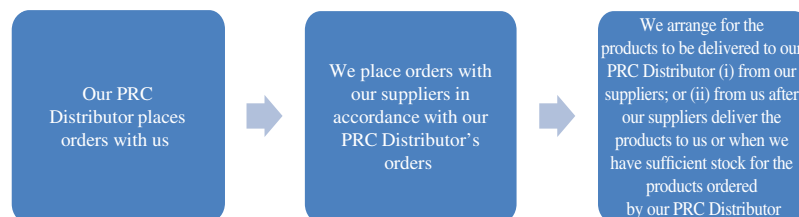
Pursuant to the Distribution Agreement, we have engaged our PRC Distributor as our exclusive retail distributor of our products in Beijing and Hainan province, the PRC, with a view to expanding our distribution network and promoting our brand and products outside Hong Kong. We believe that such arrangement can enhance our market presence outside Hong Kong and diversify our revenue base with limited capital requirements and obligations on our part given that our PRC Distributor shall be responsible for all the operating expenses of the

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retail stores and café operated under our “TREE” brand in Beijing and Hainan province, the PRC. Our Directors consider that such distributorship model is in line with the industry norm. World Luxury, through Yimu Beijing, opened its first retail store (with a café inside) and second retail store (without a café inside) in Chaoyang District, Beijing, the PRC, in March 2016 and February 2017, respectively. In February 2017, through Sanya Jun Lai, our PRC Distributor opened a retail store in Hainan province, the PRC. As advised by our PRC Distributor, they were informed in May 2017 that the location of its first retail store was subject to change in the policy of the PRC government on the area in which its first retail store was situated and they were requested by the landlord to move out from its first retail store. As a result, in May 2017, our PRC Distributor closed down its first retail store (including the café). As advised by our PRC Distributor, it has been looking for a new location for a new store and café. Our PRC Distributor expects to reopen a new store and café in the first quarter of 2018. As at the Latest Practicable Date, our PRC Distributor had two retail stores in Beijing and Hainan province, the PRC, respectively. For details of the Distribution Agreement, please refer to the paragraph headed “Distribution and license” in this section.

We generate our revenue from our PRC Distributor through the annual non-refundable distribution fee and the sale of our products to our PRC Distributor under the Distribution Agreement.

The following flowchart illustrates the general process of our Distribution Sales:



In general, our PRC Distributor places purchase orders directly with us and we in turn place purchase orders with our suppliers. Products will be delivered to our PRC Distributor either (i) directly from our suppliers; or (ii) from us after our suppliers deliver the products to us or when we have sufficient stock for the products ordered by our PRC Distributor.

For details of the Distribution Agreement, please refer to the paragraph headed “Distribution and licence” in this section.

CONSIGNMENT SALES

During the Track Record Period, we derived revenue from consignment sales of home accessories which are sold in our retail stores. While we take physical possession of the consignment products, we do not assume all of the risks and rewards as ownership of the consignment products remains with the consignors until they are sold to our customers. We are however, typically responsible for any loss or damage to the consignment products which are at our retail stores.

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Under the consignment sale arrangements, we typically sell the consignment products at the prices specified by the consignors and we are entitled to commission income from the consignors when our customers purchase the consignment products. We typically provide the consignors with monthly sales reports for them to issue invoices for our settlement. We are typically required to pay the difference between the retail selling prices and our commission income to the consignors after receipt of relevant invoices.

For the three years ended 31 March 2017 and the six months ended 30 September 2017, our commission income generated from the consignment sale arrangements amounted to approximately HK\$0.3 million, HK\$0.4 million, HK\$0.3 million and HK\$0.1 million, respectively.

Our Directors confirm that such consignment sales are derived from products consigned from Independent Third Parties for sale in our Group's retail stores.

FOOD AND BEVERAGE

We also operate TREE Café in our Flagship Store where we serve beverages and light refreshments. For the three years ended 31 March 2017 and the six months ended 30 September 2017, revenue generated from the operation of TREE Café was approximately HK\$4.8 million, HK\$4.6 million, HK\$3.9 million and HK\$0.8 million, respectively.

DISTRIBUTION AND LICENCE

A. Distribution and licence with our PRC Distributor

We entered into the Framework Distribution Agreement with World Luxury on 25 November 2015 for the distribution of our products in Beijing, the PRC, with effect from 1 July 2015. Under the Framework Distribution Agreement, World Luxury was to establish a wholly foreign-owned enterprise (the "WFOE") in the PRC to act as our distributor and in the meantime would act as the agent of the WFOE and assume all the rights and obligations of the WFOE under the Distribution Agreement as if the WFOE had been established and had entered into the Distribution Agreement. Taking into account that Yimu Beijing and World Luxury are beneficially owned by the same shareholder which is an Independent Third Party, we agreed to allow Yimu Beijing to operate and sell our products at the retail store under our "TREE" Brand in Beijing, the PRC.

On 18 May 2016, Yimu, a WFOE established in the PRC and a wholly-owned subsidiary of World Luxury, was incorporated. On 30 November 2016, we entered into the Distribution Agreement with Yimu to appoint Yimu as our exclusive retail distributor of our products in Beijing, the PRC. On 20 December 2016, we entered into the Supplemental Distribution Agreement with World Luxury, Yimu and Yimu Beijing whereby we acknowledged that Yimu Beijing would operate the retail store in Beijing and that Yimu Beijing agreed to be bound by the Framework Distribution Agreement and the Distribution Agreement. On 27 January 2017, we entered into the Second Supplemental Distribution Agreement with our PRC Distributor to expand the permitted distribution territory to include Hainan province, the PRC. The annual distribution fee was revised from HK\$2.4 million to HK\$3.2 million under the Second Supplemental Distribution Agreement.

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Taking into account that Sanya Jun Lai and World Luxury are beneficially owned by the same shareholder which is an Independent Third Party, we agreed to allow Sanya Jun Lai to operate and sell our products at the retail store under our “TREE” Brand in Hainan province, the PRC. On 5 April 2017, we entered into the Third Supplemental Distribution Agreement with World Luxury, Yimu and Sanya Jun Lai whereby we acknowledged that Sanya Jun Lai would operate the retail store in Hainan province and that Sanya Jun Lai agreed to be bound by the Framework Distribution Agreement and the Distribution Agreement.

Our PRC Legal Advisers have confirmed that each of the Framework Distribution Agreement, the Distribution Agreement, and the Supplemental Distribution Agreement are valid and legally binding on Yimu Beijing and that the Framework Distribution Agreement, the Distribution Agreement and the Third Supplemental Distribution Agreement are valid and legally binding on Sanya Jun Lai.

Under the Distribution Agreement:

- we sell our products to our PRC Distributor for distribution in Beijing and Hainan province, the PRC, and are entitled to receive an annual non-refundable distribution fee of HK\$3.2 million from our PRC Distributor;
- our PRC Distributor shall be responsible for all operating costs in relation to the operation of its retail stores and café in Beijing and Hainan province, the PRC, including rental, renovation, warehousing, storage, logistics, insurance, tax and employees; and
- our PRC Distributor can also operate the café through other entity approved by our Group.

We entered into the Renewed Distribution Agreement with our PRC Distributor on 17 October 2017 to renew the Distribution Agreement which will expire on 30 June 2018. The Renewed Distribution Agreement will take effect from 1 July 2018 for a period of three years.

Our Directors confirmed that, save as the entering into of the Distribution Agreement and the Renewed Distribution Agreement, there is no other side arrangement or understanding between our Group/our Controlling Shareholders/our Directors and our PRC Distributor/its beneficial owner.

Our PRC Distributor opened its first retail store (with a café inside) and second retail store (without a café inside) in Chaoyang District, Beijing, the PRC, in March 2016 and February 2017, respectively. In February 2017, our PRC Distributor opened a retail store in Hainan province, the PRC. As advised by our PRC Distributor, they were informed in May 2017 that the location of its first retail store was subject to a change in policy of the PRC government in the area in which its first retail store was situated and they were requested by the landlord to move out from its first retail store. As a result, in May 2017, our PRC Distributor closed down its first retail store (including the café). As advised by our PRC Distributor, it has been looking for a new location for a new store and café. Our PRC Distributor expects to reopen a new store and café in the first quarter of 2018.

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As at the Latest Practicable Date, our PRC Distributor operated two retail stores, one in Beijing and one in Hainan province, the PRC, under our “TREE” brand. For the two years ended 31 March 2017 and the six months ended 30 September 2017, we generated distribution and license fee income of approximately HK\$1.8 million, HK\$2.7 million and HK\$1.9 million, respectively.

Background of our PRC Distributor

Our PRC Distributor is an Independent Third Party and is under the common control of Mr. Yuen Hoi Po (“**Mr. Yuen**”) who is a substantial shareholder and executive director of Huayi Tencent Entertainment Co. Ltd. (“**Huayi Tencent**”), a company listed on the Main Board of the Stock Exchange as at the Latest Practicable Date. According to publicly available information, Mr. Yuen, the beneficial owner of our PRC Distributor, has acquired extensive experience in the commercial sector including trading, real estate, tourism and services since 1990.

As confirmed by Mr. Tong, our chairman, our non-executive Director and Controlling Shareholder, he and Mr. Yuen were introduced to each other in or around 2007 or 2008 through a mutual friend and Mr. Yuen did not have any direct business relationship with Mr. Tong prior to the distribution arrangement. Mr. Tong further confirmed that he and Mr. Yuen had an indirect business relationship when Mr. Yuen became a client of a company in or around 2013 when Mr. Tong was an executive director of the said company, and that he, together with other executive directors and senior management of the said company, oversaw the accounts of Mr. Yuen and all other clients at the said company. Other than the above and the distribution arrangement, Mr. Tong confirmed that he has not had any other dealings with Mr. Yuen. Our Group decided to conduct the distribution business with our PRC Distributor after taking into account that (i) Mr. Yuen has extensive business experience and networks in Beijing and throughout the PRC, of which he could make use to start a furniture business in Beijing; and (ii) Mr. Yuen has retail experience in Beijing by currently acting as an executive director of Huayi Tencent which is principally engaged in provision of online healthcare and offline healthcare and wellness services and entertainment and media business although he does not have any experience in the furniture industry.

AEM Corporate Services, a company wholly-owned by Mr. Tsui, our executive Director, provides company secretarial services to World Luxury. Other than as disclosed, our Directors further confirm that World Luxury, Yimu, Yimu Beijing and Sanya Jun Lai are Independent Third Parties.

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Salient terms of the Distribution Agreement

Salient terms	Summary
PRC Distributor	: Under the Distribution Agreement, our PRC Distributor is Yimu, Yimu Beijing and Sanya Jun Lai and in the context of the Framework Distribution Agreement, our PRC Distributor was World Luxury and Yimu Beijing.
Term and renewal	: A period of three years commencing from 1 July 2015 and renewable for an additional period of three years on terms and conditions mutually agreed by us and our PRC Distributor.
Distribution fee	: An annual non-refundable distribution fee of HK\$3.2 million payable by our PRC Distributor to us.
Distribution territory	: Beijing and Hainan province, the PRC (the “ Territory ”).
Exclusivity	: Our PRC Distributor agreed to act as the exclusive retail distributor of our product in the Territory only and is not entitled to appoint any sub-distributors, agents, wholesalers and/or retailers to sell our products.
Sales and expansion target	: Opening of one or more stores in the Territory is subject to our written approval. No sales or expansion target is imposed.
Pricing policy	: Our Group shall sell our products to our PRC Distributor at prices which shall not exceed 200% of the cost price for furniture and 250% of the cost price for accessories. Such prices shall be reviewed annually. Our PRC Distributor shall not sell any of our products at prices lower than the prevailing retail price of the same products in Hong Kong.
Minimum purchase amount	: Our PRC Distributor is required to make purchases of our products in a minimum aggregate amount of HK\$2.4 million annually.

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- Payment term : The annual non-refundable distribution fee of HK\$3.2 million is payable on or prior to 1 July in each year.
- The purchase price for each specific purchase order made by our PRC Distributor to us is payable in accordance with the terms and conditions of that purchase order and no credit terms are granted⁽¹⁾.
- Sales and inventory reports : We are entitled to request inventory and monthly sales reports from our PRC Distributor⁽²⁾.
- Products return policy and obsolete stock arrangement : Our PRC Distributor is entitled to return any defective product to us within three months of the date of delivery, in which case we shall replace at our own cost all defective products⁽³⁾.
- There are no obsolete stock arrangements.
- Non-competition undertaking : (i) We undertake not to operate or permit other entities to operate any café or retail store in the Territory to market and sell our products;
- (ii) We are entitled to a referral fee if we refer sales opportunities in the Territory to our PRC Distributor; and
- (iii) Except with our written approval, our PRC Distributor undertakes not to engage in a business competing with us in the Territory during the term of the Distribution Agreement and one year after the expiry or termination of the Distribution Agreement.
- Termination : Our Group is entitled to forthwith terminate the Distribution Agreement at any time by written notification to our PRC Distributor if any termination events take place including (i) failure to pay the distribution fee; or (ii) breach by our Beijing Distributor of any term of the Distribution Agreement and our PRC Distributor failing to remedy the relevant breach.

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- Intellectual property rights : We granted a non-exclusive and non-transferable licence to our PRC Distributor for the use of relevant intellectual property in a manner approved in writing by us.
- Promotion and marketing : Our PRC Distributor shall obtain the written approval from us for all promotional and marketing materials and the design and layout of any retail store operated by our PRC Distributor.

Notes:

- (1) Since the engagement of our PRC Distributor, there have been instances where we have arranged shipment of products to our PRC Distributor before receiving full payment. While credit payment terms are generally not granted to our customers, our Directors confirmed that given the contractual relationship under the Framework Distribution Agreement, certain credit terms were provided to our PRC Distributor to assist it in establishing its retail store in Beijing, the PRC, and to enhance the relationship with our PRC Distributor. As at the Latest Practicable Date, the amount due from our PRC Distributor as at 30 September 2017 had been fully settled.
- (2) Our Directors consider this allows our Group to monitor our PRC Distributors as to its compliance with the pricing policy.
- (3) Our PRC Distributor has not returned any products to us during the Track Record Period.

The major difference in the salient terms between the Distribution Agreement and the Renewed Distribution Agreement which will take effect from 1 July 2018 for a period of three years, is that under the Renewed Distribution Agreement, the distribution and license fee payable by our PRC Distributor will be payable quarterly (instead of annually).

Distribution Fee

Pursuant to the Distribution Agreement, our PRC Distributor is required to pay a fixed annual non-refundable distribution fee. Such distribution fee was revised from HK\$2.4 million to HK\$3.2 million under the Second Supplemental Distribution Agreement to take into consideration the expansion of the distribution territory from Beijing to include the Hainan province, the PRC.

Our Directors confirm that the distribution fee is payable by our PRC Distributor in consideration of our Group entering into the Distribution Agreement and specifically granting to our PRC Distributor the exclusive right to use our Group's intellectual property and branding in the distribution territory as well as providing certain services to our PRC Distributor for setting up and operation of its retail stores.

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When determining the amount of the distribution fee, our Directors took into account various factors including:

- (i) the size of the potential market in the distribution territory; Beijing's and the Hainan province's population in 2016 was approximately 22 million and 9 million, respectively, both of which are larger than that of Hong Kong, meaning that the markets in Beijing and Hainan are potentially larger than Hong Kong;
- (ii) the GDPs of Beijing and the Hainan province, the PRC, have been growing at CAGRs of approximately 8.6% and 9.1%, respectively, over the period from 2012 to 2016, indicating the strong economic growth of the distribution territory;
- (iii) the per capita disposable income of urban households of Beijing and the Hainan province, the PRC, reached approximately RMB57,275 and RMB28,453 in 2016, respectively, representing CAGRs of approximately 11.9% and 8.0% from 2012, respectively, indicating the increasing purchasing power of residents in the distribution territory;
- (iv) retail sales of furniture by enterprises with annual sales of RMB5 million or above in Beijing and the Hainan province, the PRC have been growing at CAGRs of approximately 10.2% and 18.0%, respectively, over the period from 2012 to 2016, indicating strong historical growth of the furniture retail markets in the distribution territory;
- (v) the opportunity cost of our Group being forgoing the potential profits our Group could have made by developing its own retail stores in Beijing and/or the Hainan province, the PRC, rather than using the distributorship model;
- (vi) our Directors consider it preferable to provide a fixed fee structure as opposed to a percentage fee structure as:
 - (a) this allows our Group to generate a stable income each year from the distribution arrangement and conversely allows our PRC Distributor to accurately budget the distribution fee each year;
 - (b) it encourages our PRC Distributor to actively increase sales to justify the distribution fee as opposed to simply obtaining the exclusivity rights to our Group's intellectual property without expending resources to actively promote the brand in the PRC; and
 - (c) it encourages our PRC Distributor to take a long-term view of growing the brand of TREE as while in the initial stages the fee may be proportionally high compared to sales, in the longer term when sales increase, such proportion would decrease and allow for a higher profit margin to our PRC Distributor;

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- (vii) the time and resources our Directors and senior management anticipate dedicating to provide support and services to our PRC Distributor for setting up and operation of its retail stores which include:
 - (a) advising on the layout and design of the distribution stores, including the types and sizes of furniture to be displayed in different areas in the store;
 - (b) obtaining quotes from service providers for accessing our Group's point of sales and translating our Group's marketing materials;
 - (c) providing and recommending lists of photos of our Group's products which our PRC Distributor might choose to order or use for its website;
 - (d) handling and revising the requests or orders made by our PRC Distributor; and
 - (e) working on the lists of products and sizes which our PRC Distributor had requested; and

- (viii) projections of sales and profits of our PRC Distributor and the ability of our PRC Distributor to pay the distribution fee.

Our Directors confirm that while having regarding to the above, ultimately the distribution fee was determined based on a commercial arms' length negotiation with our PRC Distributor who is an Independent Third Party. As such, our Directors consider such fee to be fair and reasonable.

Quality control over our PRC Distributor

Our PRC Distributor is primarily responsible for the quality control of the products delivered to them. Currently, our PRC Distributor may only distribute our products in Beijing and Hainan province, the PRC and may only open more stores in the respective locations with our written approval. In accordance with the Distribution Agreement, our PRC Distributor is required to seek our written approval for all promotional and marketing materials and design and layout of any of its retail store, in particular any artwork for operational aspects of its retail store such as the layout and decoration of the retail store, the style of renovation, the visual merchandising of the display of our products and the uniform of its employees. In addition, for any café operation, our PRC Distributor has undertaken to comply with our sourcing standards for food and beverages and to replicate the general atmosphere and organisation of TREE Café. Under the Distribution Agreement, the employment or the training of the employees of our PRC Distributor have to be approved by us. We shall provide the employees with relevant training for after-sales and repair services for our products provided that our PRC Distributor shall bear the expenses of the provision of such training. In addition, under our internal control policy, we also measure and evaluate the performance of our PRC Distributor by conducting annual visits to its retail stores.

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Management of and control over the inventory level and pricing policy of our PRC Distributor

Under the Distribution Agreement, our Company is entitled to request inventory and monthly sales reports from our PRC Distributor at any time. Our Directors believe that this allows us to (i) assess whether the sales of our PRC Distributor can support its purchases from our Group and whether there are sufficient demands to warrant the purchases of our PRC Distributor from our Group; and (ii) monitor the actual selling prices of our PRC Distributor as compared to those in Hong Kong for the same products.

Pursuant to the Distribution Agreement, we have the absolute discretion to reject any purchase order from our PRC Distributor, and our PRC Distributor can only display or sell our products at its retail stores. In addition, we also have the right to inspect the café and retail stores of our PRC Distributor as well as its respective reports, sales, orders and inventories at any time during the opening hours of its retail stores and café. Under our internal control policy, we measure and evaluate the performance of our PRC Distributor by conducting annual visits to its retail stores. Our Directors believe that all these measures allow our Group to manage and control the inventory of our PRC Distributor at a reasonable level and ensure that our PRC Distributor complies with the pricing policy pursuant to the Distribution Agreement.

Protection of our intellectual property rights

As to intellectual property rights, we may in writing permit our PRC Distributor to use our intellectual property rights for their promotional, marketing or retail purposes and our PRC Distributor shall only use our intellectual property in a manner prescribed or approved by us. For the risk related to misuse or infringement of our intellectual property rights, please refer to the section headed “Risk factors – Risks relating to our business – Failure to protect our intellectual property rights from our PRC Distributor, American Tree and third parties may affect our reputation and business” in this prospectus.

Credit control and payment methods

Under the Distribution Agreement, no credit terms are granted to our PRC Distributor and our PRC Distributor generally settles its purchases by bank transfer or cheques in Hong Kong dollars. However, while credit payment terms are generally not granted to our customers, our Directors confirmed that given the contractual relationship under the Framework Distribution Agreement, certain credit terms were provided to our PRC Distributor to assist it in establishing its retail store in Beijing, the PRC. As at 31 March 2015, 2016 and 2017 and 30 September 2017, trade receivables from our PRC Distributor were approximately nil, HK\$1.6 million, nil and HK\$0.4 million, respectively. For the three years ended 31 March 2017 and the six months ended 30 September 2017, our average trade receivables turnover days were approximately 4 days, 6 days, 5 days and 4 days, respectively. As at 30 September 2017, the outstanding amount from our PRC Distributor was approximately HK\$0.4 million which was settled as at the Latest Practicable Date. Given that the retail store in Beijing, the PRC has now been established, our Directors intend to require full payment from our PRC Distributor before

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delivery of our products in the future and we have adopted a credit control policy for our Distribution Sales. Under our credit control policy, we require our PRC Distributor to make deposits amounting to 50% of the full purchase price upon it placing a purchase order with us. This aims to ensure that our trade receivables are kept at a level that will have minimal impact on our liquidity and cash flow. Our policy also provides that our Managing Director has the discretion to grant a special credit term on a case-by-case basis and if our PRC Distributor fails to settle the payment, we will first issue formal reminder letters to demand payment and consider taking legal approach in seeking payments.

For details of the amounts due from our PRC Distributor, please refer to the section headed “Financial information – Trade and other receivables – Trade receivables” in this prospectus.

Management of our PRC Distributor

We maintain a seller-buyer relationship with our PRC Distributor and our relationship is also regulated by the Distribution Agreement. We recognise our sales to our PRC Distributor in accordance with the time the title and risk of goods are transferred, which is determined based on the mode of delivery as agreed between us and our PRC Distributor. Our Directors are of the view that such revenue recognition is appropriate given it is in accordance with Hong Kong Financial Reporting Standards.

Our Directors confirm that (i) we have no ownership or managerial control over our PRC Distributor; (ii) our PRC Distributor is an Independent Third Party; and (iii) they or their respective associates did not hold any interests in our PRC Distributor during the Track Record Period and as at the Latest Practicable Date. Our Directors further confirmed that the beneficial owner of our PRC Distributor is/was neither our current nor past employee. AEM Corporate Services, a company wholly-owned by our executive Director, Mr. Tsui, provides company secretarial services to World Luxury. Save as disclosed, our Directors confirm that there were no other relationships (including family, de facto or employment relationships) between us, our Directors, our substantial shareholders, our senior management or any of our or their respective associates on one hand, and our PRC Distributor or any of their respective associates on the other hand during the Track Record Period and as at the Latest Practicable Date. Our Directors also confirm that the sales generated from our PRC Distributor during the Track Record Period were on an arm’s length basis and conducted on normal commercial terms.

Selection criteria of our distributors

One of our business strategies is expanding our distribution network and promoting our brand and products outside Hong Kong in order to maximise our profitability. After we engaged our PRC Distributor, we have adopted a policy for selection of future potential distributors.

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Under our policy, in assessing and selecting a potential distributor, our Group will consider various factors including:

- (i) its knowledge, network and experience in conducting retail business over the targeted territory;
- (ii) size, demographics, purchasing power, competitive landscape and market potential of the targeted territory; and
- (iii) the financial capacity of the potential distributor.

Our policy also provides that we will perform background checks on the potential distributor including its business registration, licenses and related business, management's background, qualification and experience, experience in the retail industry, financial capacity and compliance with relevant laws and regulations. The exact scope of such background checks will be determined by our Managing Director. External consultants may be engaged to assist in such background checks.

Any potential candidate must meet with all members of our Board before the Board decides on whether to engage the potential candidate as our distributor. Any distribution agreement to be entered into with the potential distributor will be provided by us, covering areas such as the annual distribution fees, term of the contract, copyright and intellectual property usage and protection, confidentiality, exclusivity, product offering or payment procedures. The finalised distribution agreement will be reviewed and approved by our Board.

Overview of the furniture market in the PRC

With the PRC's improving living conditions, increasing consumers' purchasing power, continued urbanisation and its leading policy of stimulating domestic demand in the years to come, our Directors consider that people are becoming more and more willing to invest in home decoration. According to National Bureau of Statistics of the PRC, there were approximately 630 million households in all provinces, autonomous regions and municipalities in the PRC, indicating the PRC's furniture market has much room for expansion.

In particular, during the period from 2012 to 2016, the GDPs and the per capita disposable income of urban households have been growing at CAGRs of approximately 8.6% and 11.9% for Beijing, and at CAGRs of approximately 9.1% and 8.0% for the Hainan province, the PRC, respectively. Total retail sales of furniture by enterprises with annual sales of RMB5 million or above in Beijing and the Hainan province, the PRC, have been growing at CAGRs of approximately 10.2% and 18.0%, respectively, over the same period.

Notwithstanding the above growth potential, the PRC's furniture market exhibits low industry concentration with no dominant firms in the industry.

Among the PRC's furniture market, there is a group of furniture consumers who purchase furniture to reflect their taste and style. Given the products sold by our PRC Distributor are directly purchased from our Group which mainly target affluent consumers whose purchasing decisions are less price sensitive and more driven by aesthetical consideration, our Directors believe that our PRC Distributor targets a similar group of consumers in the PRC.

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According to our PRC Distributor, an increasing number of consumers, in particular mid-to-high end consumers, have a strong preference for environment-friendly furniture. As some of the products they purchase from our Group are FSC-certified, our PRC Distributor believes that with our TREE brand which reflects our principals including “from the heart” and “reclaimed, recycled, reloved”, it may benefit from the developing trend in the PRC furniture market which increasingly emphasises the idea of eco-friendliness.

B. Licence granted to American Tree

We entered into the North America Licence Agreement and the Supplemental North America Licence Deed on 1 June 2015 and 16 December 2016, respectively, with American Tree, pursuant to which, we granted an exclusive licence to American Tree to use certain trademarks and intellectual property of our Group in the U.S. and Canada for a term of three years from the Listing for a licence fee based on the revenue of American Tree. During the Track Record Period, we did not receive any revenue from American Tree as it started its retail operations in October 2017. Under the North America Licence Agreement, the licence fee for the financial year ending 31 December 2017, if any, is due on or before 30 April 2018. American Tree is wholly-owned by our non-executive director, Ms. Haslock. For more details, please refer to the section headed “Connected transaction – Exempt continuing connected transactions”.

PROVISION OF STYLING AND CONSULTING SERVICES

We provide styling and consulting services including providing styling ideas, advising on furniture to be used and conducting site visits and sourcing trips for projects. During the Track Record Period, our Group provided styling and consulting services on three occasions. For the year ended 31 March 2015, we provided such services for a hotel resort in Palau in which we were responsible for formulating styling concepts and the general aesthetics of the hotel. We also provided indoor and outdoor styling advice and assisted with the sourcing and procurement of certain furniture and materials for the hotel. In addition, for the year ended 31 March 2017, we advised an individual client on the interior styling of the client’s residential property located in Hainan, the PRC. For the six months ended 30 September 2017, we were engaged to provide styling and consulting services to a property developer for the show flats of two residential properties located in Ho Man Tin and Tuen Mun. Such engagement was subsequently completed as at the Latest Practicable Date. For the three years ended 31 March 2017 and the six months ended 30 September 2017, we generated consulting income of approximately HK\$0.8 million, nil, HK\$0.1 million and HK\$0.2 million, respectively.

As part of our business strategy, our Directors aim to expand the provision of styling and consulting services. For more details, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

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OUR RETAIL AND DISTRIBUTION NETWORK

During the Track Record Period, we operated four Hong Kong retail stores which are our Flagship Store, our Sai Kung Store, our SoHo Store and our Sha Tin Store. As at 31 March 2015, 2016, 2017 and 30 September 2017, we operated three retail stores in Hong Kong with our SoHo Store ceasing operation in July 2016 and our Sha Tin Store commencing operation on 24 October 2016. We also sell our products through the retail stores operated by our PRC Distributor in the Chaoyang district, Beijing, and Hainan province, the PRC. Details of our retail and distribution network as at the Latest Practicable Date are set out below:

Retail store	Address	Approximate gross floor area (sq.ft.)	Current term of the lease	Operated by
1. Flagship Store	28/F, Horizon Plaza 2 Lee Wing Street Ap Lei Chau Hong Kong	23,000	8 November 2016 – 7 November 2019	our Group
2. Sai Kung Store	G/F, No. 116 Man Nin Street Sai Kung, New Territories Hong Kong	1,350-1,500	20 November 2017 – 19 May 2018	our Group
3. Sha Tin Store	Shop Nos. 101-102 on Level 1 of the Retail (or Commercial) Accommodation of the messuages erections and premises at 138 Sha Tin Rural Committee Road Sha Tin, New Territories Hong Kong	1,585	19 September 2016 – 18 September 2019	our Group
Distribution store	Address	Approximate gross floor area (sq.ft.)	Current term of the lease	Operated by
4. Beijing ^{Note}	Chaoyang District, 193 Dong Si Huan Zhong Lu, Beijing, the PRC (北京市朝陽區東四環中路193 號)	2,486	Not available	our PRC Distributor

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Distribution store	Address	Approximate gross floor area (sq.ft.)	Current term of the lease	Operated by
5. Hainan province ^{Note}	Unit B3042, 3rd Floor, Home Furnishing Expo Center, Jigong Xuexiao Lu, Jiyang District, Sanya City, Hainan province, the PRC (三亞市吉陽區技工學校路美麗業家居博覽中心三層B3042號)	2,648	Not available	our PRC Distributor

Note: Our PRC Distributor did not consent to the disclosure as to the current term of the lease

MARKETING

Our Group is committed to developing our brand and has invested resources in conducting advertising and other promotional efforts to strengthen our brand image and awareness, attract new customers and promote customer loyalty. As at the Latest Practicable Date, our marketing department consisted of five staff comprising a content editor, a graphics designer, a senior digital officer and a marketing manager who are led by our head of marketing, and is responsible for promoting our brand and products. For the profile of our head of marketing, Ms. Virginia Katherine Seymour, please refer to the section headed “Directors and senior management – senior management” in this prospectus. For the three years ended 31 March 2017 and the six months ended 30 September 2017, our marketing expenses were approximately HK\$3.8 million, HK\$4.3 million, HK\$5.1 million and HK\$2.6 million, accounting for approximately 5.8%, 5.2%, 6.6% and 6.5% of our total revenue, respectively. In order to grow our brand and improve our market positioning, our Group implements a variety of marketing activities including (i) advertising campaigns; (ii) Internet promotion; (iii) engaging external service providers; (iv) other marketing; and (v) sales and discounts.

(i) Advertising campaigns

During the Track Record Period, we placed advertisements on public transit vehicles and billboards in Hong Kong which promoted our products and brand. We also advertised in newspapers, magazines and minibuses. We also have brochures of our Group for distribution.

(ii) Internet promotion

Our website serves as a channel for us to showcase our products to potential customers as well as providing more information on our brand. It further compliments our marketing strategies by positioning our Group not only as a retailer but also as a group with values and principles. Our website also offers information for interior designers with a view to showcasing our products to them and a blog which is updated from time to time. We also promote our brand through Instagram, a third-party social media platform.

(iii) Engaging external service providers

We engage external service providers to assist in our marketing efforts as detailed below:

- *media tracking service provider*: performing press and news clipping services from media and news outlets which relate to our Group for reference;
- *public relations service provider*: providing services such as setting up and managing media events or interviews, arranging for media to visit our retail stores and advising us as to the competitive landscape; and
- *external consultant*: providing services such as copywriting, in-store styling, photography and graphic design.

(iv) Other marketing

During the Track Record Period and up to the Latest Practicable Date, with a view to growing our brand awareness in Hong Kong, we sold furniture which was displayed in the show flat of a residential property located in Sha Tin jointly developed by three property developers in Hong Kong and the show flats of two residential properties located in Ho Man Tin and Tuen Mun developed by a property developer in Hong Kong.

In addition, from time to time, we offer promotional vouchers in order to entice consumers to increase purchases from our retail stores. We also offer discounts to interior designers with an aim to attract more business of larger volume from them.

(v) Sales and discounts

From time to time, we will offer discounts on our products. We typically have summer and winter sales in August and December and January respectively which generally coincide with higher sales in such months. Our Directors are of the view that the increase in sales during these months is primarily due to the summer and winter sales.

COMPETITION

According to the Euromonitor Report, we operate within the lifestyle furniture and home furnishing market in Hong Kong, which is a sub-set of the overall furniture and home furnishing industry. Euromonitor estimated that there were 40 to 50 industry players and that there were approximately 63 outlets for lifestyle furniture and home furnishing in Hong Kong in 2016. In 2016, retail sales for lifestyle furniture and home furnishing stores amounted to approximately HK\$1,362 million.

We operate in a highly fragmented and competitive market with no dominant company with significant levels of competition among different retailers. The barriers of entry for lifestyle furniture and home furnishing industry are low with no significant deterrent to new entrants. Please refer to the section headed “Industry overview – Overview of competitive landscape of lifestyle furniture and home furnishing companies in Hong Kong” in this prospectus for further information.

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OUR CUSTOMERS

Due to the nature of our business, the majority of our customers consist of retail customers who purchase our products at our retail stores. Generally, we do not enter into long term contacts with our customers and our terms and conditions of sale are set out in the notes to our commercial invoices. For the three years ended 31 March 2017 and the six months ended 30 September 2017, revenue from our five largest customers amounted to approximately HK\$2.4 million, HK\$8.2 million, HK\$6.8 million and HK\$4.4 million of our total revenue, representing approximately 3.7%, 10.0%, 8.8% and 10.8% of our total revenue, respectively and revenue attributable to our Group's largest customer amounted to approximately HK\$0.8 million, HK\$5.5 million, HK\$5.1 million and HK\$3.0 million, representing approximately 1.2%, 6.7%, 6.6% and 7.4% of our total revenue, respectively, during the same periods. Our Directors consider that we are not overly reliant on any particular customer due to our business nature as a retailer. Generally, we do not grant any credit terms to our customers. For more details of our credit policy, please refer to the paragraph headed "Sale of furniture and home accessories – A. Direct Sales – Credit control and payment methods" in this section.

During the Track Record Period, our top five customers include (i) retail and corporate customers who visited our retail stores and purchased our products; (ii) American Tree, a company beneficially owned by Ms. Haslock and principally engaged in the business of retailing of furniture and home accessories in the U.S. and Canada, which purchased our products; (iii) World Luxury, our PRC Distributor, which purchased our products and paid us an annual non-refundable distribution fee under the Distribution Agreement; (iv) Wild Orchid Marine Hotel Resort, Inc. ("**Wild Orchid**"), a hotel resort, of which Mr. Nigel Blake Wakley, the spouse of Ms. Haslock, is a shareholder and to which we offered consulting, styling and sourcing services as well as our products; and (v) a corporate customer who engaged us for our styling and consulting service and purchased our products, which is an Independent Third Party and has over two years of business relationship with us and settled its payment by way of cheques.

American Tree, with over three years of relationship with our Group, was our third largest customer for the year ended 31 March 2015, with an aggregate transaction amount of approximately HK\$0.4 million, representing approximately 0.7% of our total revenue. World Luxury, with over two years of relationship with our Group, was our largest customer for the two years ended 31 March 2017 and the six months ended 30 September 2017, with aggregate transaction amounts of approximately HK\$5.5 million, HK\$5.1 million and HK\$3.0 million, representing approximately 6.7%, 6.6% and 7.4% of our total revenue, respectively. Wild Orchid, with over two years of relationship with our Group, was our largest and second largest customer for the two years ended 31 March 2016, with transaction amounts of approximately HK\$0.8 million and HK\$1.2 million, representing approximately 1.2% and 1.4% of our total revenue, respectively. During the Track Record Period, American Tree, World Luxury and Wild Orchid settled their payments by way of credit card, bank transfer and cheques.

Our Directors confirmed that (i) save as American Tree, Wild Orchid and the fact that AEM Corporate Services, wholly-owned by Mr. Tsui, our executive Director, is the company secretary of World Luxury, our five largest customers during the Track Record Period are Independent Third Parties; and (ii) our Directors confirmed that none of our Directors or their

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respective close associates or any Shareholders (which to the knowledge of the Directors beneficially own more than 5% of the Shares as at the Latest Practicable Date) had any interests in any of our five largest customers during the Track Record Period. None of our customers were our five largest suppliers during the Track Record Period.

CUSTOMER COMPLAINTS

We have in place a complaint handling mechanism and policy. In general, customers can make complaints by way of emails, telephone calls, in person or through our website. Under our policy, our sales executives normally resolve the complaints or refer them to our store manager, head of sales or Managing Director for further handling. In resolving complaints, we may consider offering product exchanges, credit notes, gift vouchers or cash refunds to the complaining customers if we see fit on a case-by-case basis and depending on the specific facts of each complaint. We have kept a complaint log with details of each complaint.

There was a complaint for the year ended 31 March 2015 filed against us to the Hong Kong Consumer Council which related to the discoloration of sofa covers purchased from us and dissatisfaction with our services. We subsequently provided new sofa covers as replacement to the complainant to settle the complaint. As such, our Directors consider the impact of such complaint on our business to be immaterial. Our Directors confirmed that there was no complaint filed against us by the Hong Kong Consumer Council for the two years ended 31 March 2017. There was another complaint for the six months ended 30 September 2017 filed against us to the Hong Kong Consumer Council in relation to a refund of goods. The complainant sought a refund of goods although there was a clause in the standard terms and conditions of the sales invoice disallowing a refund. We subsequently refunded the complainant for goods for which refund were requested to settle the complaint. Our Directors consider that this complaint had immaterial impact on our business.

In 2015, we received a complaint filed to the Office of the Privacy Commissioner for Personal Data (the “**PCPD Office**”) which alleged that we disclosed information of a previous customer (the “**Complainant**”) to a third party (the “**Third Party**”) without the Complainant’s consent. Upon our investigation, we replied to the PCPD Office that we found that the Third Party contacted a new member of our sales team (the “**Salesperson**”) and provided the name and the telephone number of the Complainant as well as the details of the furniture that the Complainant purchased before. On receipt of such information, the Salesperson provided the Third Party the invoice issued by us to the Complainant before as the Salesperson thought he was providing good customer service. Our Directors confirmed that we have not received any replies from the PCPD Office since our response and we were not prosecuted in this instance. Taking into account that such disclosure of the personal data by us was not for marketing purpose and there was no evidence suggesting that the Complainant had suffered any psychological harm, our Legal Counsel is of the view that such incident did not constitute a non-compliance. For our internal control measure to avoid the recurrence of similar incidents in the future, please refer to the paragraph headed “Internal control and risk management – Internal control on personal data privacy” in this section. For more information of the relevant laws and regulations regarding personal data protection, please refer to the section headed “Regulatory Overview – Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong)” in this prospectus.

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During the Track Record Period, we had a product recall incident relating to rocking chairs. In February 2016, we received a complaint from a customer who had purchased a rocking chair with a defective design and our management decided to conduct a product recall. Out of the 22 customers who bought a total of 24 rocking chairs, we were able to contact and receive replies from 15 of them. We recalled 12 rocking chairs. Four customers decided to keep the rocking chairs and have confirmed that they waived, released and discharged all claims or right of action in relation to the use of such product against the Company. The total amount refunded was approximately HK\$0.1 million. Our Directors confirmed that we have not offered any type of rocking chairs for sale since this incident. Since the product recall and up to the Latest Practicable Date, our Directors confirmed that there have been no claims brought by any customer against us in connection with the product recall. As such, our Directors considered that such incident did not have a material adverse effect on our sales, results of operation and business, as well as our reputation. For details of our internal control on product quality, please refer to the paragraph headed “Internal control and risk management – Internal control on product safety” in this section.

Save as disclosed above, our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we have received customer complaints and customer feedback in respect of our products from time to time which our Directors considered is not uncommon in the retail sector. Our Directors further confirm that none of the complaints or customer feedback we received had a material adverse effect on our business and operations.

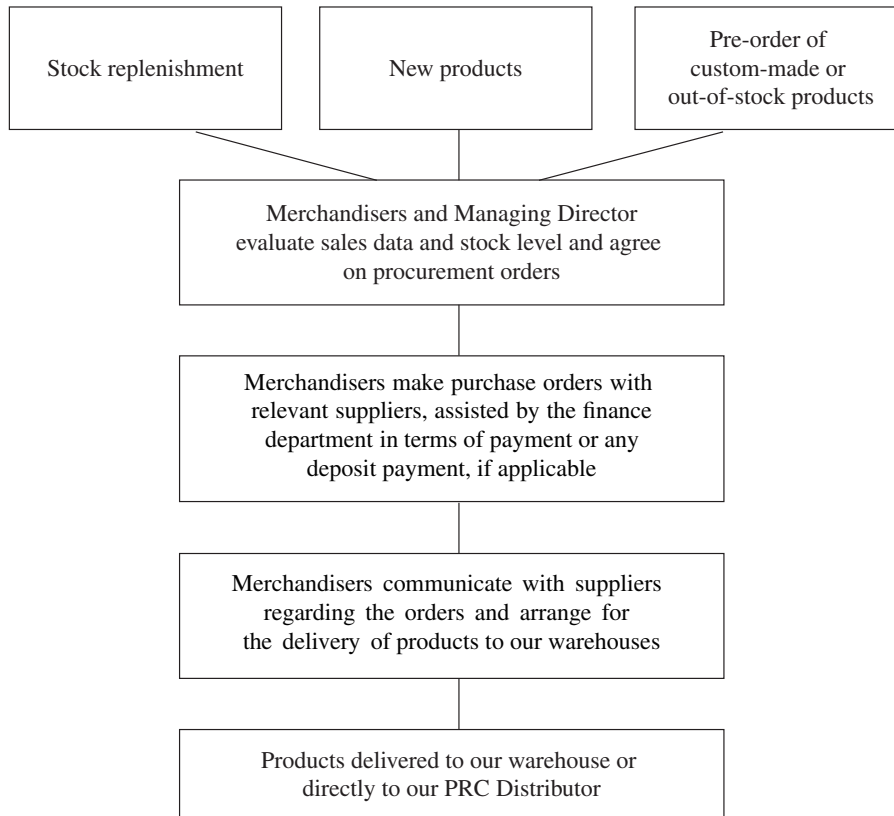
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PROCUREMENT PROCEDURES

Procurement from suppliers – Furniture and home accessories

Furniture

In general, the process of our procurement of furniture is as illustrated below:

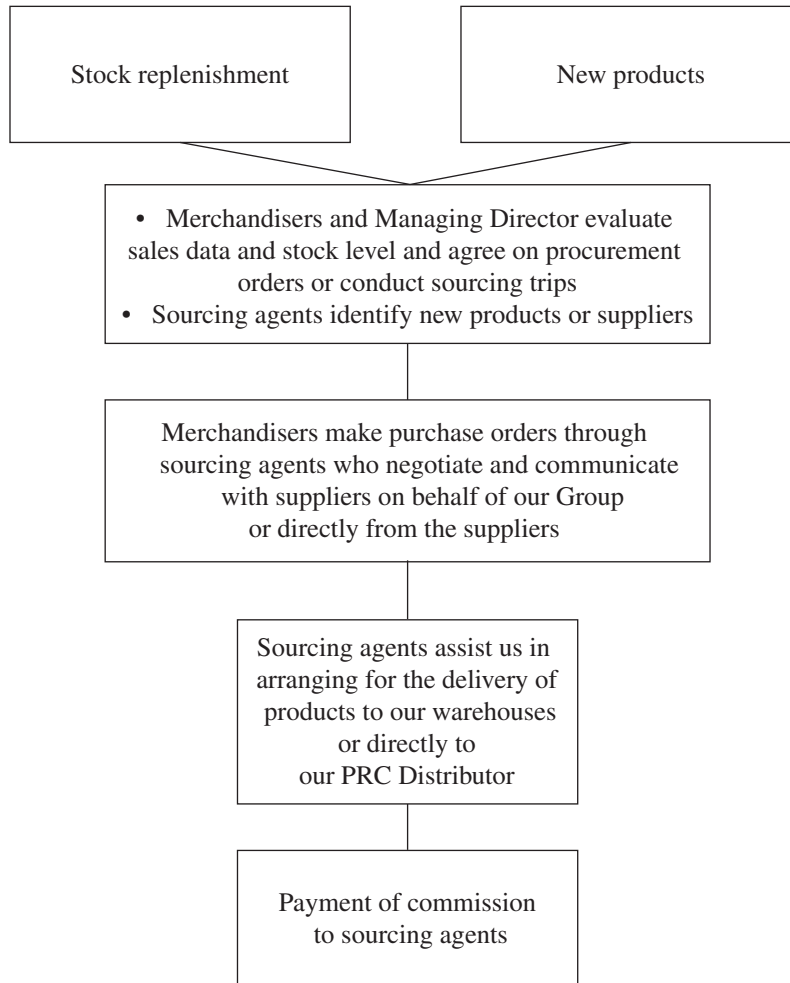


Note: Our Directors aim to complete the procurement process from placing the purchase order to delivery of products to our warehouses or our PRC Distributor generally within three to six months.

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Home accessories

In general, the process of our procurement of home accessories is as illustrated below:



Note: Our Directors aim to complete the procurement process from placing the purchase order to delivery of products to our warehouses or our PRC Distributor generally within three to six months.

(i) Selection of suppliers

Our merchandising and shipping department is responsible for the procurement of our products. Our assessment of suppliers generally places emphasis on factors such as the types of materials used, product design, the origin of the products, order lead time and whether the suppliers provide products globally.

For our home accessories, our Managing Director and our merchandisers conduct sourcing trips from time to time in search of suitable products. In addition, we have engaged various sourcing agents in the Philippines, India and Indonesia who in general assist us in sourcing and identifying new suppliers of home accessories for us.

We maintain a list of suppliers which meet our procurement requirements as alternative suppliers if any of our major suppliers cease their supply for any reason.

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(ii) Procurement arrangement

There are generally three scenarios under which we would make procurements from our suppliers and they are (a) to replenish inventory; (b) to introduce new products; and (c) to procure products which are pre-ordered by customers or to procure custom-made products. We generally procure products based on sales data and inventory level as further described below.

Furniture

In general, for our furniture products, our merchandisers meet with our Managing Director from time to time to review the sales data and existing stock levels and to discuss introducing new products. Based on such meetings, we determine if orders of existing or new products should be made. Our merchandisers will prepare order forms to be signed off by our Managing Director and sent to our finance department. Our finance department will re-confirm with our Managing Director the details of the order before the order is formally placed with the suppliers.

In relation to ordering of products which are out of stock, we would place orders with relevant suppliers after the customer has ordered from us and paid us a deposit. For pre-ordering of custom-made products, our sales executives would coordinate with our merchandisers to request a quotation and estimated delivery date from relevant suppliers and place orders with them after the customers have confirmed the order with us.

Home accessories

For home accessories products, as discussed above, we engage sourcing agents to assist our procurement. Generally, our sourcing agents assist us in communicating with our suppliers for home accessories in relation to our orders and arranging delivery of products sourced from different suppliers by consolidating the products before shipping to us. In return for their services, we pay our sourcing agents a commission on an annual basis at a percentage of the invoice prices of the products we procured from suppliers through their assistance. For replenishing existing stock and procuring from new suppliers, our sourcing agents assist in areas including identifying new products and suppliers, communicating with relevant suppliers and negotiating price. As home accessories products are usually delivered by way of shipment, our sourcing agents also assist in consolidating products from various suppliers and loading them into containers, usually in one single shipment, for onward delivery to us.

In general, our suppliers do not grant any credit terms to us and full purchase costs must be settled either before the products arrive in Hong Kong for products delivered under the FOB basis, or before the products leave the suppliers' premises for products delivered under the ex-works basis. Some suppliers require us to pay deposits when we make orders.

Consignment products

For consignment sales, we only pay the suppliers upon the actual sale of the consignment products to our customers. In general, these suppliers are paid monthly if sales are made. For more information of our consignment arrangements, please refer to the paragraph headed "Consignment sales" in this section.

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Payment to suppliers

We generally settle the purchases of furniture and home accessories by way of bank transfer. Payments are generally made in US dollars, British pounds, Euro dollars or Australian dollars.

(iii) Delivery of goods to us

Most of our major suppliers adopt the FOB basis or the ex works basis. Under the FOB basis, the relevant suppliers are responsible for the transportation of products to the port of shipment and loading of products and we are responsible for the marine freight transport of products to Hong Kong. In general, we engage shipping agents to handle the shipment of products to Hong Kong. Once the products leave the shipping docks of the suppliers, we assume ownership of the products and the risk in and title to the products are passed to us. Upon the arrival of the products in Hong Kong, our shipping agents deliver the products to our warehouses. Our Directors confirmed that we have not entered into long-term agreements with our shipping agents. Our Directors consider this allows flexibility in choosing the most suitable shipping agents for deliveries from different locations.

Under the ex works basis, generally the suppliers would assist in arranging delivery of the products to our warehouses and we would pay for the costs of delivery.

(iv) Return of goods to suppliers

In general, if we discover any material quality issues of products supplied to us, we may discard products, request for replacements or make claims from the relevant suppliers. We may also settle with the suppliers which may offer us credit notes to be used for purchase of products in the future.

Procurement from suppliers – supplies for TREE Café

For TREE Café, we purchase necessary supplies from local suppliers. Such supplies include, coffee, cakes and desserts. Our TREE Café staff are responsible for procuring supplies. We generally settle payments by way of cash, bank transfer or octopus and in Hong Kong dollars.

OUR SUPPLIERS

During the Track Record Period, our major suppliers included companies who principally engage in manufacturing and wholesaling of furniture. We purchase our products from suppliers located in different regions such as the Southeast Asia, Indonesia, the PRC and Hong Kong. Generally, we do not enter into long-term agreements with our suppliers. Our purchase orders with them generally specify the major terms of our purchase including price and payment terms.

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For the three years ended 31 March 2017 and the six months ended 30 September 2017, purchases from our five largest suppliers accounted for approximately 56.4%, 69.1%, 66.4% and 76.8% of our total purchases, respectively. For the three years ended 31 March 2017, purchases from our largest supplier accounted for approximately 20.6%, 24.5%, 22.9% and 31.0% of our total purchases, respectively. Our Directors consider that the concentration risk of our suppliers is low as we review our inventory level regularly and we generally maintain a stock level sufficient for three-month supply of products for our customers and that we are not overly reliant on any particular supplier. Our five largest suppliers during the Track Record Period have been in a business relationship with us for between three to ten years. Generally, our suppliers do not grant any credit terms to us. However, our Directors confirm that given the business relationship with our Group, some of our suppliers are willing to arrange delivery of products before receiving full payments from our Group. This gave rise to the accounts payables balances of the Group as at the respective year/period ends during the Track Record Period. For our major suppliers, we are generally required to pay deposit and/or settle the full purchase costs prior to the receipt of goods under the FOB basis or ex works basis. We generally settle the invoices of our major suppliers by way of bank transfer.

We set out below the details of our top five suppliers, all of which supply furniture to us, for the years ended 31 March 2015, 2016 and 2017 and the six months ended 30 September 2017, respectively:

For the year ended 31 March 2015

Ranking	Name of supplier	Business nature	Location	Number of years of relationship <i>(approximate)</i>	Purchase amount <i>(HK\$'000)</i>	Percentage of purchases attributed
1	Supplier A	Furniture manufacturing and wholesaling	Southeast Asia ⁽¹⁾	9	4,285	20.6%
2	Supplier B	Furniture manufacturing, wholesaling and retailing	International ⁽²⁾	6	3,466	16.6%
3	Supplier C	Furniture manufacturing and wholesaling	Indonesia	7	2,105	10.1%
4	Supplier D	Furniture manufacturing and wholesaling	The PRC ⁽³⁾	3	992	4.8%
5	Supplier E	Furniture manufacturing, wholesaling and retailing	The PRC	8	910	4.4%

BUSINESS

For the year ended 31 March 2016

Ranking	Name of supplier	Business nature	Location	Number of years of relationship (approximate)	Purchase amount (HK\$'000)	Percentage of purchases attributed
1	Supplier A	Furniture manufacturing and wholesaling	Southeast Asia ⁽¹⁾	9	6,440	24.5%
2	Supplier B	Furniture manufacturing, wholesaling and retailing	International ⁽²⁾	6	5,540	21.1%
3	Supplier C	Furniture manufacturing and wholesaling	Indonesia	7	3,709	14.1%
4	Supplier F	Furniture manufacturing, wholesaling and retailing	International ⁽⁴⁾	10	1,536	5.8%
5	Supplier G	Consumer healthcare and pharmaceutical products distributing	Hong Kong	8	940	3.6%

For the year ended 31 March 2017

Ranking	Name of supplier	Business nature	Location	Number of years of relationship (approximate)	Purchase amount (HK\$'000)	Percentage of purchases attributed
1	Supplier B	Furniture manufacturing, wholesaling and retailing	International ⁽²⁾	6	5,318	22.9%
2	Supplier A	Furniture manufacturing and wholesaling	Southeast Asia ⁽¹⁾	9	5,177	22.2%
3	Supplier C	Furniture manufacturing and wholesaling	Indonesia	7	2,697	11.6%

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Ranking	Name of supplier	Business nature	Location	Number of years of relationship (approximate)	Purchase amount (HK\$'000)	Percentage of purchases attributed
4	Supplier F	Furniture manufacturing, wholesaling and retailing	International ⁽⁴⁾	10	1,174	5.0%
5	Supplier G	Consumer healthcare and pharmaceutical products distributing	Hong Kong	8	1,091	4.7%

For the six months ended 30 September 2017

Ranking	Name of supplier	Business nature	Location	Number of years of relationship (approximate)	Purchase amount (HK\$'000)	Percentage of purchases attributed
1	Supplier B	Furniture manufacturing, wholesaling and retailing	International ⁽²⁾	6	4,225	31.0%
2	Supplier A	Furniture manufacturing, and wholesaling	Southeast Asia ⁽¹⁾	9	2,844	20.8%
3	Supplier C	Furniture manufacturing and wholesaling	Indonesia	7	2,008	14.7%
4	Supplier F	Furniture manufacturing, wholesaling and retailing	International ⁽⁴⁾	10	735	5.4%
5	Supplier G	Consumer healthcare and pharmaceutical products distributing	Hong Kong	8	669	4.9%

Note (1): We procured products from its production facilities in Indonesia.

Note (2): We procured products from its production facilities in Indonesia.

Note (3): Subsidiary of a company located in Denmark.

Note (4): We procured products from its PRC's division.

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We purchase a substantial portion of our products from Indonesia. Our Directors confirm that as an offshore importer, we are not subject to any laws and regulations in Indonesia which apply to us for purchasing from our suppliers in Indonesia. Our five largest suppliers during the Track Record Period are Independent Third Parties. Our Directors confirm that none of our Directors, their respective close associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital as at the Latest Practicable Date) had any interest, directly or indirectly in any of our five largest suppliers during the Track Record Period. None of our suppliers were our five largest customers during the Track Record Period.

INVENTORY

Our inventory consists of our furniture and home accessories products, as well as food and beverage supplies for TREE Café. As at the Latest Practicable Date, we rented three warehouses for the storage of our inventory.

Under our inventory policy, we generally maintain a stock level sufficient for three-month supply of products to our customers based on an annual sales target and factors such as the general market condition, consumer demand and pricing. Our head of merchandising reviews our sales monthly against our stock levels. Our merchandising team meets with our Managing Director to review existing stock level from time to time. Market research on latest consumer preferences, together with periodic analysis of our sales and inventory level by our management, forms the basis for our procurement plans for our products. We may carry out sale promotions from time to time in order to manage our inventory levels on certain items, for example, to reduce stock level of slow-moving items.

The average inventory turnover days of our products in respect of the three years ended 31 March 2017 and the six months ended 30 September 2017 was approximately 153, 139, 145 days and 152 days, respectively. No inventory provisions were made during the Track Record Period as our Directors consider that our products are durable and are not significantly impacted by changes in fashion, our products are not subject to any product cycle and we will offer discount to any slow moving stock, typically twice a year or when necessary. However, under our inventory policy, we will assess if there is a change in circumstances in which the need for provision will arise at each financial year end after our management performs a review of the carrying amounts of inventories with reference to aging analysis, projections of expected future saleability of goods based on historical sales patterns and specific assessment of our Group's inventories such as damaged and defective products, as well as our management experience and judgement. As inventories are stated at the lower of cost and net realisable value, any provision will represent the difference between the cost of the product less its net realisable value when the net realisable value is less than the cost. The cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

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We have personnel responsible for reviewing and managing our inventory level through our POS system. Incoming and outgoing inventory are recorded in the POS system. We conduct a full stock-count once a year and selected stock-count on a quarterly basis. Our warehouse team and delivery team are responsible for coordinating the inventory transfer amongst our retail stores and the warehouses, as well as making relevant entries in the POS system for record keeping.

CASH MANAGEMENT

As our customers have the option to settle their purchases by way of paying physical cash, we have adopted a cash management policy to ensure the authorised access to cash proceeds and proper handling of cash. Under our policy, cash received at our retail stores and TREE Café are deposited in the cash boxes of the respective stores and TREE Café with restricted access. Cash is deposited with our bank once a week, or as otherwise required. We have set a maximum amount of cash which can be kept in the cash box or safe before a deposit must be made, as well as a minimum amount of cash to be maintained as a float. In addition, relevant entries are made in the POS system when cash is received from customers and are reconciled to the bank records on a monthly basis by the accounting team.

AWARDS AND RECOGNITIONS

Our Group has received the following awards and recognitions:

Year	Awards	Organizers
2015	Favourite Furniture & Home Décor Store – Sassy Awards 2015	Sassy Hong Kong
2014	One of the awardees of Best Home Store – Readers’ Choice Awards	The List Magazine
2014	Best Home – Furnishing Shop – Readers’ Choice Awards	Sai Kung & Clearwater Bay Magazine
2013	One of the awardees of Best Home Décor – Readers’ Choice Awards	The List Magazine
2012	Best Green Company – Readers’ Choice Awards	The List Magazine

As at Latest Practicable Date, we were also recognized for our participation in a tree planting project for facilitating the planting of approximately 77,000 trees.

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INSURANCE

As at the Latest Practicable Date, our insurance coverage included a property all risks insurance (in respect of items such as appliances, equipment, fixtures, fittings and stock in trade), insurance against increased cost of working (in respect of any business interruption at our business premises), money and assault insurance (including loss of money or damage to safes caused by theft or attempted theft), public liability insurance (in respect of the legal liability for injury caused to third parties or damage to property owned by third parties caused by negligence of us or our employees), employee's compensation insurance against employer's liability arising under the Employees' Compensation ordinance (Chapter 282 of the Laws of Hong Kong), as well as employees medical insurance, up to the sum specified in the insurance policies.

Further, as at the Latest Practicable Date, we also maintained motor vehicle insurance for our motor vehicles, as well as material damage insurance (in respect of loss or damage directly caused by subsidence of the site or landslip) and public liability insurance in relation to an advertisement banner. We also maintain insurance for our products during their delivery by shipment to Hong Kong on a per container basis.

In addition, as at the Latest Practicable Date, we also maintained a life insurance policy for Ms. Haslock with Tree Limited as the policyholder and beneficiary, as well as a travel insurance policy for Ms. Babington with her own estate as beneficiary.

Our Legal Counsel is of the view that during the Track Record Period, we had maintained the necessary mandatory insurances for our business. We plan to arrange appropriate insurance cover in respect of legal action against our Directors which will be effective upon the Listing.

Our Directors consider that our Group's insurance coverage is sufficient for our operations and in line with the general industry practice in Hong Kong. Our Group does not maintain any product liability insurance as our Directors believe that it is not the general industry practice in Hong Kong to take out such insurance. For risks related to product liability, please refer to the sections headed "Risk factors – We may not be able to detect quality issues in our products" and "Risk factors – We are exposed to product liability claims and litigation risks for defective or unsafe products" in this prospectus. Our Directors confirm that during the Track Record Period, we did not receive any material claims from customers relating to any liability in relation to our products. Our Directors will review our insurance policies and insurance coverage from time to time to ensure our insurance coverage remains adequate in light of our business growth.

For the three years ended 31 March 2017 and the six months ended 30 September 2017, we paid insurance expenses of approximately HK\$0.2 million, HK\$0.2 million, HK\$0.4 million and HK\$0.2 million, respectively.

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PROPERTIES

As at the Latest Practicable Date, we have entered into leases in relation to six properties in Hong Kong for the operation of our business. Three of our leased premises were used as our retail stores while three of them were used as our warehouses which were located on two separate floors in a building near our Flagship Store. Part of the area in our Flagship Store was also used as our office. Our retail stores and warehouses are leased from Independent Third Parties.

Set out below is a summary of our leased retail stores as at the Latest Practicable Date:

No.	Retail store	Location	Term	Usage	Gross floor area (<i>sq.ft.</i>) (<i>approximate</i>)	Rent
1.	Flagship Store	28/F, Horizon Plaza 2 Lee Wing Street, Ap Lei Chau, Hong Kong	three years commencing from 8 November 2016 to 7 November 2019	furniture selling purpose	23,000	monthly fixed rent
2.	Sai Kung Store	G/F, No. 116 Man Nin Street, Sai Kung New Territories, Hong Kong	six months commencing from 20 November 2017 to 19 May 2018	business purpose	1,350 – 1,500	monthly fixed rent
3.	Sha Tin Store	Shop Nos. 101-102 on Level 1 of the Retail (or Commercial) Accommodation of the messuages erections and premises at 138 Sha Tin Rural Committee Road, Sha Tin, New Territories, Hong Kong	three years commencing from 19 September 2016 to 18 September 2019	business purpose	1,585	monthly fixed rent with additional rent being a certain percentage of our monthly gross receipts if the monthly gross receipts exceed the monthly fixed rent

Our operating lease charges in respect of our retail stores, office and warehouses were approximately HK\$10.8 million, HK\$11.0 million, HK\$10.7 million and HK\$5.8 million for the three years ended 31 March 2017 and the six months ended 30 September 2017, respectively.

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Other than furniture, fixtures, office equipment and motor vehicles, we did not possess any other major fixed assets and equipment as at the Latest Practicable Date.

INTELLECTUAL PROPERTY

We believe that our trademarks are important to our business as these trademarks enable customers to differentiate our business from our competitors. As at the Latest Practicable Date, we are the registered owners of ten trademarks in Hong Kong and 12 trademarks in the PRC and we have made trademark applications for an aggregate of 14 trademarks in Hong Kong, the PRC, the U.S. and Canada. Details of our intellectual property rights are set out under the section headed “Appendix IV – B. Further Information about the Business of Our Group – 2. Intellectual property rights – (i) Trademarks” in this prospectus.

Licence granted to our Group

On 20 January 2016, we entered into an agreement with FSC, which is an Independent Third Party, for a period of five years. Under the agreement, we are granted a royalty free, revocable, non-exclusive and non-transferable license to use the licence material for promotional use at an annual fee of EUR500. Such agreement shall expire in January 2021.

Domain names

As at the Latest Practicable Date, our Group owned the following domain names:

tree.com.hk
treeholdings.com
tree.com.cn

During the Track Record Period and up to the Latest Practicable Date, the Directors confirm that there has not been any pending or threatened claims against us, nor has any claim been made by us against third parties, with respect to the infringement of any intellectual property rights owned by us or by third parties. Please refer to the section headed “Risk factors – Risks relating to our business – Failure to protect our intellectual property rights from our PRC Distributor, American Tree and third parties may affect our reputation and business” for more details of the risks in relation to our intellectual property rights.

Internal control on protecting our trademarks

The Managing Director is responsible for overseeing the trademark registration process of our Group and maintaining a log recording the trademarks which are registered by us and the progress of any trademark registration. Responsible staff would also perform checks on the Hong Kong Intellectual Property Journal when necessary to determine if there is any application of trademark registration in Hong Kong which is likely to cause confusion with our trademarks and take appropriate action.

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EMPLOYEES

As at the Latest Practicable Date, our Group had 63 employees located in Hong Kong. We may rotate some of our staff between our retail stores from time to time. Our Directors are of the opinion that our staff is one of our most valuable assets and have contributed to the success of our Group.

As at the Latest Practicable Date, the employees of our Group were categorised as follows:

Functions	Number of employees
Management	4
Administration	3
Accounting	2
Sales and marketing	23
Procurement	4
Warehousing, storage and delivery	22
TREE Café	5
Total	63

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there has not been any labour strike within our Group and we did not experience any material labour dispute with our employees. We have not set up any trade union and our Directors believe that we have maintained a good working relationship with our employees.

We also engage external consultants providing services such as copywriting, in-store styling, photography and graphic design. We may enter into agreements with them for their services on a case-by-case basis. For the three years ended 31 March 2017 and the six months ended 30 September 2017, we incurred approximately HK\$0.5 million, HK\$0.8 million, HK\$0.5 million and HK\$0.3 million of service fees to external consultants.

Recruitment and training

We recruit our employees based on a number of factors such as work experience, communication skills, language skills, knowledge of job and qualifications possessed. We may recruit our employees by placing recruitment advertisements or engaging recruitment agents. We typically pay our recruitment agent a fee based on certain percentage of the first year annual remuneration of the candidate referred by our recruitment agent. Upon employment by us, we will provide new staff with a copy of our employee manual, covering areas including house rules for our retail stores and warehouses, our employment policies and our internal review system.

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On a case-by-case basis, we sponsor our employees on their continued learning by reimbursing them for payment of courses undertaken externally which we consider as valuable to our business. For example, employees may undertake English or interior design courses.

Remuneration

The remuneration package for our employees generally includes salary and bonuses. We incurred employee benefit expense (including Directors' remuneration) of approximately HK\$13.4 million, HK\$19.7 million, HK\$22.7 million and HK\$10.5 million for the three years ended 31 March 2017 and the six months ended 30 September 2017, respectively. We review the performance of our employees from time to time and make reference to such performance reviews in our discretionary performance bonus, salary review and promotional appraisal in order to attract and retain talented employees.

Environmental, health and occupational safety

We place emphasis on the health and safety of our employees in our operation. Our employee manual provides guidelines in relation to handling accidents and injuries sustained at work or in the case of any fire incident.

We have in place an accident handling policy and claim-making procedures. Under our policy, any employees who are injured during work should inform the respective department manager of the injury immediately. We have safety measures including fire extinguishers and first-aid kits at our retail stores and warehouses for employees' use.

Our Directors confirmed that during the Track Record Period, our Group recorded nine cases of work-related injuries sustained by our employees such as fractures, abrasions and bruises with compensation paid for each incident being below HK\$330,000, and the total compensation paid for all these work-related injuries was approximately HK\$0.6 million. A substantial part of the amount was covered by our employees' compensation insurance policy. To facilitate our monitoring of our work injuries, we maintain a record of work injuries sustained by our staff.

Our Directors confirm that there was no material accident at our retail stores or warehouses during the Track Record Period and up to the Latest Practicable Date and that there has not been any material insurance claim related to employees' injuries.

Our Directors confirmed that during the Track Record Period, we were not subject to any major environmental claims, lawsuits, penalties or disciplinary actions.

BUSINESS

LITIGATION AND LEGAL COMPLIANCE

A summary of the key laws and regulations which are applicable to our Group's operations is set out in the section headed "Regulatory overview" in this prospectus. During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that we had complied with the relevant laws and regulations in relation to our business in all material respects and there were no material breaches or violations of the laws and regulations applicable to our Group that would have a material adverse effect on our business or financial condition taken as a whole.

Litigation

As at the Latest Practicable Date, our Directors confirmed that no member of our Group was engaged in any litigation, claim or arbitration of material importance nor is any litigation, claim or arbitration of material importance pending or threatened against any member of our Group. In addition, our Directors confirmed that none of our Directors was involved in any material litigation, arbitration or administrative proceeding as at the Latest Practicable Date.

Our Directors are of the view that the occurrence of personal injury claims and employees' compensation claims is not uncommon in the industry and that we have taken out insurance in compliance with applicable laws and regulations with a view to providing sufficient coverage for work-related injuries of our employees and we have not incurred any material liabilities as a result thereof. Our Directors consider that the employee compensation claims have been substantially covered by the insurance taken out by our Group, and did not and are not expected to have a material adverse impact on our Group's operations. For further details of our insurance policies, please refer to the paragraph headed "Insurance" in this section.

No provision was made in the financial statements of our Group in respect of any ongoing claims, having taken into account (i) the uncertainty in the total amount involved for the relevant claim; (ii) the coverage by the relevant insurance as mentioned above; and (iii) the indemnity given by our Controlling Shareholders as mentioned in the section headed "Appendix IV – E. Other Information – 1. Tax and other indemnities" in this prospectus.

Legal compliance

Set out below is a summary of certain incidents of our systematic non-compliance with applicable laws and regulations during the Track Record Period.

BUSINESS

Non-compliance with the Companies Ordinance

Our Company and Tree Limited inadvertently breached certain sections of the Companies Ordinance. The table below summarises the non-compliance with the requirements of the Companies Ordinance by our Company and Tree Limited during the Track Record Period and up to the Latest Practicable Date:

Group companies involved	Particulars of non-compliance	Reason(s) for the non-compliance	Persons involved in the non-compliance	Remedial actions taken	Potential maximum penalty/fine	Measures to prevent any future breaches and ensure on-going compliance
<i>Non-compliance with the Companies Ordinance in respect of filing requirements</i>						
Tree Limited	Late filing of specified forms with the Companies Registry in October 2016	Due to the inadvertent oversight on the part of our staff responsible for the preparation of filings with the Companies Registry	Staff responsible for the preparation of filings with the Companies Registry at the relevant time.	The forms were filed.	<p>As advised by our Legal Counsel, the relevant Group company and every responsible person shall be liable to a potential maximum fine of HK\$25,000 and a potential maximum daily default fine of HK\$700 for each offence.</p> <p>As advised by our Legal Counsel, the chance of prosecution in respect of such non-compliance is low given the nature of such non-compliance which, in our Legal Counsel's opinion, is not serious at all.</p> <p>As advised by our Legal Counsel, even if there is any prosecution, the penalties imposed by the court for the aforementioned non-compliance will not be significant.</p>	We have adopted the internal control measures set forth in the paragraph headed "Litigation and legal compliance – Internal control measures designed to prevent future non-compliance and improve corporate governance" in this section.

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Non-compliance matters

The table below summarises the non-compliance incidents in relation to our Group's operation during the Track Record Period:

Particulars of non-compliance	Reason(s) for non-compliance	Legal consequences and maximum potential liabilities	Remedial actions and financial provision
<i>Failure to comply with section 31(1) of the Food Business Regulation (Chapter 132X of the Laws of Hong Kong)</i>			
<p>"Food factory" is defined as any food business which involves the preparation of food for sale for human consumption off the premises.</p> <p>We provided non-disposable utensils and plastic trays at our TREE Café. Specified tables and chairs were set up in close proximity to our Tree Café.</p> <p>Based on the above two factors, we may be considered as carrying on food business (i.e. a restaurant) without a licence in breach of section 31(1) of the Food Business Regulation.</p>	<p>Due to the unintended and inadvertent oversight of our management and mistakes</p>	<p>The consequence of non-compliance is that Tree Limited and its directors are liable to a maximum fine of HK\$50,000 (together with a daily fine of HK\$900 where it is a continuing offence) and to maximum imprisonment for six months for breach of section 31(1) of the Food Business Regulation.</p> <p>In addition, any conviction under section 31(1) of the Food Business Regulation will result in 7 demerit points on the food factory licence. In the case of 15 points or more are registered within 12 months, the licence will be suspended for 7 days. On a subsequent occasion of 15 points or more are registered in 12 months, the suspension will be for 14 days. On the third occasion, the licence is subject to cancellation by the Food and Environmental Hygiene Department where the suspension is automatic.</p> <p>During the Track Record Period and up to the Latest Practicable Date, we had not been penalised by any government authority for our failure to comply with section 31(1) of the Food Business Regulation. Our food factory licence had not been suspended.</p> <p>Based on the remedial actions taken by us and assuming that the remedial actions will continue to be in place, our Legal Counsel is of the opinion that such non-compliance incident was a past breach and the chance of prosecution for such past breach is low since our Legal Counsel has opined that we have rectified the potential breach by ourselves and it is a sign of willingness for future compliance.</p>	<p>All food and beverages provided by our TREE Café are packaged in a takeaway manner. We have stopped providing non-disposable utensils and plastic trays at our TREE Café. We have also put a label behind the counter of our TREE Café indicating to our customers that the food offered by our TREE Café is for takeaway. Since 23 December 2016, and up to the Latest Practicable Date, our Directors confirm that the operations of TREE Café are in full compliance with all relevant laws and regulations.</p> <p>Based on the remedial actions taken by us and assuming that the remedial actions will continue to be in place, our Legal Counsel is of the view that such non-compliance incident was a past breach.</p> <p>Given that (i) the risk of prosecution is low; and (ii) our Controlling Shareholders have executed the Deed of Indemnity, our Directors are of the view that the above non-compliance incident will not have any material financial and operational impact on us.</p> <p>Hence, no provision has been made in the financial statements of our Group in respect of the above non-compliance incident.</p>

Internal control measures designed to prevent future non-compliance and improve corporate governance

In order to maintain an effective internal control system, we engaged RSM Consulting (Hong Kong) Limited in January 2016 (the “**Internal Control Consultant**”), an independent internal control consultant, to perform an internal control review and a subsequent follow-up review of our Group’s internal control system, covering areas such as corporate governance, operations, management, human resources and finance.

Based on the Internal Control Consultant’s review and recommendations, our Group has adopted measures and policies to improve our internal control systems, to prevent incidents of non-compliance and to ensure our compliance with the GEM Listing Rules and relevant regulatory requirements (including corporate governance policies and compliance). After the Internal Control Consultant performed their follow-up review, they did not identify any material deficiencies in our internal control system. All the remedial measures to rectify any previous non-compliance of our Group and any deficiency in our internal control system have been or will be fully implemented by us before the Listing.

We have taken additional internal control measures to improve our corporate governance and internal controls to ensure on-going compliance with applicable laws and regulations. Our Group has adopted or intends to adopt the following measures:

- (i) our Directors attended training sessions conducted by our Company’s Hong Kong legal advisers on the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange;
- (ii) our Company has appointed Mr. Lam Yiu Cho as our company secretary. Mr. Lam will act as the principal channel of communication between our Group and our Board in relation to legal, regulatory and financial reporting compliance matters of our Group as well as the chief coordinator to oversee the internal control procedures in general. Upon receipt of any queries or reports on legal, regulatory and financial reporting compliance matters, our company secretary will look into the matter and, if considered appropriate, seek advice, guidance and recommendations from professional advisers before reporting to relevant members of our Group and/or our Board. Details of Mr. Lam’s qualifications and experience are set out in the section headed “Directors and senior management” of this prospectus;
- (iii) our Group has appointed Mr. Tsui as our compliance officer. The role of the compliance officer includes the following: (a) to advise on the implementation of procedures to ensure that our Group complies with the GEM Listing Rules and other relevant laws and regulations applicable to our Group; (b) to carry out the day-to-day implementation and monitoring of our internal control system; (c) to oversee the risk management and implement the risk management policies and procedures; and (d) to respond promptly and efficiently to all enquiries directed at him by the Stock Exchange;

BUSINESS

- (iv) our Company has appointed Oceanwide Capital Limited as our compliance adviser to advise our Group on compliance matters upon Listing in accordance with Rule 6A.19 of the GEM Listing Rules;
- (v) our Group will establish the Audit Committee with written terms of reference in accordance with Appendix 15 to the GEM Listing Rules to review the internal control system and procedures for compliance with the requirements of the GEM Listing Rules, the Companies Ordinance and other applicable laws, rules and regulations;
- (vi) our Company proposes to appoint an internal control consultant to provide advice and review our internal control system regarding internal control matters on a regular basis after Listing and such appointment will be reviewed annually, when necessary; and
- (vii) our Company proposes to appoint external Hong Kong legal advisers, where applicable, to advise us on compliance with and to provide us with updates on the changes in the GEM Listing Rules and the applicable Hong Kong laws, rules and regulations from time to time to see if any change is required to be made with our operation and internal control system.

With the assistance of our external legal advisers as to Hong Kong law, the compliance adviser, the internal control consultant, our company secretary and compliance officer, we aim to ensure that our Group's operations are in compliance with the applicable laws, rules and regulations with respect to our business operations in Hong Kong. The internal control consultant will conduct regular internal control reviews on our operations and recommend remedial plans to our Audit Committee, which will then advise our Board on the implementation of any remedial plans should there be any material internal control deficiencies. Our Board will make final decisions on the implementation of the remedial plans. To ensure all the remedial plans are implemented, the internal control consultant will follow up and monitor the implementation and report to the Audit Committee about the progress and results of the remedial plans. Any material internal control failure, weaknesses or deficiencies identified during the review process and the relevant follow up or remedial measures (if applicable) taken by our Group will be disclosed in our annual report after the Listing.

Views of our Directors and the Sole Sponsor

Our Directors are of the view that (i) the non-compliance incidents are not related to the character of our Directors and do not raise any serious concern on the integrity of them as such incidents did not involve any fraudulent or dishonest acts by our Directors; and (ii) we have taken all reasonable steps to establish a proper internal control system to prevent future non-compliance with the relevant laws and regulations.

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Our Directors are satisfied and the Sole Sponsor concurs that having considered our Group's internal control measures to avoid recurrence of the non-compliance incidents, and the preventive measures disclosed in this prospectus, we have adequate and effective internal control procedures in place and the non-compliance incidents described above would not affect the suitability of our Directors under Rules 5.01, 5.02 and 11.07 of the GEM Listing Rules and the suitability for listing of our Company under Rule 11.06 of the GEM Listing Rules on the following basis:

- (i) we have taken steps to improve our internal control and corporate governance system as referred to above;
- (ii) the occurrence of the abovementioned non-compliance incidents did not involve dishonesty or fraud of our Directors;
- (iii) the non-compliance incidents are not expected to have any material adverse impact on us and our Directors as each of our Controlling Shareholders has given us an indemnity in favour of our Group against, among others, all losses, liabilities, damages, costs, claims and expenses incurred by our Group in relation to any non-compliance occurring on or before the date on which the Share Offer becomes unconditional;
- (iv) as a result of the occurrence of the abovementioned non-compliance incidents, our Directors confirm that they are aware of and are alert to any issues that might result in any non-compliance and that there are measures in place for preventing recurrence of non-compliance as disclosed above and consider such measures to be adequate and effective; and
- (v) our Directors are aware of their responsibilities and obligations as directors of a listed issuer pursuant to the GEM Listing Rules and have undertaken to observe and comply with all the relevant laws, rules and regulations.

LICENCE

As at the Latest Practicable Date, our Group held a food factory licence for operating TREE Café. The current licence was granted on 15 August 2017 and will expire on 14 August 2018, and shall be renewed annually.

We play music and songs at our retail stores and TREE Café and such use of music is subject to payment of license fees. We have been licensed to play music by the Hong Kong Recording Industry Alliance Limited, which is one of the licensing bodies for use of music and songs registered in the Copyright Licensing Bodies Registry of the Intellectual Property Department. Our Legal Counsel confirmed that the playings of the music and songs during the Track Record Period are under valid licence.

Based on our business and operations as disclosed in this prospectus, our Legal Counsel has confirmed that we have obtained all the necessary licences to properly conduct our business.

INTERNAL CONTROL AND RISK MANAGEMENT

Our Directors are responsible for formulating and implementing risk management policies to address various potential risks we may face in relation to our operations, including operational risks, credit risks and market risks. Key risks relating to our business are set out in the section headed “Risk factors” in this prospectus. The following sets out our risk management measures for some of the more particular risks:

Operational risks

Products delivery delay risk – as our products are mostly sourced from other countries or from the PRC, we are under the risk of delay in delivery of products which may affect our sales. In view of this, we maintain regular communication with our suppliers in order to keep us updated as to any possibility of delay in delivery and we also monitor the performance of the shipping agents we engage. We also regularly monitor our sales data and inventory level and in general, we maintain an inventory level which our Directors expect to be sufficient for our operation for three months and we will adjust the inventory level if necessary.

Loss of key personnel – our executive Directors will ensure that we have suitable and sufficient number of staff necessary to operate our business in order to ensure that loss of any particular personnel will have a limited impact to our operations.

Credit risks

Our credit risks during the Track Record Period mainly originated from trade receivables from our PRC Distributor. Our Directors recognise the importance in improving our credit policy under which we have established credit terms and procedures in recovering trade receivables from our PRC Distributor. Please refer to the paragraph headed “Business – Distribution and licence – Credit control and payment methods” in this section for more details of our credit policy.

Market risks

As we are in the retail business, we are exposed to market risks relating to changes in the economic, policy and social conditions in Hong Kong. Any downturn to the economy locally or globally can adversely affect the demand for our products. Our Directors regularly monitor the market conditions and adjust our pricing and promotion strategies.

Ongoing risk management

Under our risk management policy, our Directors are responsible for reviewing and updating our risk management policy which includes:

- holding at least two meetings in a financial year to discuss the current risk and any additional new risks our Group may face;
- an annual review of the risk management policy and update if necessary;
- identifying and developing risk management policies for different types of risks;
- accessing and prioritising the identified risks;
- continuously monitoring and managing the risks our Group faces and assess the risk tolerance level;
- ensuring the implementation and execution of the risk response measures; and
- establishing the Audit Committee which consists of our independent non-executive Directors, namely Mr. Yeung Man Chung Charles, Mr. Tsang Wai Yin and Mr. Sit Hoi Wah Kenneth which will review and supervise our financial reporting and internal control system. For the qualifications and experience of these members, please refer to the section headed “Directors and senior management” in this prospectus.

Internal control on personal data privacy

We provide our employees with guidance on protection of customer personal data in our employee manual. Our employee manual provides that employees are required to only use customer information for purposes necessary for the provision of our products and services only, for example, in providing the delivery addresses to our delivery team and that staff should not leak any customer information in a manner which exceeds such purposes. Employees are also instructed not to share any customer information with third party without the prior written approval from the customer in person and not to disclose customers’ names to other customers.

Internal control on product safety

To ensure the quality and safety of the products to be purchased from our suppliers, our compliance officer or head of merchandising will check whether the products have to comply with any safety and health requirements and standards before purchase. Where the products have to comply with any safety and health requirements and standards, we will engage an independent qualified specialist to assess, where appropriate. We will only purchase the products after the specialist has confirmed that the products are in compliance with relevant safety and health requirements and standards. In addition, we will also engage an external legal adviser to advise the relevant compliance, where appropriate.

BUSINESS

Health and safety measures for our food and beverage business

We have adopted a food safety and health policy for the operation of our TREE Café covering various aspects of how our TREE Café should be operated, some of the measures are set out below:

- our TREE Café manager is responsible for ensuring that all food safety measures are implemented;
- food should be prepared in an hygienic way, for example, our TREE Café area should be kept clean, adequate wash hand basins and hygienic drying facilities should be provided and there should be sufficient ventilation and adequate drainage;
- floors, walls, ceilings, windows, doors, fittings and equipment should be well maintained and designed to be easy to clean;
- tools used in food preparation should be made of materials resistant to corrosion and should be adequately cleaned and disinfected;
- food waste should be stored in closable containers;
- staff at our TREE Café are required to maintain a high standard of personal cleanliness and wear suitable clean and, where appropriate, protective clothing;
- we should procure from suppliers with good historical record in providing quality products and staff at our TREE Café are required to examine all food and beverage delivered from our suppliers to identify any contaminated/infected ingredients; and
- before the close of business of the our TREE Café, staff are required to examine all perishable food items to determine whether they should be properly refrigerated for future use or disposed of, based on the suppliers' suggested expiration date.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders have entered into the Deed of Indemnity to indemnify our Group on a joint and several basis, in respect of, amongst others, all damages, losses, claims, fines and penalties that may be imposed, charges, fees, costs, interests and expenses (including all legal costs and expenses) together with all reasonable costs and other liabilities which our Company and/or any of our subsidiaries may sustain, suffer, incur or be imposed by any regulatory authorities or courts in Hong Kong or any applicable jurisdiction as a result of any violation or non-compliance or alleged non-compliance by any members of our Group with any applicable laws, rules or regulations of any jurisdiction or as a result of any breach of our tenancy lease on or before the date on which the Share Offer becomes unconditional. For details, please refer to the section headed "Appendix IV – E. Other information – 1. Tax and other indemnities" in this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

SUMMARY OF DIRECTORS AND SENIOR MANAGEMENT

Our Board consists of seven Directors, including two executive Directors, two non-executive Directors and three independent non-executive Directors. Our Board is responsible for and has general powers for the management and conduct of our business. Our senior management consists of four members. The following table sets forth certain information in respect of our Directors and senior management:

Name	Age	Present position	Date of appointment as Director	Date of joining our Group	Roles and responsibilities	Relationship with other Director(s) and senior management
Directors						
Ms. Mary Kathleen BABINGTON, alias Mary Kathleen Kate BABINGTON	47	Our chief executive officer, executive Director, Managing Director and member of our Nomination Committee	9 March 2016	1 February 2010	Responsible for the strategy of our Group and implementation, on an operational level, across all functions including but not limited to internal management, human resources, marketing, merchandising, sales and delivery	Ms. Babington has been holding Trading (China) on trust for Ms. Haslock, our non-executive Director, since 1 July 2011.
Mr. TSUI Wing Tak (徐穎德)	35	Executive Director and member of our Remuneration Committee	9 March 2016	10 June 2015	Responsible for managing the financial matters of our Group	AEM Advisory, which is wholly-owned by Mr. Tsui, has been providing professional accounting and internal control advisory services to Mr. Tong, our chairman and our non-executive Director, since April 2014.
Mr. TONG Tang Joseph (唐登)	58	Chairman, non-executive Director and chairman of our Nomination Committee	22 April 2016	22 April 2016	Responsible for supporting our Group on a strategic level	AEM Advisory, which is wholly-owned by Mr. Tsui, our executive Director, has been providing professional accounting and internal control advisory services to Mr. Tong since April 2014.
Ms. Nicole Lucy HASLOCK	45	Non-executive Director	9 March 2016	28 February 2002	Responsible for supporting our Group on a strategic level with a focus on consultancy, styling and retail sales	Ms. Babington, our chief executive officer, executive Director and Managing Director, has been holding Trading (China) on trust for Ms. Haslock since 1 July 2011.

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Present position	Date of appointment as Director	Date of joining our Group	Roles and responsibilities	Relationship with other Director(s) and senior management
Mr. YEUNG Man Chung Charles (楊文忠)	49	Independent non-executive Director, chairman of our Audit Committee, member of our Remuneration Committee and Nomination Committee	25 January 2018	25 January 2018	Giving independent advice to our Board	None
Mr. TSANG Wai Yin (曾偉賢)	57	Independent non-executive Director, member of our Audit Committee and Nomination Committee	25 January 2018	25 January 2018	Giving independent advice to our Board	None
Mr. SIT Hoi Wah Kenneth (薛海華)	59	Independent non-executive Director, chairman of our Remuneration Committee, member of our Audit Committee and Nomination Committee	25 January 2018	25 January 2018	Giving independent advice to our Board	None

Senior Management

Ms. Virginia Katherine SEYMOUR	36	Head of marketing	–	8 June 2015	Responsible for all marketing communications of Tree Limited	None
Mr. KONG Chi Tong (江致堂)	36	Senior merchandiser	–	26 September 2011	Responsible for product sourcing of Tree Limited	None
Ms. TANG Wai Chun Annie (鄧偉珍)	50	Personnel officer	–	9 March 2009	Responsible for the administration and human resources affairs of Tree Limited	None

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Ms. Mary Kathleen BABINGTON, alias Mary Kathleen Kate BABINGTON, aged 47, is our chief executive officer, executive Director, Managing Director and a member of our Nomination Committee. She was appointed as our Director on 9 March 2016, and designated as our chief executive officer and executive Director on 6 September 2016. She joined our Group in February 2010 as our Managing Director. She is also a director of Tree Limited. Ms. Babington is responsible for the strategy of our Group and implementation, on an operational level, across all functions including but not limited to internal management, human resources, marketing, merchandising, sales and delivery.

Ms. Babington, through Rothley, holds 3.7% of the issued share capital of our Company immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares that may be allotted and issued upon the exercise of the option that may be granted under the Share Option Scheme). Rothley is subject to a lock-up period of six months following Listing. For details of Ms. Babington's interest in our Company, please refer to the section headed "Appendix IV – C. Further information about our Directors and substantial Shareholders – 1. Disclosure of interests" in this prospectus.

Ms. Babington has more than 23 years of experience in the retail industry. From May 1993 to January 2010, Ms. Babington worked in The Body Shop International PLC with her last position as a sourcing manager.

In February 1993, Ms. Babington graduated from the University of Central Lancashire in the United Kingdom with a degree of bachelor of arts (honours) in business and finance. In November 1996, she obtained a certificate in applied professional studies from the University of Brighton in the United Kingdom. She obtained a degree of master of arts in marketing from the Kingston University in the United Kingdom in October 1998. In November 2003, Ms. Babington completed the social systems auditor/lead auditor training course provided by SGS Hong Kong Limited.

Ms. Babington became an associate (corporate) of the Chartered Institute of Marketing in the United Kingdom in December 1996. She was also admitted as a member of the Chartered Institute of Marketing in the United Kingdom in November 1998.

In July 2011, Ms. Haslock, our non-executive Director, who was at that time the beneficial owner of the entire issued share capital of Tree Limited, intended to expand into the PRC market. In pursuing her plan, Ms. Babington agreed to act as Ms. Haslock's trustee to hold on her behalf all the interest in Trading (China) (an investment holding company) and all the interest in Tree (Shanghai), a wholly-owned subsidiary of Trading (China). Tree (Shanghai) had not carried on any business and was deregistered on 23 July 2014. Ms. Babington is the sole director of Trading (China) and was the legal representative of Tree (Shanghai). She is also the sole registered shareholder of Trading (China), holding the entire issued share capital of Trading (China) on trust for Ms. Haslock. Trading (China) has been a dormant company since 21 December 2016.

DIRECTORS AND SENIOR MANAGEMENT

Mr. TSUI Wing Tak (徐穎德), aged 35, is our executive Director, a member of our Remuneration Committee and our compliance officer. He was appointed as our Director on 9 March 2016, and designated as our executive Director on 6 September 2016. He joined our Group in June 2015 as a director of Tree Limited. Mr. Tsui is responsible for managing the financial matters of our Group.

Mr. Tsui has more than 11 years of experience in the accounting and corporate field. Mr. Tsui has been the chief executive officer of AEM Advisory, which is principally engaged in the provision of corporate advisory services, since January 2012. He was the company secretary of Noble House (China) Holdings Limited (now known as Northern New Energy Holdings Limited) (stock code: 8246), a company listed on GEM, from July 2013 to August 2014. From August 2004 to January 2012, Mr. Tsui worked in an international accounting firm in Hong Kong with his last position as a manager in auditing. Mr. Tsui has been a non-executive director of CCT Land Holdings Limited (stock code: 261), a company listed on the Main Board of the Stock Exchange, since January 2017. Mr. Tsui has been the company secretary of Ching Lee Holdings Limited (stock code: 3728), a company listed on the Main Board of the Stock Exchange, since 14 August 2017.

Mr. Tsui graduated from The Hong Kong University of Science and Technology with a degree of bachelor of business administration (honours) in accounting in November 2004. He was admitted as a certified public accountant and a certified public accountant (practising) of the Hong Kong Institute of Certified Public Accountants in January 2009 and January 2012, respectively.

In November 2016, the embassy of the Republic of the Uganda in Beijing appointed Mr. Tsui as Honorary Trade, Tourism and Investment Consultant/Adviser on China (Hong Kong and Macau SAR).

AEM Advisory, which is wholly-owned by Mr. Tsui, has been providing professional accounting and internal control advisory services to Mr. Tong, our chairman and our non-executive Director, since April 2014.

AEM Advisory also provided professional accounting advisory services to our Group for the financial period from 1 April 2014 onwards until the Listing. For details of the transaction, please refer to the section headed “Connected transactions” in this prospectus.

In addition, AEM Corporate Services, which is wholly-owned by Mr. Tsui, provided company secretarial services to our Group for the period from 1 September 2016 to 1 August 2017. It had also been the company secretary of Tree Limited since 1 September 2016 to 1 August 2017. For details of the transaction, please refer to the section headed “Connected transactions” in this prospectus.

AEM Corporate Services also provides company secretarial services to World Luxury, one of our five largest customers since 26 May 2016. It has also been the company secretary of World Luxury since 26 May 2016.

DIRECTORS AND SENIOR MANAGEMENT

Non-executive Directors

Mr. TONG Tang Joseph (唐登), aged 58, is our chairman, our non-executive Director and the chairman of our Nomination Committee. He was appointed as our Director on 22 April 2016, and designated as our chairman and non-executive Director on 6 September 2016. He is also a director of Tree Limited. He is responsible for supporting our Group on a strategic level.

Mr. Tong, through Tiptop, holds 69.8% of the issued share capital of our Company immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares that may be allotted and issued upon the exercise of the option that may be granted under the Share Option Scheme). Tiptop is subject to a lock-up period of three years following the Listing. For details of Mr. Tong's interest in our Company, please refer to the sections headed "Substantial and significant Shareholders – substantial Shareholders", "Relationship with Controlling Shareholders" and "Appendix IV – C. Further information about our Directors and substantial Shareholders – 1. Disclosure of interests" in this prospectus.

Mr. Tong has more than 30 years of experience in the financial industry. Mr. Tong was an executive director of Sun Hung Kai & Co. Limited (stock code: 86), a company listed on the Main Board of the Stock Exchange, from December 2003 to January 2016. He also held various senior positions at Sun Hung Kai & Co. Limited from December 2004 to January 2016 such as the chief executive officer of its wealth management, brokerage and capital markets and the chief executive officer of its capital markets and institutional brokerage. Mr. Tong was also a director of Bali International Finance Limited (now known as Sun Hung Kai Structured Finance Limited) from March 2004 to January 2016. From July 2013 to July 2016, he was an independent non-executive director of Carry Wealth Holdings Limited (stock code: 643), a company listed on the Main Board of the Stock Exchange.

Mr. Tong was a non-executive director and the chairman of the nomination committee of Mason Group Holdings Limited (stock code: 273), a company listed on the Main Board of the Stock Exchange, from April 2016 to January 2018. He was chairman of the board of directors of Mason Group Holdings Limited from April 2016 to September 2016, and joint chairman from September 2016 to January 2018. He was also a substantial shareholder of Mason Group Holdings Limited since May 2016 to December 2017. Mr. Tong is also an independent director of Jih Sun Financial Holdings Company Limited (stock code: 5820), the shares of which are listed on the Taipei Exchange in Taiwan.

Mr. Tong obtained a degree of bachelor of social sciences (honours) from The University of Hong Kong in November 1982 and a degree of master of business administration from The Chinese University of Hong Kong in October 1988. He was admitted as a member of the Association of Chartered Certified Accountants in November 2000 and advanced to fellowship status in November 2005.

AEM Advisory, which is wholly-owned by Mr. Tsui, our executive Director, has been providing professional accounting and internal control advisory services to Mr. Tong since April 2014.

Ms. Nicole Lucy HASLOCK, aged 45, is our founder and our non-executive Director. She was appointed as our Director on 9 March 2016, and designated as our non-executive Director on 6 September 2016. She is also a director of Tree Limited. She is responsible for supporting our Group on a strategic level with a focus on consultancy, styling and retail sales.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Haslock, through Savvy, holds 1.5% of the issued share capital of our Company immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares that may be allotted and issued upon the exercise of the option that may be granted under the Share Option Scheme). Savvy is subject to a lock-up period of six months following Listing. For details of Ms. Haslock's interest in our Company, please refer to the section headed "Appendix IV – C. Further information about our Directors and substantial Shareholders – 1. Disclosure of interests" in this prospectus.

Ms. Haslock has more than 10 years of experience in the retail industry. In January 2005, Ms. Haslock became beneficially interested in the entire issued share capital of Tree Limited. She was principally responsible for the management of our Group until Ms. Babington joined our Group in February 2010. Since then, she has continued to support our Group on a strategic level with a particular focus on consultancy, styling and retail sales. Since October 2013, Ms. Haslock has been the sole shareholder of American Tree, which is the licensee under the North America Licence Agreement and the purchaser under the Master Sale Agreement, and was incorporated in the State of Washington, the U.S. with a plan to principally engage in the business of retailing of furniture and home accessories in the U.S. and Canada. Ms. Haslock has also entered into Ms. Haslock's Deed of Non-Competition. For further details of our Group's transactions with American Tree and Ms. Haslock's Deed of Non-Competition, please refer to the section headed "Connected transactions" in this prospectus.

Before founding our Group, Ms. Haslock worked in Allen & Overy (Hong Kong) Limited from September 2003 to February 2005 with her last position as an associate. From September 1995 to August 2003, Ms. Haslock worked in CMS Cameron Mckenna Services in the United Kingdom with her last position being a solicitor.

In June 1993, Ms. Haslock obtained a degree of bachelor of laws (honours) from the University of Bristol in the United Kingdom. In July 1994, she completed the legal practice course at The College of Law (now known as The University of Law) in the United Kingdom. Ms. Haslock was admitted as a solicitor in Hong Kong in May 2001.

In July 2011, Ms. Haslock, who was at that time the beneficial owner of the entire issued share capital of Tree Limited, intended to expand into the PRC market. In pursuing her plan, Ms. Babington, our chief executive officer, executive Director and Managing Director, agreed to act as Ms. Haslock's trustee to hold on her behalf all the interest in Trading (China) (an investment holding company) and all the interest in Tree (Shanghai), a wholly-owned subsidiary of Trading (China). For further details, please refer to the biographical information of Ms. Babington in the paragraph headed "Directors – Executive Directors" in this section.

Independent non-executive Directors

Mr. YEUNG Man Chung Charles (楊文忠), aged 49, was appointed as our independent non-executive Director on Listing Date. He is also the chairman of our Audit Committee and a member of our Remuneration Committee and Nomination Committee. He is responsible for giving independent advice to our Board.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yeung has over 20 years of experience in accounting, auditing and financial management. Mr. Yeung has been the chief financial officer and an executive director of GCL-Poly Energy Holdings Limited (“GCL-Poly”) (stock code: 3800), a company listed on the Main Board of the Stock Exchange since May and September 2014, respectively, responsible for its financial management and control. He has also been the company secretary of GCL-Poly since March 2017. Since September 2015, Mr. Yeung has also been a non-executive director of GCL New Energy Holdings Limited (stock code: 451), a company listed on the Main Board of the Stock Exchange.

From May 1994 to March 2014, Mr. Yeung worked at Deloitte China with his last position being a partner. From January 2008 to December 2008, Mr. Yeung was a part-time member of the Central Policy Unit of the Government of Hong Kong.

Mr. Yeung obtained a degree of bachelor of business with a major in accounting from Edith Cowan University in Australia in February 1992. He was admitted as an associate and a certified practising accountant of the Australian Society of Certified Practising Accountants in February 1992 and January 1996, respectively. He was also admitted as a certified public accountant of the Hong Kong Institute of Certified Public Accountants in June 1996.

Mr. TSANG Wai Yin (曾偉賢), aged 57, was appointed as our independent non-executive Director on Listing Date. He is also a member of our Audit Committee and Nomination committee. He is responsible for giving independent advice to our Board.

Mr. Tsang has extensive expertise in commercial building and interior architecture and has over 17 years of experience as a leader of design team in a broad variety of projects. Mr. Tsang has been a director of AGC Design Limited since November 1999.

Mr. Tsang graduated from The University of Hong Kong with a degree of bachelor of arts (honours) in architectural studies in November 1982 and a degree of bachelor of architecture in November 1985. He also obtained a degree of master of business and administration from the University of Toronto in Canada in June 1992.

Mr. Tsang was admitted as a member of the Hong Kong Institute of Architects and elected into corporate membership of the Royal Institute of British Architects in December 1986 and July 1987, respectively. He was also admitted as a professional member of the Interior Design Association (Hong Kong) in 2001 and was a founding member of the World Association of Chinese Architects in April 2004. Mr. Tsang was accredited a PRC Class 1 Registered Architect of the National Administration Board of Architect Registration (Qualification) in August 2004, and admitted as an APEC Architect by the Central Council of the Asia Pacific Economic Cooperation in December 2015. He currently holds the certificate of registration of authorised person (list of architects) issued by the Building Authority in Hong Kong and is a registered architect in Hong Kong.

Mr. Tsang was appointed by the Government of Hong Kong as a member of the Contractors Registration Committee Panel from January 2004 to December 2008. He was a member of the Authorised Persons Registration Committee and the Authorised Persons

DIRECTORS AND SENIOR MANAGEMENT

Registration Committee Panel of the Buildings Department from January 2006 to December 2011, and an alternate member of the Advisory Committee of Barrier Free Access of the Buildings Department from July 2007 to July 2009.

Mr. SIT Hoi Wah Kenneth (薛海華), aged 59, was appointed as our independent non-executive Director on Listing Date. He is also the chairman of our Remuneration Committee and a member of our Audit Committee and Nomination Committee. He is responsible for giving independent advice to our Board.

Mr. Sit has over 30 years of experience in the legal profession. He is a practicing solicitor and notary public in Hong Kong. Mr. Sit was the sole-proprietor of Kenneth Sit, Solicitors from October 2004 to October 2012, and has been the managing partner since October 2012. Mr. Sit has been an independent non-executive director of Pokfulam Development Company Limited (stock code: 225), a company listed on the Main Board of the Stock Exchange, since October 2005 and Zijin Mining Group Company Limited (stock code: 2899 and 601899), a company dually listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange, since October 2013.

Mr. Sit graduated from The University of Hong Kong with a bachelor of laws (honours) in 1980 and was awarded the postgraduate certificate in laws by The University of Hong Kong in July 1981. He was admitted as a solicitor in Hong Kong in March 1983.

DISCLOSURE REQUIRED UNDER RULE 17.50(2) OF THE GEM LISTING RULES

Ms. Babington, our chief executive officer, executive Director and Managing Director, was the legal representative of the following company prior to its dissolution:

Name of company	Place of incorporation/ establishment	Principal business activity prior to cessation of business	Date of dissolution	Means of dissolution	Reasons for dissolution
Tree (Shanghai) (<i>Note</i>)	PRC	dormant	23 July 2014	Deregistration	Change of business strategy

Note: From the establishment to the deregistration of Tree (Shanghai), Tree (Shanghai) was a wholly-owned subsidiary of Trading (China), which is held by Ms. Babington on trust for Ms. Haslock, our non-executive Director. For details of Trading (China) and Tree (Shanghai), please refer to the biographical information of Ms. Babington in the paragraph headed “Directors – Executive Directors” in this section.

Ms. Babington confirmed that the above company was solvent at its time of it being dissolved by deregistration.

Ms. Babington further confirmed that there was no wrongful act on her part leading to the dissolution of the above company and she is not aware of any actual or potential claim which has been or will be made against her as a result of such dissolution, and that her involvement in the above company was part and parcel of her services as the legal representative of such company and that no misconduct or misfeasance had been involved in the dissolution of the above company.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Tong, our chairman and non-executive Director, was a director of the following 12 companies prior to their respective dissolution:

Name of Company	Place of incorporation	Principal business activity prior to cessation of business	Date of dissolution	Means of dissolution	Reasons for dissolution
Bali International Finance (Nominees) Limited (百達利財務(代理人)有限公司)	Hong Kong	Investment holding	31 July 2008	Members' voluntary winding up	Closure of business
Gloria (Nominees) Limited	Hong Kong	Investment holding	26 August 2010	Members' voluntary winding up	Closure of business
Gloxin Limited	Hong Kong	Investment holding	29 November 2013	Deregistration	Closure of business
Hilarious (Nominees) Limited	Hong Kong	Investment holding	26 August 2010	Members' voluntary winding up	Closure of business
I-Market Limited	BVI	Investment holding	26 July 2013	Members' voluntary winding up	Closure of business
Macdonnell (Nominees) Limited	Hong Kong	Investment holding	16 May 2014	Deregistration	Closure of business
Rodril Limited	Hong Kong	Investment holding	16 May 2008	Deregistration	Closure of business
Splendid Gain Limited	Hong Kong	Investment holding	31 July 2015	Deregistration	Closure of business
Sun Hung Kai Financial Management Limited (新鴻基財務策劃有限公司)	Hong Kong	Investment holding	23 January 2015	Deregistration	Closure of business
Sun Hung Kai Securities (China) Limited (新鴻基證券(中國)有限公司)	Hong Kong	Investment holding	23 January 2015	Deregistration	Closure of business
Ta Shk Financial Investments Company Limited (天安新鴻基金融投資有限公司)	Hong Kong	Investment holding	9 October 2015	Deregistration	Closure of business
To Wan Development Company Limited (杜雲發展有限公司)	Hong Kong	Investment holding	22 February 2013	Deregistration	Closure of business

Mr. Tong confirmed that the above 12 companies were solvent at their time of them being dissolved by members' voluntary winding up or deregistration.

Mr. Tong further confirmed that there was no wrongful act on his part leading to the dissolution of the above companies and he is not aware of any actual or potential claim which has been or will be made against him as a result of such dissolution, and that his involvement in the above companies was part and parcel of his services as a director of such companies and that no misconduct or misfeasance had been involved in the dissolution of the above companies.

DIRECTORS AND SENIOR MANAGEMENT

Mr. YEUNG Man Chung Charles (楊文忠), our independent non-executive Director, was a director of the following 32 companies prior to their respective dissolution:

Name of Company	Place of incorporation	Principal activity prior to cessation of business	Date of dissolution	Means of dissolution	Reasons for dissolution
Mark Universal Calendar Company Limited (世章月曆有限公司)	Hong Kong	Trading	23 August 2013	Deregistration	Closure of business and to simplify organization structure
Giant Merit Development Limited (泰德發展有限公司)	BVI	Investment holding	1 May 2015	Striking off	Closure of business and to simplify organization structure
Ever Rich Hong Kong Investment Limited (永富香港投資有限公司)	Hong Kong	Investment holding	23 June 2017	Deregistration	Closure of business and to simplify organization structure
Charming Gold Limited (金環宇有限公司)	Hong Kong	Investment holding	16 June 2017	Deregistration	Closure of business and to simplify organization structure
Horn Yield Limited (源雄有限公司)	Hong Kong	Investment holding	16 June 2017	Deregistration	Closure of business and to simplify organization structure
Long Luck International Limited (朗運國際有限公司)	Hong Kong	Investment holding	30 June 2017	Deregistration	Closure of business and to simplify organization structure
Treasure Nice Limited (來揚有限公司)	Hong Kong	Investment holding	30 June 2017	Deregistration	Closure of business and to simplify organization structure
Win Grove Limited (勝林有限公司)	Hong Kong	Investment holding	30 June 2017	Deregistration	Closure of business and to simplify organization structure
Race Million Limited (賽億有限公司)	Hong Kong	Investment holding	30 June 2017	Deregistration	Closure of business and to simplify organization structure
Gain On Limited (勝越有限公司)	Hong Kong	Investment holding	30 June 2017	Deregistration	Closure of business and to simplify organization structure
Excel Winner Limited (優凱有限公司)	Hong Kong	Investment holding	30 June 2017	Deregistration	Closure of business and to simplify organization structure
Colourful Success Limited (蔚成有限公司)	Hong Kong	Investment holding	30 June 2017	Deregistration	Closure of business and to simplify organization structure

DIRECTORS AND SENIOR MANAGEMENT

Name of Company	Place of incorporation	Principal activity prior to cessation of business	Date of dissolution	Means of dissolution	Reasons for dissolution
Best Capital Limited (博都有限公司)	Hong Kong	Investment holding	7 July 2017	Deregistration	Closure of business and to simplify organization structure
Prime Chase Limited (興馳有限公司)	Hong Kong	Investment holding	7 July 2017	Deregistration	Closure of business and to simplify organization structure
Treasure Goals Limited (寶瀚有限公司)	Hong Kong	Investment holding	7 July 2017	Deregistration	Closure of business and to simplify organization structure
Cheerful Square Limited (興方有限公司)	Hong Kong	Investment holding	14 July 2017	Deregistration	Closure of business and to simplify organization structure
Tai Cherry Limited (泰昌興有限公司)	Hong Kong	Investment holding	14 July 2017	Deregistration	Closure of business and to simplify organization structure
Right Field (HK) Limited (偉亞(香港)有限公司)	Hong Kong	Investment holding	14 July 2017	Deregistration	Closure of business and to simplify organization structure
Hank Rich Limited (環軒有限公司)	Hong Kong	Investment holding	27 October 2017	Deregistration	Closure of business and to simplify organization structure
Join Key Limited (聯旗有限公司)	Hong Kong	Investment holding	27 October 2017	Deregistration	Closure of business and to simplify organization structure
Team Profit International Holdings Limited (添利國際集團有限公司)	Hong Kong	Investment holding	27 October 2017	Deregistration	Closure of business and to simplify organization structure
Rich Tai Limited (沃太有限公司)	Hong Kong	Investment holding	15 September 2017	Deregistration	Closure of business and to simplify organization structure
Ascend High Limited (高昇有限公司)	BVI	Investment holding	1 November 2017	Striking off (non-payment of fees)	Closure of business and to simplify organization structure
Centre Right Limited (中正有限公司)	BVI	Investment holding	1 November 2017	Striking off (non-payment of fees)	Closure of business and to simplify organization structure
Full Jumbo Limited (富寶有限公司)	BVI	Investment holding	1 November 2017	Striking off (non-payment of fees)	Closure of business and to simplify organization structure

DIRECTORS AND SENIOR MANAGEMENT

Name of Company	Place of incorporation	Principal activity prior to cessation of business	Date of dissolution	Means of dissolution	Reasons for dissolution
Golden Fit Limited (金頓有限公司)	BVI	Investment holding	1 November 2017	Striking off (non-payment of fees)	Closure of business and to simplify organization structure
Huge Bloom Limited (龐盛有限公司)	BVI	Investment holding	1 November 2017	Striking off (non-payment of fees)	Closure of business and to simplify organization structure
Oftenrich Investments Limited (常富投資有限公司)	BVI	Investment holding	1 November 2017	Striking off (non-payment of fees)	Closure of business and to simplify organization structure
Plan Elite Limited (鵬傑有限公司)	BVI	Investment holding	1 November 2017	Striking off (non-payment of fees)	Closure of business and to simplify organization structure
Precious Luck Group Limited (珍祺集團有限公司)	BVI	Investment holding	1 November 2017	Striking off (non-payment of fees)	Closure of business and to simplify organization structure
Smartbliss Limited (俊愉有限公司)	BVI	Investment holding	1 November 2017	Striking off (non-payment of fees)	Closure of business and to simplify organization structure
Winpak Investment Limited (榮栢投資有限公司)	Hong Kong	Investment holding	24 November 2017	Deregistration	Closure of business and to simplify organization structure

Mr. Yeung confirmed that the above 32 companies were solvent at the time when they were being voluntarily dissolved by deregistration or striking off.

Mr. Yeung was a director of the following company, which is in the process of being deregistered as at the Latest Practicable Date:

Name of Company	Place of incorporation	Principal activity prior to cessation of business	Means of dissolution	Reasons for dissolution
Big Cosmos Limited (豪宇有限公司)	Hong Kong	Investment holding	Deregistration	Closure of business and to simplify organization structure

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yeung confirmed that the above company was solvent at the time when it was being voluntarily dissolved by deregistration.

Mr. Yeung further confirmed that there was no wrongful act on his part leading to the dissolution of the above company and he is not aware of any actual or potential claim which has been or will be made against him as a result of such dissolution, and that his involvement in the above company was part and parcel of his services as a director of such company and that no misconduct or misfeasance had been involved in the dissolution of the above company.

Mr. TSANG Wai Yin (曾偉賢), our independent non-executive Director, was a director of the following three companies prior to their respective dissolution:

Name of Company	Place of incorporation	Principal business activity prior to cessation of business	Date of dissolution	Means of dissolution	Reasons for dissolution
Dragon Sheen Enterprises Limited (龍潤企業有限公司)	Hong Kong	Investment holding	22 September 2000	Deregistration	Closure of business
Gadlex Enterprises Limited (吉利企業有限公司)	Hong Kong	Investment holding	22 September 2000	Deregistration	Closure of business
Shellane Enterprises Limited (兆星企業有限公司)	Hong Kong	Investment holding	22 September 2000	Deregistration	Closure of business

Mr. Tsang confirmed that the above three companies were solvent at their time of them being dissolved by deregistration.

Mr. Tsang further confirmed that there was no wrongful act on his part leading to the dissolution of the above companies and he is not aware of any actual or potential claim which has been or will be made against him as a result of such dissolution, and that his involvement in the above companies was part and parcel of his services as a director of such companies and that no misconduct or misfeasance had been involved in the dissolution of the above companies.

DIRECTORS AND SENIOR MANAGEMENT

Mr. SIT Hoi Wah Kenneth (薛海華), our independent non-executive Director, was a director of the following four companies prior to their respective dissolution:

Name of company	Place of incorporation	Principal business activity prior to cessation of business	Date of dissolution	Means of dissolution	Reason for dissolution
The Hong Kong Student Aid Society Primary School School Management Committee Limited (香港學生輔助會小學校董會有限公司)	Hong Kong	School management	1 September 2006	Striking off	Restructuring
Jumbo Rich Industries Limited (廈華實業有限公司)	Hong Kong	Investment holding	12 April 2002	Striking off	Completion of business project
Prime Luck Enterprises Limited (啟運企業有限公司)	Hong Kong	Investment holding	13 August 2010	Deregistration	Completion of business project
Silver Arrow Development Limited (銀箭發展有限公司)	Hong Kong	Investment holding	26 April 2002	Striking off	Completion of business project

Mr. Sit confirmed that the above four companies were solvent at their time of them being voluntarily dissolved by deregistration or striking off.

Mr. Sit further confirmed that there was no wrongful act on his part leading to the dissolution of the above companies and he is not aware of any actual or potential claim which has been or will be made against him as a result of such dissolution, and that his involvement in the above companies was part and parcel of his services as a director of such companies and that no misconduct or misfeasance had been involved in the dissolution of the above companies.

Save as disclosed above, each of our Directors confirms with respect to him/her that: (i) he/she has not held any directorship in the three years prior to the Latest Practicable Date in other public companies, the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he/she does not hold other positions in our Company or other members of our Group; (iii) he/she is independent from and he/she does not have any relationship with any other Directors, senior management, substantial shareholder or Controlling Shareholder of our Company; (iv) he/she does not have any interests in our Shares within the meaning of Part XV of the SFO, save as disclosed in the section headed “Appendix IV – C. Further information about our Directors and substantial Shareholders – 1. Disclosure of interests” in this prospectus; (v) he/she does not have any interest in any business which competes or may compete, directly or indirectly, with us, which is discloseable under the GEM Listing Rules;

DIRECTORS AND SENIOR MANAGEMENT

and (vi) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no additional information relating to our Directors that is required to be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules and no other matter with respect to their appointments that needs to be brought to the attention of our Shareholders.

SENIOR MANAGEMENT

Ms. Virginia Katherine SEYMOUR, aged 36, is the head of marketing of Tree Limited. She is responsible for all marketing communications of Tree Limited.

Ms. Seymour has over 10 years of experience in marketing. Before joining our Group in June 2015, she worked at Mischief, a trading division of Engine Partners UK LLP, from April 2012 to April 2015 with her last position as an associate director, responsible for strategic planning, campaign implementation, budget management and measurement for multiple accounts, and new business, crisis and issues management. She worked at Murray Weir Willats from April 2006 to March 2012 with her last position as an associate director, responsible for strategic planning, campaign implementation, budget management and measurement for multiple accounts, and new business, crisis and issues management.

Ms. Seymour graduated from Nottingham Trent University with a bachelor of arts (honours) in fashion marketing and communication in June 2003.

Mr. KONG Chi Tong (江致堂), aged 36, is the senior merchandiser of Tree Limited. He is responsible for product sourcing of Tree Limited.

Mr. Kong has over eight years of experience in merchandising. Before joining our Group in September 2011, he worked at a number of companies, including (i) OVO Limited from April 2006 to February 2008 as a merchandiser; and (ii) Impact Creation Limited from July 2004 to January 2006 as an assistant merchandiser.

Mr. Kong obtained a degree of associate of arts in general studies and a degree of bachelor of business administration (honours) in business management from the City University of Hong Kong in November 2003 and November 2005, respectively.

Ms. TANG Wai Chun Annie (鄧偉珍), aged 50, is the personnel officer of Tree Limited. She is responsible for the administration and human resources affairs of Tree Limited.

Ms. Tang has over 13 years of experience in administration, human resources and personnel management. Before joining our Group in March 2009, she worked at a number of companies, including (i) Café O Limited from April 2008 to March 2009 as a human resources assistant, primarily responsible for human resources matters; (ii) Stanley's Restaurants for at least 6 years ending December 1996 as a personnel and administration officer and a personal assistant to the chief executive and directors, primarily responsible for updating and improving the personnel policies of the company, and dealing with all day-to-day personnel administration; and (iii) the Repulse Bay Restaurants from May 1989 to April 1990 as an administration coordinator, primarily responsible for all of the administration and personnel affairs of over 100 employees.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Tang obtained a diploma in hotel management from Swiss Hotel & Catering Colleges in Switzerland in April 1988.

Each of the senior management of our Group confirmed that he/she had not held any directorship in the last three years in other public companies, the securities of which are listed on any securities market in Hong Kong or overseas.

COMPANY SECRETARY

Mr. LAM Yiu Cho (林耀祖), aged 35, is our company secretary. He joined our Group in March 2016.

Mr. Lam has more than 11 years of experience in the accounting and corporate industry. Since March 2016, Mr. Lam has been a vice president of AEM Advisory. From August 2008 to February 2016, Mr. Lam worked at First Pacific Company Limited with his last position being corporate development manager in the corporate development department, responsible for overseeing mergers and acquisitions projects of the company. From January 2006 to August 2008, Mr. Lam worked at Deloitte Touche Tohmatsu with his last position being senior in the audit department. From September 2004 to January 2006, Mr. Lam worked at Ernst & Young as staff accountant in the assurance and advisory business services department.

Mr. Lam graduated from The Hong Kong University of Science and Technology with a degree of bachelor of business administration (honours) in accounting in November 2004. He was admitted as a certified public accountant of the Hong Kong Institute of Certified Public Accountants in February 2008.

COMPLIANCE OFFICER

Mr. Tsui is our compliance officer. For details of his biography, please refer to the paragraph headed “Directors – Executive Directors” in this section.

BOARD COMMITTEES

Audit Committee

We established our Audit Committee with written terms of reference in compliance with Rule 5.29 of the GEM Listing Rules and paragraph C3.3 of the Code on Corporate Governance Practices pursuant to a resolution of our Directors passed on 5 January 2018. The primary duties of our Audit Committee are, among other things, to make recommendations to our Board on the appointment, reappointment and removal of external auditors, review the financial statements and provide advice in respect of financial reporting, oversee our financial reporting process, internal control, risk management systems and audit process, and perform other duties and responsibilities assigned by our Board.

At present, our Audit Committee comprises Mr. YEUNG Man Chung Charles, Mr. TSANG Wai Yin and Mr. SIT Hoi Wah Kenneth, all being independent non-executive Directors. Mr. YEUNG Man Chung Charles is the chairman of our Audit Committee.

DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

We established our Remuneration Committee with written terms of reference in compliance with Rule 5.35 of the GEM Listing Rules and paragraph B1.2 of the Code on Corporate Governance Practices pursuant to a resolution of our Directors passed on 5 January 2018. The primary duties of our Remuneration Committee are to review and approve the management's remuneration proposals, make recommendations to our Board on the remuneration package of our Directors and senior management and ensure none of our Directors determines his/her own remuneration.

At present, our Remuneration Committee comprises Mr. Tsui, being our executive Director, and two of our independent non-executive Directors, Mr. YEUNG Man Chung Charles and Mr. SIT Hoi Wah Kenneth. Mr. SIT Hoi Wah Kenneth is the chairman of our Remuneration Committee.

Nomination Committee

We established our Nomination Committee with written terms of reference in compliance with paragraph A5.2 of the Code on Corporate Governance Practices pursuant to a resolution of our Directors passed on 5 January 2018. The primary duties of our Nomination Committee are to review the structure, size and composition of our Board, and select or make recommendations on the selection of individuals nominated for directorships.

At present, our Nomination Committee comprises Mr. Tong, being our chairman and our non-executive Director, Ms. Babington, being our executive Director, and our three independent non-executive Directors, Mr. YEUNG Man Chung Charles, Mr. SIT Hoi Wah Kenneth and Mr. TSANG Wai Yin. Mr. Tong is the chairman of our Nomination Committee.

CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Group is expected to comply with the Code on Corporate Governance Practices after Listing.

REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and discretionary share options or bonuses related to our performance. We also reimburse them for expenses which are necessary and reasonably incurred in relation to all business and affairs carried out by us from time to time or for providing services to us or executing their functions in relation to our business and operations. We regularly review and determine the remuneration and compensation package of our Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of our Directors and our performance.

After Listing, our Directors and senior management may also receive options to be granted under the Share Option Scheme.

DIRECTORS AND SENIOR MANAGEMENT

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

For the three years ended 31 March 2017 and the six months ended 30 September 2017, the aggregate of directors' fees, basic salaries and allowances, retirement benefit contribution and share-based compensation paid or payable by us to our Directors were approximately HK\$1.5 million, HK\$4.7 million, HK\$4.7 million and HK\$1.9 million, respectively.

For the three years ended 31 March 2017 and the six months ended 30 September 2017, the aggregate of contributions to retirement benefit schemes for our Directors were approximately HK\$18,000, HK\$18,000, HK\$18,000 and HK\$9,000, respectively.

For the three years ended 31 March 2017 and the six months ended 30 September 2017, no bonus was paid to or receivable by our Directors.

For the three years ended 31 March 2017 and the six months ended 30 September 2017, the aggregate remuneration, including basic salaries and allowances, discretionary bonus and retirement benefit scheme contributions, paid or payable to the five highest paid individuals (excluding our Directors) by our Group was approximately HK\$1.3 million, HK\$2.5 million, HK\$3.0 million and HK\$1.3 million, respectively.

Save as disclosed above, no other emoluments have been paid, or are payable, by us to our Directors and the five highest paid individuals during the Track Record Period.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus and share-based compensation) for the year ending 31 March 2018 will be approximately HK\$2.4 million. Following Listing, our Remuneration Committee will make recommendations on the remuneration of our Directors taking into account the performance of our Directors and market standards and the remuneration will be subject to approval by our Shareholders. Accordingly, the historical remuneration to our Directors during the Track Record Period may not reflect the future levels of remuneration of our Directors.

During the Track Record Period, no remuneration was paid by us to, or received by, our Directors or the five highest paid individuals as an inducement to join or upon joining us or as compensation for loss of office. There was no arrangement under which any of our Directors waived or agreed to waive any remuneration during the Track Record Period.

For additional information on our Directors' remuneration during the Track Record Period as well as information on the five highest paid individuals, please refer to the Accountants' Report set out in Appendix I to this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. Further information on the Share Option Scheme is set forth in the section headed "Appendix IV – D. Share Option Scheme" in this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISER

We have appointed Oceanwide Capital as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules for the term commencing on the Listing Date and ended on the date on which we comply with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year after the Listing Date, or until the agreement is terminated, whichever is earlier.

Pursuant to Rule 6A.23 of the GEM Listing Rules, we shall consult and, if necessary seek advice from our compliance adviser on a timely basis in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction under the GEM Listing Rules, is contemplated by our Group, including share issues and share repurchases;
- (iii) where we propose to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate to a material extent from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

SUBSTANTIAL AND SIGNIFICANT SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any of our Shares that may be allotted and issued upon exercise of the options that may be granted under the Share Option Scheme), the following persons will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Name	Nature of interest	Number of Shares as at the date of the submission of application for Listing	Percentage of shareholding in our Company as at the date of the submission of application for Listing	Number of Shares immediately after completion of the Capitalisation Issue and the Share Offer <i>(Note 1)</i>	Percentage of shareholding in our Company immediately after completion of the Capitalisation Issue and the Share Offer
Tiptop	Beneficial owner <i>(Note 2)</i>	93	93%	1,104,840,000 (L)	69.8%
Mr. Tong	Interest in a controlled corporation <i>(Note 2)</i>	93	93%	1,104,840,000 (L)	69.8%
Ms. Shum Yuet Wah Anna	Interest of spouse <i>(Note 3)</i>	93	93%	1,104,840,000 (L)	69.8%

Notes:

- The letter “L” denotes a person’s “long position” (as defined under Part XV of the SFO) in such Shares.
- Our Company will be owned as to 69.8% by Tiptop immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any of our Shares that may be allotted and issued upon exercise of the options that may be granted under the Share Option Scheme). Tiptop is wholly-owned by Mr. Tong, our chairman, a non-executive Director and a Controlling Shareholder. Under the SFO, Mr. Tong is deemed to be interested in the same number of Shares held by Tiptop.
- Ms. Shum Yuet Wah Anna is the spouse of Mr. Tong. Under the SFO, Ms. Shum Yuet Wah Anna is deemed to be interested in all our Shares in which Mr. Tong is interested.

Tiptop and Mr. Tong are also our Controlling Shareholders. For details, please refer to the section headed “Relationship with Controlling Shareholders”.

Save as disclosed herein, our Directors are not aware of any person who will, immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any of our Shares that may be allotted and issued upon exercise of the options that may be granted under the Share Option Scheme), have an interest or short position in our Shares or the underlying Shares of our Company which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the issued voting shares of any class of share

SUBSTANTIAL AND SIGNIFICANT SHAREHOLDERS

capital carrying rights to vote in all circumstances at general meetings of our Company or any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SIGNIFICANT SHAREHOLDERS

So far as our Directors are aware, apart from the persons disclosed under the paragraph headed “Substantial shareholders” above, as at the date of the submission of application for Listing, the following persons were entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of our Company:

Name	Nature of interest	Number of Shares as at the date of the submission of application for Listing	Percentage of shareholding in our Company as at the date of the submission of application for Listing	Number of Shares immediately after completion of the Capitalisation Issue and the Share Offer <i>(Note 1)</i>	Percentage of shareholding in our Company immediately after completion of the Capitalisation Issue and the Share Offer
Rothley	Beneficial owner <i>(Note 2)</i>	5 <i>(Note 3)</i>	5% <i>(Note 3)</i>	59,400,000 (L)	3.7%
Ms. Babington	Interest in a controlled corporation <i>(Note 2)</i>	5 <i>(Note 3)</i>	5% <i>(Note 3)</i>	59,400,000 (L)	3.7%

Notes:

- The letter “L” denotes a person’s “long position” (as defined under Part XV of the SFO) in such Shares.
- Our Company will be owned as to 3.7% by Rothley immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any of our Shares that may be allotted and issued upon exercise of the options that may be granted under the Share Option Scheme). Rothley is wholly-owned by Ms. Babington, our chief executive officer, executive Director and Managing Director. Under the SFO, Ms. Babington is deemed to be interested in the same number of Shares held by Rothley.
- Pursuant to the Incentive Shares Deed, Tiptop agreed to transfer to Ms. Babington or her nominee 5% of the issued shares in Tree Limited or its holding company for a consideration of HK\$1. On 10 August 2016, Tiptop transferred five Shares, being 5% of the then issued share capital of our Company, to Rothley. Upon completion of the above transfer, our Company was owned as to 5% by Rothley as at the date of the submission of application for Listing. Please refer to the section headed “History, development and reorganisation – Reorganisation” in this prospectus for details of the transfer to Rothley.

Save as disclosed above, our Directors are not aware of any person who is and will be immediately prior to the date of this prospectus and immediately prior to the Listing Date, directly or indirectly entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of our Company and is therefore regarded as our significant Shareholders.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OVERVIEW

Upon completion of the Capitalisation Issue and the Share Offer (without taking into account any of our Shares that may be allotted and issued upon exercise of the options that may be granted under the Share Option Scheme), our Company will be owned as to 69.8% by Tiptop. Tiptop is an investment holding company and is wholly-owned by Mr. Tong, our chairman and our non-executive Director. As Tiptop and Mr. Tong will be directly or indirectly entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company immediately following Listing, each of Tiptop and Mr. Tong will be regarded as a Controlling Shareholder under the GEM Listing Rules. For more information relating to Mr. Tong, please refer to the section headed “Directors and senior management – Directors” in this prospectus.

RULE 11.04 OF THE GEM LISTING RULES

Save as disclosed in the section headed “Connected transactions” in this prospectus, each of our Directors, our Controlling Shareholders, our substantial shareholders and their respective close associates confirms that each of them does not have any interest in a business apart from our Group’s business which competes or may compete, directly or indirectly, with our Group’s business, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

In addition, our Controlling Shareholders and Ms. Haslock, our non-executive Director, have given non-competition undertakings in favour of our Group. For details, please refer to the paragraph headed “Non-competition undertakings” in this section and the section headed “Connected transactions – Non-competition undertakings by Ms. Haslock” in this prospectus.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors do not expect that there will be any significant transactions between our Group and our Controlling Shareholders upon or shortly after Listing.

Our Directors are satisfied that we can carry on our business independent of and without undue reliance on our Controlling Shareholders and their respective close associates after Listing based on the following reasons:

Management independence

Our Board consists of seven Directors, comprising two executive Directors, two non-executive Directors and three independent non-executive Directors, and our management and operational decisions are made by Ms. Babington, our executive Director, chief executive officer and Managing Director, and senior management. Although Mr. Tong is our Controlling Shareholder holding directorship in our Company and AEM Advisory, which is wholly-owned

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

by Mr. Tsui, our executive Director, has been providing professional accounting and internal control advisory services to Mr. Tong since April 2014, we consider that members of our Board and senior management of our Group will function independently from our Controlling Shareholder because:

- (i) Mr. Tong is a non-executive Director who is not involved in the day-to-day business operations of our Group;
- (ii) each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit of and in the best interests of our Company and Shareholders as a whole, and does not allow any conflict between his/her duties as a Director and his/her personal interests to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meeting in respect of such transaction and shall not be counted in the quorum;
- (iii) we have an independent management team, which is led by Ms. Babington, our executive Director, chief executive officer and Managing Director, and senior management with substantial experience and expertise in our business, to implement our Group's policies and strategies; and
- (iv) our three independent non-executive Directors have extensive experience in different areas or professions and will give independent advice to our Board from time to time.

Our Directors are satisfied that our management team will be able to perform their roles in our Group independently, and our Directors are of the view that our Group is capable of managing its business independently from our Controlling Shareholders and their respective close associates after Listing.

Operational independence

Our Group has established our own organisational structure comprising individual departments, each with specific areas of responsibilities. Our Group has not shared our operational resources, such as suppliers, customers, marketing, sales and general administration resources with our Controlling Shareholders and/or their respective close associates.

Our Directors confirmed that none of our Controlling Shareholders and their respective close associates had any relationship with our five largest suppliers and customers (other than the ordinary and usual course of business of our Group) during the Track Record Period and up to the Latest Practicable Date.

Our Directors confirmed that our Group will not enter into any transaction with our Controlling Shareholders and their close associates after Listing that will affect our operational independence. Our Directors are of the view that there is no operational dependence on our Controlling Shareholders and their respective close associates.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Financial independence

Our Group has our own accounting systems, accounting and finance department, independent treasury function for cash receipts and payment. We make financial decision according to our own business needs. Our accounting and finance department is responsible for financial reporting, liaising with our auditors, reviewing our cash position and negotiating and monitoring our bank loan facilities and drawdowns.

Save as disclosed in the section headed “Financial Information – Indebtedness” in this prospectus, our Directors confirmed that, as at the Latest Practicable Date, none of our Controlling Shareholders or their respective close associates had provided any loans, guarantees or pledges to our Group. Our Directors also confirmed that, as at the Latest Practicable Date, our Group did not provide any loans, guarantees or pledges to our Controlling Shareholders or their respective close associates.

In view of our internal resources, our undrawn banking facilities, our net cash generated from operating activities and the estimated net proceeds from the Share Offer, our Directors believe that our Group will have sufficient capital for our financial needs and for at least twelve months from the date in this prospectus without dependence on our Controlling Shareholders and their respective close associates. Our Directors further believe that, upon Listing, the sustainability of our business as demonstrated by our results of operation and financial position during the Track Record Period will enhance our ability to obtain or renew the loans and borrowings from banks independently without the support of our Controlling Shareholders and their respective close associates.

NON-DISPOSAL UNDERTAKING

Pursuant to the non-disposal undertaking given by our Controlling Shareholders to the Company, the Sole Sponsor and the Underwriters, each of our Controlling Shareholders has undertaken not to dispose of our Shares within three years from the Listing Date.

NON-COMPETITION UNDERTAKINGS

Our Controlling Shareholders have entered into the Deed of Non-Competition in favour of our Company (for ourselves and as trustee for each of our subsidiaries), pursuant to which, our Controlling Shareholders represent and warrant to our Company (for ourselves and as trustee for each of our subsidiaries) that none of them nor their close associates (other than any member of our Group) is currently involved or engaged in any business or activity which, directly or indirectly, competes or may compete with the business of our Group (the “**Restricted Business**”), or has any interest (whether directly or indirectly) in the Restricted Business (other than the interest in our Group). In addition, our Controlling Shareholders, irrevocably and unconditionally, undertake and covenant with us that, with effect from the Listing Date and for as long as our Shares remain listed on the Stock Exchange and our

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Controlling Shareholders are, directly or indirectly, interested in 30% or more of our Shares in issue, or are otherwise regarded as our Controlling Shareholders:

- (i) they shall not, and shall procure their respective close associates not to,
 - (a) compete with our Group, directly or indirectly (other than through our Group), by carrying on, participating in, holding, engaging in, being interested in, acquiring or operating, directly or indirectly, or provide any form of assistance to any person, firm or company to conduct any Restricted Business, save for the holding of not more than 5% shareholding interest in any company conducting the Restricted Business and listed on any recognised stock exchange;
 - (b) solicit any then current employee of our Group for employment by him/it or his/its close associates (excluding any member of our Group); and
 - (c) without the consent of our Company, make use of any information pertaining to the business of our Group which may have come to his/its knowledge in his/its capacity as our Controlling Shareholder or otherwise for purpose of engaging or participating in the Restricted Business.
- (ii) if they and/or any of their close associates (other than members of our Group) become(s) aware of any business opportunity which is related to the Restricted Business, or which directly or indirectly competes, or may lead to competition with the business of our Group (the “**New Business Opportunity**”) or such New Business Opportunity is made available to any of them or their close associates, they shall direct and/or shall procure their close associates to direct such New Business Opportunity to our Group and inform our Group of such New Business Opportunity on a timely basis but in any event no later than ten days from the date of becoming aware or receipt of such enquiry or knowledge of such New Business Opportunity together with such requisite information to enable our Group to evaluate the merits of the New Business Opportunity; and
- (iii) they shall not pursue and shall procure their close associates not to pursue a New Business Opportunity unless our Group decides not to pursue such New Business Opportunity and the principal terms of which our Controlling Shareholders or their close associates invest or participate in such project or New Business Opportunity are no more favourable than those made available to our Group.

Our Board (including our independent non-executive Directors) shall be responsible for reviewing, considering and deciding whether or not to take up a New Business Opportunity referred by our Controlling Shareholders and/or their close associates and whether or not the New Business Opportunity constitutes the Restricted Business. Any Director who has an actual or potential material interest in the New Business Opportunity shall abstain from voting at, and shall not be counted towards the quorum for, any meeting or part of a meeting convened to consider such New Business Opportunity (unless in certain circumstances as set out in the Articles).

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our Controlling Shareholders may only engage, and shall procure their close associates only engage, in the New Business Opportunity if (i) a notice is received by our Controlling Shareholders from our Company confirming that the New Business Opportunity is not accepted and does not constitute the Restricted Business (the “**Non-acceptance Notice**”); or (ii) the Non-acceptance Notice is not received by our Controlling Shareholders within 30 days after the proposal of the New Business Opportunity is received by our Company.

The Deed of Non-Competition and the rights and obligations thereunder are conditional upon (i) the Stock Exchange granting the listing of, and the permission to deal in, our Shares; and (ii) Listing and dealings in our Shares on GEM taking place.

The Deed of Non-Competition shall cease to have any effect whatsoever upon the occurrence of the earliest of (i) the day on which our Shares cease to be listed on GEM or the Main Board of the Stock Exchange; or (ii) the day on which our Controlling Shareholders and their close associates, individually or taken as a whole, cease to own, in aggregate, 30% or more of the then issued share capital of our Company directly or indirectly, or cease to be deemed as our Controlling Shareholder or cease to have power to control our Board; or (iii) the day on which our Controlling Shareholders beneficially own or become interested jointly or severally in the entire issued share capital of our Company.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following corporate governance measures to manage any potential or actual conflict of interest between our Controlling Shareholders and our Company and to safeguard the interest of our Shareholders.

In order to ensure the performance of the above non-competition undertakings, each of our Controlling Shareholders undertakes that he/it will:

- (i) in case of any actual or potential conflict of interest, abstain from voting at any meeting or part of any meeting convened to consider any New Business Opportunity (unless in certain circumstances as set out in the Articles), and shall not be counted towards the quorum for such meeting;
- (ii) as required by our Company, provide all information necessary for our independent non-executive Directors to conduct annual examination with regard to the compliance of the terms of the Deed of Non-Competition and the enforcement of it;
- (iii) procure our Company to disclose to the public either in the annual report of our Company or issue a public announcement in relation to any decisions made by our independent non-executive Directors with regard to the compliance of the terms of the Deed of Non-Competition and the enforcement of it and, where applicable, the reason(s) why any New Business Opportunity referred to our Company by our Controlling Shareholders and/or his/its close associates was not taken up;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (iv) ensure that our independent non-executive Directors shall make a declaration in relation to the compliance of the terms of the Deed of Non-Competition in the annual report of our Company, and ensure that the disclosure of information relating to compliance with the terms of the Deed of Non-Competition and the enforcement of it are in accordance with the requirements of the GEM Listing Rules; and
- (v) that during the period when the Deed of Non-Competition is in force, fully and effectually indemnify our Company (for ourselves and as trustee for our subsidiaries) against any losses, liabilities, damages, costs, fees and expenses as a result of any breach on the part of our Controlling Shareholders of any statement, warrant or undertaking made under the Deed of Non-Competition.

CONNECTED TRANSACTIONS

CONNECTED PERSONS

American Tree

American Tree, which is wholly-owned by Ms. Haslock, our non-executive Director, was incorporated in the State of Washington, the U.S. with limited liability on 4 October 2013 with a plan to principally engage in the business of retailing of furniture and home accessories in the U.S. and Canada. American Tree commenced its retail operations in October 2017. As an associate of Ms. Haslock, our connected person, American Tree will become our connected person under Chapter 20 of the GEM Listing Rules upon Listing.

AEM Corporate Services

AEM Corporate Services, which is wholly-owned by Mr. Tsui, our executive Director, was incorporated in Hong Kong with limited liability on 30 October 2013. It is principally engaged in the provision of company secretarial services. As an associate of Mr. Tsui, our connected person, AEM Corporate Services will become our connected person under Chapter 20 of the GEM Listing Rules upon Listing.

AEM Advisory

AEM Advisory, which is wholly-owned by Mr. Tsui, our executive Director, was incorporated in Hong Kong with limited liability on 1 December 2011. It is principally engaged in the provision of corporate advisory services. As an associate of Mr. Tsui, our connected person, AEM Advisory will become our connected person under Chapter 20 of the GEM Listing Rules upon Listing.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions with our connected persons which shall continue following Listing, and thereby, constitute continuing connected transactions within the meaning of the GEM Listing Rules. Such continuing connected transactions are expected to be fully exempt from the reporting, announcement, annual review and independent Shareholders' approval requirements under the GEM Listing Rules for the three years ending 31 March 2020.

CONNECTED TRANSACTIONS

Master Sale Agreement

During the Track Record Period, our Group sold certain goods (including furniture and accessories) to American Tree. American Tree commenced its retail operations in October 2017. Ms. Haslock confirmed that given (i) the time required for identifying a suitable place for the aforementioned warehouse and office (which is a building listed on the National Register of Historic Places in the U.S.) and negotiating a tenancy agreement with acceptable terms; (ii) the amount of work involved in bringing the aforementioned warehouse and office into operation, including but not limited to (a) obtaining the approval of the construction plan of the building in which the aforementioned warehouse and office is situated; (b) identifying main contractor and electrician for the renovation of the building; and (c) replacement of the electricity, water and gas systems of the building; and (iii) the concurrent and continued involvement of Ms. Haslock in our Group, it has taken a much longer time than expected for American Tree to commence its retail operations. It is expected that American Tree may continue to purchase certain goods from our Group for a certain period of time in the normal course of its business. On 16 December 2016, our Group entered into the Master Sale Agreement with American Tree, pursuant to which our Group agreed to sell certain goods (including furniture and accessories) to American Tree and American Tree agreed to purchase such goods from us subject to and upon the terms and conditions stated therein. The salient terms of the Master Sale Agreement are as follows:–

Salient terms of the Master Sale Agreement

Salient terms	Summary
Parties	(1) Tree Limited (as vendor) (2) American Tree (as purchaser)
Term and renewal	The initial term shall commence on the Listing Date and expire on one day preceding the third anniversary of the Listing Date, which may be automatically renewed for three years at the end of the initial term and at the end of any automatically renewed term following completion of the initial term, subject to compliance with the GEM Listing Rules.

CONNECTED TRANSACTIONS

Salient terms	Summary
Pricing and payment	<p>It is agreed that the terms (including the pricing and payment terms) for such sale of goods by our Group to American Tree shall be negotiated at arm's length and on normal commercial terms commensurate with those offered by our Group to third parties for transactions of a similar nature (such as those offered by our Group to our third party distributor(s)).</p> <p>The price specified in the purchase order shall be paid and settled in full by American Tree (i) before the goods are delivered; or (ii) on any other date as may be agreed between our Group and American Tree and as specified in the purchase order, which, for the avoidance of doubt, shall be in line with the usual credit terms offered by our Group to any other customers (if any) from time to time.</p>
Termination	<p>The Master Sale Agreement may be terminated by either party by serving two months' written prior notice to the other party.</p> <p>In addition, either party shall be entitled (but not obliged) to terminate the Master Sale Agreement immediately without notice (or payment in lieu thereof) and any payment or compensation of whatsoever nature to the other party, if the other party shall commit a material or fundamental breach of the Master Sale Agreement.</p>

Historical transaction amounts

For the three years ended 31 March 2017 and the six months ended 30 September 2017, the amounts of sale of goods by our Group to American Tree were approximately HK\$0.4 million, HK\$0.2 million, nil and nil, respectively.

Annual caps for the three years ending 31 March 2020

Having taken into account (i) the historical transaction amounts under the sale of the goods from our Group to American Tree for the three years ended 31 March 2017 and the six months ended 30 September 2017; and (ii) the projected decrease in the sale of the goods from our Group to American Tree as American Tree will explore its own suppliers, our Group and American Tree expect that the maximum aggregate annual transaction amounts receivable by our Group from American Tree for the sale of goods from our Group to American Tree under the Master Sale Agreement shall not exceed HK\$0.9 million, HK\$0.5 million and HK\$0.5 million for the three years ending 31 March 2020, respectively.

CONNECTED TRANSACTIONS

GEM Listing Rules implication

It is expected that each of the applicable percentage ratios (other than the profits ratio) is less than 5% and the estimated aggregate annual transaction amounts are less than HK\$3,000,000 for the transactions under the Master Sale Agreement for each of the three years ending 31 March 2020. After aggregating the transactions under the Master Sale Agreement with the transactions under the North America Licence Agreement, it is expected that each of the applicable percentage ratios (other than the profits ratio) is still less than 5% and the estimated aggregate annual transaction amounts are still less than HK\$3,000,000 for each of the three years ending 31 March 2020. Hence, the transactions under the Master Sale Agreement shall constitute de minimis continuing connected transactions, which are fully exempt from the reporting, announcement, annual review and independent Shareholders' approval requirements under the GEM Listing Rules.

North America Licence Agreement

On 1 June 2015, our Group entered into the North America Licence Agreement with American Tree, our connected person, in relation to the grant of an exclusive right to American Tree to use certain trademarks and intellectual property rights of Tree Limited in the U.S. and Canada. On 16 December 2016, the Supplemental North America Licence Deed was entered into to amend certain terms under the North America Licence Agreement. The salient terms of the North America Licence Agreement are as follows:–


Salient terms of the North America Licence Agreement

Salient terms	Summary
Parties	(1) Tree Limited (as licensor) (2) American Tree (as licensee) (3) Ms. Haslock (as guarantor)
Term and renewal	The initial term commenced on 1 June 2015 and shall expire on one day preceding the Listing Date, and shall be automatically renewed for the second term commencing on the Listing Date and expiring on one day preceding the third anniversary of the Listing Date, which may then be extended automatically for successive further terms of three years each, subject to our Group obtaining all applicable approvals and/or satisfying all relevant requirements of the GEM Listing Rules
Licensing territory	U.S. and Canada
Exclusivity	Tree Limited grants an exclusive right to American Tree to use certain trademarks and intellectual property rights of Tree Limited in the U.S. and Canada

CONNECTED TRANSACTIONS

Salient terms	Summary
Licence fee	<p data-bbox="595 263 1369 331">American Tree shall pay Tree Limited a licence fee calculated as follows:</p> <ul data-bbox="595 385 1369 1810" style="list-style-type: none"><li data-bbox="595 385 1369 736">(i) in respect of any financial year during the first 10 years commencing from 1 June 2015 and ending on 31 May 2025 (the “Initial Period”), the annual licence fee payable by American Tree shall be 1% of the fair value of the gross consideration received or receivable by American Tree in such financial year for (a) the sale of goods or provision of services in the ordinary course of the use of the trademarks; and (b) the grant of sub-licence(s) to the sub-licensee(s) (the “American Tree Revenue”);<li data-bbox="595 783 1369 1134">(ii) in respect of any financial year during every successive 10-year period (the “Successive Period”), the annual licence fee payable by American Tree shall be a certain percentage of the American Tree Revenue to be negotiated and agreed by the parties, failing which the new annual licence fee shall be determined by an independent firm of certified public accountants, provided that such new annual licence fee shall not exceed 120% of the licence fee for the previous period;<li data-bbox="595 1181 1369 1491">(iii) in respect of any financial year falling within the period commencing from the day after Ms. Haslock ceases to be the registered, legal and beneficial owner of at least 51% of the entire shareholding in American Tree and ending on the last day of the Initial Period or Successive Period (the “Remainder Period”), the annual licence fee payable by American Tree shall be a fair market value as determined by an independent firm of certified public accountants; and<li data-bbox="595 1538 1369 1810">(iv) in respect of any financial year during every successive 10-year period after the Remainder Period, the annual licence fee payable by American Tree shall be negotiated and agreed by the parties, failing which the new annual licence fee shall be determined by an independent firm of certified public accountants without cap on the maximum amount of such new annual licence fee.

CONNECTED TRANSACTIONS

Salient terms	Summary
Non-competition undertakings	<p data-bbox="595 263 1369 534">American Tree has undertaken that, without the prior written consent of Tree Limited, it (i) shall not; (ii) shall procure that none of its affiliates, licensees, sub-licensees, distributors and agents shall; (iii) shall use its reasonable endeavours to cause and procure that no persons or entities shall; and (iv) shall upon knowledge use its best endeavours to cause and procure persons or entities to cease to:</p> <ul data-bbox="595 583 1369 1853" style="list-style-type: none"><li data-bbox="595 583 1369 1215">(a) directly or indirectly (whether as an investor, shareholder, partner, agent or otherwise or whether for profit, reward or otherwise) establish, invest, involve in, engage in, manage, operate (including through one or more interposed entities) or otherwise hold any right or interest, directly or indirectly, in any business which is identical or similar to the business of Tree Limited or competes or may compete (directly or indirectly) with the business of Tree Limited in all the parts of the world except for the U.S. and Canada (the “Excluded Territory”), particularly in parallel importation into the Excluded Territory (1) goods bearing the trademarks of Tree Limited or marks similar thereto; or (2) articles to which a design forming part and parcel of the intellectual property rights beneficially owned by Tree Limited or a design not substantially different from it has been applied;<li data-bbox="595 1264 1369 1655">(b) apply, register, license, adopt or use, or allow or suffer any person to apply, register, license, adopt or use as a trade mark the trademarks of Tree Limited or any trade mark, tradename, logo, name or symbol which is identical to or in Tree Limited’s reasonable opinion similar to or likely to be confused with any of the trademarks of Tree Limited or any marks bearing the word “TREE” and/or the image “(c) apply, register, license, adopt or use, or allow or suffer any person to apply, register, license, sub-license, adopt or use the intellectual property rights beneficially owned by Tree Limited in the Excluded Territory.

CONNECTED TRANSACTIONS

Salient terms	Summary
Right of first refusal	<p>Ms. Haslock and American Tree have granted Tree Limited the right of first refusal to purchase or subscribe respectively any capital stock or shares of American Tree (whether or not now authorised), and rights, options, or warrants to purchase such capital stock or shares, and securities of any type whatsoever that are or may become convertible into capital stock or shares that Ms. Haslock and American Tree may, from time to time, propose to sell, allot, issue and grant.</p>
Termination	<p>Tree Limited may terminate the North America Licence Agreement forthwith without prior notice if the licence fee or any part thereof or any other money payable by American Tree thereunder remains unpaid for three months after the due date for payment.</p> <p>The North America Licence Agreement may also be terminated by either party if any termination event takes place. Such termination events include:</p> <ul style="list-style-type: none">(i) if any other party has committed any material breach of the North America Licence Agreement and fails to remedy the defect within one month from receiving written notice from the non-defaulting party or, if such breach is incapable of remedy, has failed to pay compensation of such amount as shall be agreed between the parties or if they cannot agree such sum as shall be decided by the arbitrator; and(ii) if a voluntary or involuntary petition in liquidation is filed by, against or on behalf of any other party or if any other party shall make any composition or arrangement with creditors or suffer any prosecution in respect of the non-payment of any money due to the government of any country or jurisdiction or shall suffer any execution to be levied on any other party's goods or effects, and the foregoing circumstance(s) is/are not remedied within one month.

CONNECTED TRANSACTIONS

Salient terms	Summary
Financial reports	American Tree is required to, within three months after the end of each financial year, provide us a copy of its audited (consolidated) financial statements for such financial year, together with a certificate in writing by its auditors (the “ Auditor’s Certificate ”) certifying its revenue of such financial year and therefore the amount of licence fee due to us.
Records	We are entitled to inspect books and records of all expenses, sales and profits of American Tree to check the accuracy of the information contained in the Auditor’s Certificate.

Historical transaction amounts

During the Track Record Period and up to the Latest Practicable Date, our Group did not charge any licence fee under the North America Licence Agreement because American Tree only commenced its retail operations in October 2017. Under the North America Licence Agreement, the licence fee, if any, for the financial year ending 31 December 2017 will be due on or before 30 April 2018.

Annual caps for the three years ending 31 March 2020

Having taken into consideration (i) our Group did not charge any licence fee under the North America Licence Agreement for the three years ended 31 March 2017 and the six months ended 30 September 2017 and (ii) the projection in the licence fees receivable by our Group from American Tree under the North America Licence Agreement based on American Tree’s understanding of the U.S. and Canada markets and in contemplation of the expansion of the business of American Tree, our Group and American Tree expect that the maximum aggregate annual licence fees receivable by us from American Tree under the North America Licence Agreement shall not exceed HK\$0.6 million, HK\$1.0 million and HK\$1.0 million for the three years ending 31 March 2020, respectively.

Reasons for and benefits of entering into the North America Licence Agreement

As a condition to the Sale and Purchase Agreement, Ms. Haslock, American Tree and Tree Limited entered into the North America Licence Agreement. For details of the Sale and Purchase Agreement, please refer to the section headed “History, development and reorganisation” in this prospectus. The current major business focus of our Group is to expand our sales network in Hong Kong. At the same time, our Company considered that there may be difficulties for our Group to enter the U.S. and Canada markets given that we currently do not have any presence in the U.S. and Canada and that our management team, comprising our executive Directors and senior management, is not familiar with the furniture retail markets in the U.S. and Canada. In addition, the costs associated with such expansion into the U.S. and Canada markets may be burdensome to our Group, including but not limited to the huge marketing expenses for brand building in a new market, the costs in complying with the stringent product safety requirements in the U.S. and Canada and the uncertainty in negotiating tenancy agreement(s) with acceptable terms.

CONNECTED TRANSACTIONS

On the other hand, by entering into the North America Licence Agreement, our Directors are of the view that American Tree could assist us in building our brand in the U.S. and Canada, which could in turn increase the awareness and recognition of our “TREE” brand internationally.

In addition, by granting American Tree the exclusive licence to use our Group’s trademarks at a licence fee calculated in accordance with the North America Licence Agreement, our Group will be able to generate a new source of recurring revenue based on the revenue of American Tree (whether profit making or not) during the term of the North America Licence Agreement without incurring any material costs and expenses. Our Directors believe that the non-competition undertakings given by American Tree under the North America Licence Agreement and given by Ms. Haslock as disclosed in the paragraph “Non-competition undertakings by Ms. Haslock” in this section can effectively protect the value of our Group’s trademarks, whilst avoiding any actual or potential competition between our Group and American Tree.

GEM Listing Rules implication

It is expected that each of the applicable percentage ratios (other than the profits ratio) is less than 5% and the estimated aggregate annual transaction amounts are less than HK\$3,000,000 for the transactions under the North America Licence Agreement for each of the three years ending 31 March 2020. After aggregating the transactions under the Master Sale Agreement with the transactions under the North America Licence Agreement, it is expected that each of the applicable percentage ratios (other than the profits ratio) is still less than 5% and the estimated aggregate annual transaction amounts are still less than HK\$3,000,000 for each of the three years ending 31 March 2020. Hence, the transactions under the North America Licence Agreement shall constitute de minimis continuing connected transactions, which are fully exempt from the reporting, announcement, annual review and independent Shareholders’ approval requirements under the GEM Listing Rules.

Non-competition undertakings by Ms. Haslock

To ensure there is a clear delineation between the business of Ms. Haslock and that of our Group, Ms. Haslock has entered into Ms. Haslock’s Deed of Non-Competition in favour of our Company (for ourselves and as trustee for each of our subsidiaries), pursuant to which, Ms. Haslock represents and warrants to our Company (for ourselves and as trustee for each of our subsidiaries) that neither she nor any of her close associates (other than any member of our Group) is currently involved or engaged in any (i) sale and distribution of furniture and home accessories; or (ii) provision of styling and consultancy services, which, directly or indirectly, competes or may compete with the business of our Group, save for the transactions contemplated under the North America Licence Agreement (the “**Restricted Business for Ms. Haslock**”), or has any interest (whether directly or indirectly) in the Restricted Business for Ms. Haslock.

CONNECTED TRANSACTIONS

In addition, Ms. Haslock, irrevocably and unconditionally, undertakes and covenants with us that, with effect from the Listing Date and for as long as our Shares remain listed on the Stock Exchange and ending on the occurrence of the latter of: (i) three years from the Listing Date; or (ii) the day on which Ms. Haslock ceases to be a Director:

- (i) she will not, and will procure her close associates not to,
 - (a) compete with our Group, directly or indirectly (other than through our Group), by carrying on, participating in, holding, engaging in, being interested in, acquiring or operating, directly or indirectly, or provide any form of assistance to any person, firm or company to conduct any Restricted Business for Ms. Haslock, save for the holding of not more than 5% shareholding interest in any company conducting the Restricted Business for Ms. Haslock and listed on any recognised stock exchange;
 - (b) solicit any then current employee of our Group or any person who was an employee of any member of our Group at any time in the period of one year before the relevant time for employment by her or her close associates (excluding any member of our Group); and
 - (c) without the consent of our Company, make use of any information pertaining to the business of our Group which may have come to her knowledge but in her capacity as a Director or otherwise for any purpose (including for the purpose of engaging or participating in the Restricted Business for Ms. Haslock);
- (ii) if she and/or her close associates (other than members of our Group) become(s) aware of any business opportunity which is related to the Restricted Business for Ms. Haslock (the “**New Business Opportunity**”) or such New Business Opportunity is made available to her or her close associates, she shall direct and/or shall procure her close associates to direct such New Business Opportunity to our Group and inform our Group of such New Business Opportunity on a timely basis but in any event no later than ten days from the date of becoming aware or receipt of such enquiry or knowledge of such New Business Opportunity together with such requisite information to enable our Group to evaluate the merits of the New Business Opportunity; and
- (iii) she shall not pursue and shall procure that her close associates not to pursue a New Business Opportunity unless our Group decides not to pursue such New Business Opportunity and the principal terms of which Ms. Haslock or her close associates invest or participate in such project or New Business Opportunity are no more favourable than those made available to our Group.

CONNECTED TRANSACTIONS

Our independent non-executive Directors shall be responsible for reviewing, considering and deciding whether or not to take up a New Business Opportunity referred by Ms. Haslock and/or her close associates and whether or not the New Business Opportunity constitutes competition with the business of our Group. Any Director who has an actual or potential material interest in the New Business Opportunity shall abstain from voting at, and shall not be counted towards the quorum for, any meeting or part of a meeting convened to consider such New Business Opportunity (unless in certain circumstances as set out in the Articles).

Ms. Haslock may only engage, and shall procure her close associates only engage, in the New Business Opportunity if (i) a notice is received by Ms. Haslock from our Company confirming that the New Business Opportunity is not accepted and/or does not constitute competition with the business of our Group (the “**Non-acceptance Notice**”); or (ii) the Non-acceptance Notice is not received by Ms. Haslock within three business days after the proposal of the New Business Opportunity is received by our Company.

Ms. Haslock’s Deed of Non-Competition and the rights and obligations thereunder are conditional upon (i) the Stock Exchange granting the listing of, and the permission to deal in, our Shares; and (ii) Listing and dealings in our Shares on GEM taking place.

DISCONTINUED TRANSACTIONS WITH CONNECTED PERSONS

Professional accounting advisory services provided by AEM Advisory

Our Group entered into a service agreement dated 1 September 2016 with AEM Advisory (as supplemented by the supplemental agreement dated 1 July 2017) (the “**Service Agreement**”), pursuant to which AEM Advisory provided professional accounting advisory services to our Group for the financial period from 1 April 2014 onwards until the Listing. Such transaction will discontinue one business day preceding the Listing Date (in any event, not later than 31 December 2017). Under the Service Agreement, the total fee payable to AEM Advisory by our Group was HK\$180,000, which will be fully settled before the Listing Date.

Company secretarial services provided by AEM Corporate Services

Pursuant to a written quotation dated 22 December 2016, Tree Limited engaged AEM Corporate Services to provide company secretarial services to Tree Limited for the period from 1 September 2016 to the earlier of (i) the Listing Date or (ii) 1 August 2017. AEM Corporate Services was the company secretary of Tree Limited during the period from 1 September 2016 to 1 August 2017. Such transaction was discontinued after its expiration. Under the quotation, the total fee payable by our Group to AEM Corporate Services was HK\$4,000 and will be fully settled before the Listing Date.

SHARE CAPITAL

Without taking into account any of our Shares that may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme, our share capital immediately following the Capitalisation Issue and the Share Offer will be as follows:

Authorised:

	<i>HK\$</i>
5,000,000,000 Shares of HK\$0.01 each	50,000,000

Issued or to be issued, fully paid or credited as fully paid:

100 Shares in issue as at the date of this prospectus	1
1,187,999,900 Shares to be issued pursuant to the Capitalisation Issue	11,879,999
<u>396,000,000 Shares to be issued pursuant to the Share Offer</u>	<u>3,960,000</u>
1,584,000,000 Shares	15,840,000

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of our issued share capital in the hands of the public (as defined in the GEM Listing Rules).

RANKING

The Offer Shares will rank *pari passu* with all Shares now in issue or to be allotted and issued and will qualify for all dividends or other distributions declared, made or paid after the date of this prospectus save for the entitlements under the Capitalisation Issue.

CAPITALISATION ISSUE

Pursuant to the written resolutions of our Shareholders passed on 5 January 2018, conditional upon our share premium account being credited as a result of the Share Offer, our Directors were authorised to (i) allot and issue a total of 1,187,999,900 Shares to the Shareholders whose names were on the register of members of our Company as at the close of business on 12 January 2018 (or such date as they may direct) in proportion to their then respective shareholding in our Company (as nearly as possible without involving fractions); and (ii) pay up in full at par the one subscriber Share, by way of capitalisation of the sum of HK\$11,879,999.01 standing to the credit of our share premium account, and our Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to allot and issue and deal with our Shares with an aggregate number of not more than 20% of the aggregate number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any of our Shares that may be allotted and issued upon exercise of the options that may be granted under the Share Option Scheme).

The abovementioned general mandate to issue Shares will expire:

- (i) at the conclusion of the next annual general meeting of our Company;
- (ii) at the expiration of the period within which the next annual general meeting of our Company is required by any applicable laws or the Articles to be held; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting;

whichever is the earliest.

Our Directors may, in addition to our Shares which they are authorised to issue under the mandate, allot, issue and deal in Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for shares or such convertible securities, otherwise than by way of a rights issue or an issue of Shares pursuant to the exercise of any options granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted and issued in lieu of the whole or in part of any dividend or similar arrangement for the time being adopted.

For further details of this general mandate, see the section headed “Appendix IV – A. Further information about our Company – 5. Written resolutions of the Shareholders passed on 5 January 2018” in this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase an aggregate number of Shares not more than 10% of the aggregate number of our Company’s Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any of our Shares that may be allotted and issued upon exercise of options that may be granted under the Share Option Scheme).

SHARE CAPITAL

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with all applicable laws and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the section headed “Appendix IV – A. Further information about our Company – 6. Repurchase of our Shares” in this prospectus.

The abovementioned general mandate to repurchase Shares will expire:

- (i) at the conclusion of the next annual general meeting of our Company;
- (ii) at the expiration of the period within which the next annual general meeting of our Company is required by any applicable laws or the Articles to be held; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting;

whichever is the earliest.

For further details of this general mandate, please refer to the sections headed “Appendix IV – A. Further information about our Company – 5. Written resolutions of the Shareholders passed on 5 January 2018” and “Appendix IV – A. Further information about our Company – 6. Repurchase of our Shares” in this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. A summary of its principal terms is set out in the section headed “Appendix IV – D. Share Option Scheme” to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meeting or class meeting. The holding of general meetings or class meetings is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in the section headed “Appendix III – Summary of the constitution of our Company and Cayman Islands Companies Law” in this prospectus.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our Group's financial condition and results of operations together with our consolidated financial statements as at and for the three years ended 31 March 2015 ("FY2015"), 31 March 2016 ("FY2016") and 31 March 2017 ("FY2017") and the six months ended 30 September 2017 and the accompanying notes included in the Accountants' Report set out in Appendix I to this prospectus. The consolidated financial statements of our Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, which may differ in material respects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis contains forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and projections depends on a number of risks and uncertainties over which we do not have control or foresee. For further information, you should carefully consider the information provided under the sections headed "Risk factors" and "Business" in this prospectus.

Any discrepancies in any table or elsewhere in this prospectus between totals and sums of amounts listed herein are due to rounding.

Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

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 sale; (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.

Please refer to the section headed "Business – Overview" in this prospectus for an overview of our business.

For FY2015, FY2016, FY2017 and the six months ended 30 September 2017, we generated revenue of approximately HK\$65.3 million, HK\$81.9 million, HK\$77.3 million and HK\$40.6 million, respectively. Our net profit amounted to approximately HK\$6.8 million and HK\$7.8 million for FY2015 and FY2016 respectively, and we incurred a net loss of approximately HK\$7.1 million and HK\$1.4 million for FY2017 and the six months ended 30 September 2017, respectively.

Our adjusted net profit excluding listing-related expenses and share-based compensation expense amounted to approximately HK\$6.8 million, HK\$11.6 million, HK\$5.2 million and HK\$3.9 million for FY2015, FY2016, FY2017 and the six months ended 30 September 2017, respectively.

FINANCIAL INFORMATION

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 9 March 2016 as an exempted company with limited liability under the Companies Law. The Company is an investment holding company and its subsidiaries are engaged in the sale and distribution of furniture and home accessories, the provision of styling and consulting services and the operation of TREE Café (the “**Listing Business**”). In FY2016 and FY2017, our Group entered into distribution agreements with a third party to be the exclusive retail distributor of the furniture and home accessories of our Group in the PRC and granted non-exclusive and non-transferable licence rights to use certain of our Group’s intellectual properties in the PRC.

Immediately prior to and after the Reorganisation, the Listing Business was carried out by Tree Limited, our principal operating subsidiary which is controlled by Mr. Tong, through Tiptop. Pursuant to the Reorganisation, both Tree Limited and the Listing Business were transferred to and are held by our Company. Our Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business and does not result in any changes in the business substance, the management or the ultimate owner of the Listing Business, before and after the Reorganisation. Accordingly, our Group resulting from the Reorganisation, is regarded as a continuation of the Listing Business under Tree Limited and the financial information of the companies now comprising our Group is presented using the carrying values of the Listing Business for all periods presented. Intercompany transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

For more details of the basis of presentation of financial information, please refer to Note 1.3 to the Accountants’ Report set out in Appendix I to this prospectus.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our financial condition and results of operation have been and will continue to be affected by a number of factors, including those factors set out in the section headed “Risk factors” in this prospectus, in particular:

Economic conditions in Hong Kong

Given the nature of the principal business of our Group as a retailer of furniture and home accessories in Hong Kong, our Directors are of the view that the business performance of our Group was and will be highly correlated with the economic conditions and the purchasing power of the consumers in Hong Kong. Our Group recorded a growth in revenue from approximately HK\$65.3 million for FY2015 to approximately HK\$81.9 million for FY2016 and to approximately HK\$77.3 million for FY2017, and from approximately HK\$38.5 million for the six months ended 30 September 2016 to approximately HK\$40.6 million for the six months ended 30 September 2017. Our Directors believe that such increase was attributable to the continuous increase in the annual disposable income and the average wages and labour earnings of consumers in Hong Kong. However, any change in economic conditions in Hong Kong will affect our Group’s revenue and future profits.

FINANCIAL INFORMATION

Demand for our products

Our Directors believe that the growth of our sales is largely driven by the growing awareness of our brand and the increased interests in the lifestyle furniture and home furnishing products in Hong Kong.

We recognise that our ability to maintain our brand as well as to identify and adjust our product range to changing customers' taste and preference is vital to the success of our business. Our business may be affected by our ability to adjust to market trends and shifts in customers' taste and preference.

Further, our business is susceptible to changes in customers' spending patterns due to changing economic, political and social conditions.

Purchase costs of our products

During the Track Record Period, all of our products were sourced from our suppliers. Our cost of sales amounted to approximately HK\$21.0 million, HK\$27.0 million, HK\$26.3 million and HK\$13.1 million for FY2015, FY2016, FY2017 and the six months ended 30 September 2017, respectively, accounting for approximately 32.1%, 33.0%, 34.0% and 32.2% of our Group's total revenue, respectively. Our gross profit was approximately HK\$44.3 million, HK\$54.8 million, HK\$51.0 million and HK\$27.5 million for FY2015, FY2016, FY2017 and the six months ended 30 September 2017, respectively. Since we have not entered into any long-term contracts with our suppliers, our ability to source a steady supply of products is another key factor affecting our business. Unexpected price fluctuations or shortage of supply of certain products may affect our financial results if we are unable to transfer the increased purchase costs to our customers through retail price adjustments.

Rental payments and related expenses

During the Track Record Period and up to the Latest Practicable Date, all of our Group's retail stores and warehouses had been operated in leased properties and thus our Group is significantly exposed to the rental market of properties in Hong Kong. For FY2015, FY2016, FY2017 and the six months ended 30 September 2017, our Group's property rental payments and related expenses amounted to approximately HK\$12.0 million, HK\$12.3 million, HK\$12.3 million and HK\$6.7 million, respectively, representing approximately 18.4%, 15.1%, 15.9% and 16.5%, respectively of our Group's revenue. Such rental payments and related expenses represented a significant portion of our total costs during the Track Record Period. As a result, our profitability and financial results may be affected by changes in the rental market in Hong Kong.

FINANCIAL INFORMATION

Staff costs

Our Group's operation relies heavily on our experienced management team and other staff to manage our business and to implement our business plans. Our Group recorded employee benefit expense (including directors' emoluments and share-based compensation expense) of approximately HK\$13.4 million, HK\$19.7 million, HK\$22.7 million and HK\$10.5 million for FY2015, FY2016, FY2017 and the six months ended 30 September 2017, accounting for approximately 20.6%, 24.0%, 29.3% and 26.0% of our revenue, respectively. To sustain the growth of our business, we are planning to recruit additional staff to assist in implementing our business plans and strategies. In addition, the change in salary level in Hong Kong and the competition for qualified personnel may require our Group to pay higher wages to recruit or retain our staffs which could result in higher staff costs, and hence our profitability and financial results would be materially and adversely affected.

As at 31 March 2015, 31 March 2016, 31 March 2017 and 30 September 2017, we had 55, 63, 65 and 61 full-time employees, respectively. As at the Latest Practicable Date, we had 63 employees. We expect to grow our headcount in selected functions, particularly sales and marketing functions.

CRITICAL ACCOUNTING POLICIES, ESTIMATES, AND JUDGEMENTS

The principal accounting policies applied in the preparation of our financial information are in accordance with HKFRSs which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the HKICPA. Our financial information has been prepared on the historical cost basis, except for cash surrender value of life insurance which is carried at fair value.

All new standards, amendments to standards and interpretations, which are mandatory for the financial year beginning on or before 1 April 2017 are consistently applied to our Group for the Track Record Period.

It should be noted that accounting estimates and assumptions are used in preparation of our financial information. Although these estimates are based on our management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. However, uncertainties about these assumptions, estimates and critical accounting judgements could result in outcomes that require a material adjustment to the carrying amounts of the assets and liabilities in the future. These estimates and assumptions are subject to change in the future, as necessary. For further details regarding significant accounting policies, assumptions, estimates and judgements, please refer to Note 2 and Note 3 to the Accountants' Report set out in Appendix I to this prospectus.

FINANCIAL INFORMATION

Below are certain accounting policies, estimates and judgements that are important to the presentation of our consolidated financial statements.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services provided in the normal course of business, net of discounts. Provided that it is probable that the economic benefits will flow to our Group and that the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

- Sale of furniture and home accessories are recognised upon the transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.
- Distribution and license fee income is recognised on a straight-line basis over the terms of the distribution agreement and license period.
- Food and beverage income from the operation of TREE Café is recognised at the point of sale to customers.
- Commission income from consignment sales are recognised when the goods are sold by our Group.
- Consulting income is recognised when the services have been performed.

Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if our Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to our Group

Assets that are held by our Group under leases which transfer to our Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to our Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments of such assets, are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

FINANCIAL INFORMATION

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges as the lessee

When our Group has the right to use assets held under operating leases, payments made under the leases are charged to profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals, if any, are charged to profit or loss in the accounting period in which they are incurred.

Recognition of share-based compensation expense

Tiptop has granted share awards and a put option to a director of our Group during FY2016. Our Directors, with the assistance of an independent professional valuer, have used the discounted cash flow method and the option pricing model to determine the total fair value of these shares and put option awarded. Significant judgments on key assumptions, such as discount rates and projections of future performance are required to be made by our Directors. The put option will be terminated upon Listing pursuant to the Second Supplemental Incentive Shares Deed.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

Allowance for inventories

Net realisable value of inventories 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.

FINANCIAL INFORMATION

Impairment of financial assets

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of our Group about one or more of the following loss events:

- Significant financial difficulty of the debtor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;
- The disappearance of an active market for that financial asset because of financial difficulties; and
- A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but is not limited to adverse changes in the payment status of debtors in our Group, and national or local economic conditions that correlate with defaults on the assets of our Group.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in a subsequent period, the amount of the impairment loss decrease and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

FINANCIAL INFORMATION

Impairment losses on financial assets other than financial assets at fair value through profit or loss and trade receivables that are stated at amortised cost, are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When our Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

SUMMARY RESULTS OF OPERATIONS

The following table sets out a summary of the results of our Group for the Track Record Period, details of which are set out in the Accountants' Report in Appendix I to this prospectus.

	Year ended 31 March			Six months ended 30 September	
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
				(Unaudited)	
Revenue	65,252	81,877	77,316	38,463	40,560
Cost of sales	<u>(20,959)</u>	<u>(27,029)</u>	<u>(26,303)</u>	<u>(13,627)</u>	<u>(13,058)</u>
Gross profit	44,293	54,848	51,013	24,836	27,502
Other income	77	272	286	40	82
Selling and marketing expenses	(27,472)	(30,148)	(32,806)	(16,952)	(17,291)
Administrative expenses	(8,532)	(10,940)	(12,118)	(4,881)	(5,486)
Listing-related expenses	–	(1,289)	(10,066)	(3,853)	(4,658)
Share-based compensation expense	–	(2,487)	(2,331)	(1,497)	(656)
Finance costs	<u>(157)</u>	<u>(165)</u>	<u>(140)</u>	<u>(57)</u>	<u>(158)</u>
Profit/(Loss) before income tax	8,209	10,091	(6,162)	(2,364)	(665)
Income tax expense	<u>(1,419)</u>	<u>(2,297)</u>	<u>(986)</u>	<u>(619)</u>	<u>(763)</u>
Profit/(Loss) and total comprehensive income/(loss) for the year/period attributable to equity holders of the Company	<u><u>6,790</u></u>	<u><u>7,794</u></u>	<u><u>(7,148)</u></u>	<u><u>(2,983)</u></u>	<u><u>(1,428)</u></u>

FINANCIAL INFORMATION

Our adjusted net profit excluding listing-related expenses and share-based compensation expense amounted to approximately HK\$6.8 million, HK\$11.6 million, HK\$5.2 million and HK\$3.9 million for FY2015, FY2016, FY2017 and the six months ended 30 September 2017, respectively.

DESCRIPTION AND ANALYSIS OF PRINCIPAL COMPONENTS IN THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

During the Track Record Period, we generated revenue from (i) sale of furniture and home accessories; (ii) distribution and license fee income; (iii) operation of TREE Café; (iv) consignment sale of home accessories; and (v) provision of styling and consulting services. The table below sets forth a breakdown of our revenue during the Track Record Period:

	Year ended 31 March						Six months ended 30 September			
	2015		2016		2017		2016		2017	
	Revenue	% of total	Revenue	% of total	Revenue	% of total	Revenue	% of total	Revenue	% of total
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)									
Sale of furniture and home accessories	59,359	91.0	75,089	91.7	70,373	91.0	34,848	90.6	37,580	92.7
Distribution and license fee income	-	-	1,800	2.2	2,720	3.5	1,200	3.1	1,880	4.6
Food and beverage income	4,766	7.3	4,629	5.7	3,852	5.0	2,265	5.9	750	1.8
Commission income	349	0.5	359	0.4	271	0.4	150	0.4	105	0.3
Consulting income	778	1.2	-	-	100	0.1	-	-	245	0.6
Total	65,252	100.0	81,877	100.0	77,316	100.0	38,463	100.0	40,560	100.0

For FY2016, our revenue amounted to approximately HK\$81.9 million, representing an increase of approximately HK\$16.6 million or 25.5% from approximately HK\$65.3 million for FY2015. Such increase was mainly attributable to the growth in the sale of furniture and home accessories and distribution and license fee income.

For FY2017, our revenue amounted to approximately HK\$77.3 million, representing a decrease of approximately HK\$4.6 million or 5.6% from approximately HK\$81.9 million for FY2016. Such decrease was mainly attributable to the decrease in the sale of furniture and home accessories.

For the six months ended 30 September 2017, our revenue amounted to approximately HK\$40.6 million, representing an increase of approximately HK\$2.1 million or 5.5% from approximately HK\$38.5 million for the six months ended 30 September 2016. Such increase was mainly attributable to the increase in the sale of furniture and home accessories and distribution and license fee income, being offset by the decrease in the food and beverage income.

FINANCIAL INFORMATION

Sale of furniture and home accessories

Our revenue is primarily derived from the sale of furniture and home accessories which accounted for approximately 91.0%, 91.7%, 91.0% and 92.7% of our total revenue for FY2015, FY2016, FY2017 and the six months ended 30 September 2017, respectively.

Set out below is a breakdown of our revenue generated from the sale of furniture and home accessories by our two sales channels, namely the Direct Sales and the Distribution Sales, during the Track Record Period:

	2015		Year ended 31 March 2016		2017		Six months ended 30 September 2016		2017	
	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 %	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 %	Revenue HK\$'000	% of total revenue from sale of furniture and home accessories %
	(Unaudited)									
Direct Sales										
Flagship Store	50,899	85.7	61,724	82.2	56,974	81.0	30,342	87.1	27,433	73.0
Sai Kung Store	2,587	4.4	3,228	4.3	2,685	3.8	1,562	4.5	1,167	3.1
SoHo Store ⁽¹⁾	5,873	9.9	6,429	8.6	2,069	2.9	2,038	5.8	-	-
Sha Tin Store ⁽²⁾	-	-	-	-	6,242	8.9	-	-	7,845	20.9
Sub-total	59,359	100.0	71,381	95.1	67,970	96.6	33,942	97.4	36,445	97.0
Distribution Sales	-	-	3,708	4.9	2,403	3.4	906	2.6	1,135	3.0
Total	59,359	100.0	75,089	100.0	70,373	100.0	34,848	100.0	37,580	100.0

Notes: (1) Our SoHo Store ceased operations in July 2016.

(2) Our Sha Tin Store commenced operations on 24 October 2016.

FINANCIAL INFORMATION

For FY2016, revenue generated from the Direct Sales amounted to approximately HK\$71.4 million, representing an increase of approximately HK\$12.0 million or 20.3% from approximately HK\$59.4 million for FY2015. Such increase was primarily due to the completion of the renovation of our Flagship Store in February 2015. Our Directors believe that the increased floor space after the store renovation enabled us to showcase more of our products and enhance our customers' shopping experience, as reflected by the increase in sales at our Flagship Store of approximately 21.3% for FY2016 as compared to FY2015. For FY2016, the increase in the Distribution Sales of approximately HK\$3.7 million was due to the commencement of sales to our PRC Distributor in November 2015.

For FY2017, revenue generated from the Direct Sales amounted to approximately HK\$68.0 million, representing a decrease of approximately HK\$3.4 million or 4.8% from approximately HK\$71.4 million for FY2016. Such decrease was primarily attributable to (i) the decrease in sales at our Flagship Store and Sai Kung Store; (ii) the closure of our SoHo Store in July 2016; and (iii) the non-recurring sale of our products to Wild Orchid of approximately HK\$1.2 million for our styling and consulting project in Palau for FY2016 as well as the general economic condition in Hong Kong, partially offset by the increase in sales at our Sha Tin Store which opened in October 2016.

Our Directors consider the decrease in the Direct Sales for FY2017 was partially caused by our significant growth in revenue in the previous year. In FY2016, we achieved growth in the Direct Sales of approximately 20.3% as compared to FY2015, which was substantially higher than the growth in retail value sales of approximately 1.5% for the overall lifestyle furniture and home furnishing market in Hong Kong in 2015 according to the Euromonitor Report. Our Directors consider that it was the higher revenue base in FY2016 that hindered our revenue growth in FY2017.

The decrease in sales in our Flagship Store and Sai Kung Store was partially due to the slowdown of the overall market in FY2017, as evidenced by the negative growth in retail value sales of approximately 2.5% for the overall lifestyle furniture and home furnishing market in Hong Kong in 2016 according to the Euromonitor Report. Euromonitor considers that such negative growth was largely due to consumers' concerns over future economic growth and a general belt tightening and a reduction in discretionary spending.

As a result of the cessation of operations of our SoHo Store in July 2016, the Direct Sales attributable to our SoHo Store decreased by approximately HK\$4.4 million for FY2017 as compared to FY2016. Our Sha Tin Store commenced operations on 24 October 2016 and recorded revenue of approximately HK\$6.2 million for FY2017.

For FY2017, revenue generated from the Distribution Sales amounted to approximately HK\$2.4 million, representing a decrease of approximately HK\$1.3 million or 35.1% from approximately HK\$3.7 million for FY2016. Our Directors attributed such decrease to the fact that our PRC Distributor started its business in FY2016 and would need more stock for display at its first retail store and that the second retail store operated by our PRC Distributor was smaller in size and needed less stock for display whereas the revenue generated from the Distribution Sales in FY2017 primarily reflected the PRC Distributor's operational needs.

FINANCIAL INFORMATION

For the six months ended 30 September 2017, revenue generated from the Direct Sales amounted to approximately HK\$36.4 million, representing an increase of approximately HK\$2.5 million or 7.4% from approximately HK\$33.9 million for the six months ended 30 September 2016. Such increase was primarily due to the sales generated from our Sha Tin Store which opened in October 2016, partially offset by the decrease in sales at our Flagship Store and Sai Kung Store and the closure of our SoHo Store in July 2016.

Our Directors consider that the increase in Direct Sales for the six months ended 30 September 2017 was partially caused by our significant growth in revenue generated from our Sha Tin Store and that the decrease in sales in our Flagship Store and Sai Kung Store was partially due to the slowdown of the overall market in FY2017 and the six months ended 30 September 2017, as aforementioned.

Our product portfolio comprises two major categories, which are (i) furniture; and (ii) home accessories. Set out below is a breakdown of our sale of furniture and home accessories by product categories during the Track Record Period:

	2015		Year ended 31 March 2016		2017		Six months ended 30 September			
	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	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	Revenue HK\$'000	% of total revenue from sale of furniture and home accessories
	(Unaudited)									
Furniture	50,630	85.3	63,232	84.2	61,316	87.1	29,678	85.2	32,395	86.2
Home accessories	7,811	13.2	9,751	13.0	7,827	11.1	4,370	12.5	4,624	12.3
Others ⁽¹⁾	918	1.5	2,106	2.8	1,230	1.7	800	2.3	561	1.5
Total	59,359	100.0	75,089	100.0	70,373	100.0	34,848	100.0	37,580	100.0

Note: (1) Others include delivery income, storage fees and fees generated from after-sale services. For details of our after-sale services, please refer to the section headed “Business – Sales of furniture and home accessories – A. Direct Sales – After-sale services and product return policy” in this prospectus.

FINANCIAL INFORMATION

Set out below is a breakdown of number of items sold and average selling price by each product category during the Track Record Period:

	Year ended 31 March						Six months ended 30 September			
	2015		2016		2017		2016		2017	
	Average selling price ⁽¹⁾ HK\$	Quantity sold ⁽²⁾ (approximately)	Average selling price ⁽¹⁾ HK\$	Quantity sold ⁽²⁾ (approximately)	Average selling price ⁽¹⁾ HK\$	Quantity sold ⁽²⁾ (approximately)	Average selling price ⁽¹⁾ HK\$	Quantity sold ⁽²⁾ (approximately)	Average selling price ⁽¹⁾ HK\$	Quantity sold ⁽²⁾ (approximately)
Furniture	5,114	9,900	5,269	12,000	5,239	11,700	4,637	6,400	5,399	6,000
Table and chairs	3,700	5,800	3,820	6,600	4,015	6,300	3,643	3,100	3,997	3,300
Storage solutions	5,809	3,000	5,532	3,800	5,353	4,000	4,375	2,500	5,774	1,900
Sofa and beds	10,675	1,100	10,622	1,600	10,419	1,400	9,313	800	10,292	800
Home accessories	420	18,600	415	23,500	450	17,400	508	8,600	578	8,000

Notes:

- (1) Based on the total revenue divided by the quantity sold
- (2) As confirmed by our Directors based on information extracted from our POS system

Distribution and license fee income

We did not generate any distribution and license fee income for FY2015. For FY2016, FY2017 and the six months ended 30 September 2017, our distribution and license fee income was approximately HK\$1.8 million, HK\$2.7 million and HK\$1.9 million, representing approximately 2.2%, 3.5% and 4.6% of our total revenue, respectively, as a result of the distribution fee having effect from 1 July 2015 under the Distribution Agreement. 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. For details of the Distribution Agreement, please refer to the section headed “Business – Distribution and licence – A. Distribution and licence with our PRC Distributor” in this prospectus.

No licence fee was received from American Tree under the North America Licence Agreement entered into on 1 June 2015 for FY2016 and FY2017 and the six months ended 30 September 2017, as American Tree only started its retail operations in October 2017. Under the North America Licence Agreement, the licence fee, if any, for the financial year ending 31 December 2017 is due on or before 30 April 2018. For details of the North America Licence Agreement, please refer to the section headed “Connected transactions – Exempt continuing connected transactions – North America Licence Agreement” in this prospectus.

FINANCIAL INFORMATION

Food and beverage income

Our food and beverage income generated from operating TREE Café in our Flagship Store was approximately HK\$4.8 million, HK\$4.6 million, HK\$3.9 million and HK\$0.8 million for FY2015, FY2016, FY2017 and the six months ended 30 September 2017, respectively. As disclosed in the section headed “Business – Litigation and legal compliance – Legal compliance – Non-compliance matters” in this prospectus, in order to remedy the non-compliance with our food factory licence, we have relocated tables and chairs in our Flagship Store to an area not proximate to our TREE Café, have started serving food and beverage using disposable utensils, and have put a label inside the counter of our TREE Café indicating to our customers that the food and beverages sold by our TREE Café are for takeaway and not for consumption inside our Flagship Store during FY2017. Our Directors believed that this 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 FY2017 and the six months ended 30 September 2017.

Commission income

Our commission income comprised income generated from the sales of consignment goods. Please refer to the section headed “Business – Consignment sale” in this prospectus for more details of our consignment arrangements. The commission income generated from consignment sales remained stable during the Track Record Period and the amount was approximately HK\$0.3 million, HK\$0.4 million, HK\$0.3 million and HK\$0.1 million for FY2015, FY2016, FY2017 and the six months ended 30 September 2017, respectively.

Consulting income

Our consulting income generated from provision of styling and consulting services was approximately HK\$0.8 million, nil, HK\$0.1 million and HK\$0.2 million for FY2015, FY2016, FY2017 and the six months ended 30 September 2017, respectively. We undertook a styling and consulting project for a hotel in Palau in October 2014 and provided styling and consulting services to an individual customer in Hainan, the PRC, for FY2017. For the six months ended 30 September 2017, 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. Such engagement was subsequently completed as at Latest Practicable Date.

FINANCIAL INFORMATION

Cost of sales

Our cost of sales comprised the procurement of furniture and home accessories and the purchase of food and beverage products for TREE Café. The table below sets forth a breakdown of our cost of sales during the Track Record Period:

	Year ended 31 March						Six months ended 30 September			
	2015		2016		2017		2016		2017	
	Cost of sales HK\$'000	% of cost of sales %	Cost of sales HK\$'000	% of cost of sales %	Cost of sales HK\$'000	% of cost of sales %	Cost of sales HK\$'000	% of cost of sales %	Cost of sales HK\$'000	% of cost of sales %
	(Unaudited)									
Procurement of furniture and home accessories										
– Direct Sales	19,268	91.9	23,462	86.8	23,422	89.0	12,236	89.8	12,106	92.7
– Distribution Sales	–	–	1,791	6.6	1,144	4.3	435	3.2	550	4.2
Sub-total	19,268	91.9	25,253	93.4	24,566	93.4	12,671	93.0	12,656	96.9
Purchase of food and beverage products	1,691	8.1	1,776	6.6	1,737	6.6	956	7.0	402	3.1
Total	20,959	100.0	27,029	100.0	26,303	100.0	13,627	100.0	13,058	100.0

The table below sets forth a breakdown of our cost of sales by product category during the Track Record Period:

	Year ended 31 March						Six months ended 30 September			
	2015		2016		2017		2016		2017	
	Cost of sales HK\$'000	% of total cost of sales by furniture and home accessories %	Cost of sales HK\$'000	% of total cost of sales by furniture and home accessories %	Cost of sales HK\$'000	% of total cost of sales by furniture and home accessories %	Cost of sales HK\$'000	% of total cost of sales by furniture and home accessories %	Cost of sales HK\$'000	% of total cost of sales by furniture and home accessories %
	(Unaudited)									
Furniture	16,252	84.3	20,361	80.6	20,702	84.3	10,945	86.4	10,859	85.8
Home accessories	3,016	15.7	4,892	19.4	3,864	15.7	1,726	13.6	1,797	14.2
Total	19,268	100.0	25,253	100.0	24,566	100.0	12,671	100.0	12,656	100.0

FINANCIAL INFORMATION

For FY2016, our cost of sales amounted to approximately HK\$27.0 million, representing an increase of approximately HK\$6.1 million or approximately 29.0% from approximately HK\$21.0 million for FY2015. Such increase was largely in line with the increase in our sales as we made more purchases from our suppliers to meet the increase in demand for our products.

For FY2017, our cost of sales amounted to approximately HK\$26.3 million, representing a decrease of approximately HK\$0.7 million or approximately 2.7% from approximately HK\$27.0 million for FY2016. Such decrease was in line with the decrease in our sales.

For the six months ended 30 September 2017, our cost of sales amounted to approximately HK\$13.1 million, representing a decrease of approximately HK\$0.6 million or approximately 4.2% from approximately HK\$13.6 million for the same period in 2016. Such decrease was mainly due to the decrease in purchase of food and beverage products of approximately HK\$0.6 million, which was in line with the decrease of our food and beverage income.

Gross profit

The table below sets forth a breakdown of our gross profit and gross profit margin by our sources of revenue:

	Year ended 31 March						Six months ended 30 September			
	2015		2016		2017		2016		2017	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)									
Sale of furniture and home accessories										
Direct Sales	40,091	67.5	47,919	67.1	44,548	65.5	21,706	64.0	24,339	66.8
Distribution Sales	-	-	1,917	51.7	1,259	52.4	471	52.0	585	51.5
Sub-total	40,091	67.5	49,836	66.4	45,807	65.1	22,177	63.6	24,924	66.3
Distribution and licence fee income	-	-	1,800	100.0	2,720	100.0	1,200	100.0	1,880	100.0
Food and beverage income	3,075	64.5	2,853	61.6	2,115	54.9	1,309	57.8	348	46.4
Commission income	349	100.0	359	100.0	271	100.0	150	100.0	105	100.0
Consulting income	778	100.0	-	-	100	100.0	-	-	245	100.0
Total	44,293	67.9	54,848	67.0	51,013	66.0	24,836	64.6	27,502	67.8

FINANCIAL INFORMATION

As a result of the foregoing, our gross profit was approximately HK\$44.3 million, HK\$54.8 million, HK\$51.0 million and HK\$27.5 million, representing gross profit margins of approximately 67.9%, 67.0%, 66.0% and 67.8%, for the three years ended 31 March 2017 and the six months ended 30 September 2017, respectively.

Our gross profit margin for the sale of furniture and home accessories decreased from approximately 67.5% for FY2015 to approximately 66.4% for FY2016, primarily due to (i) the Distribution Sales that commenced in November 2015 which carried a lower gross profit margin compared to that of the Direct Sales; and (ii) the increased sales of home accessories with lower average selling price as part of our marketing strategy to drive our revenue. We sell our products to our PRC Distributor at a lower gross profit margin given that our PRC Distributor is responsible for all operating expenses for distributing our products in Beijing, the PRC, under the Distribution Agreement. Our Directors believe that as a result of the increased cost of goods as well as our marketing strategy in offering complementary beverages to our customers as part of our customer services, our gross profit margin for the sale of food and beverages decreased from approximately 64.5% for FY2015 to approximately 61.6% for FY2016.

Our gross profit margin for the sale of furniture and home accessories decreased from approximately 66.4% for FY2016 to approximately 65.1% for FY2017, mainly attributable to the decrease in revenue and increase in cost of sale of our furniture sold during FY2017. Our gross profit margin for the Distribution Sales, however, increased slightly from approximately 51.7% for FY2016 to approximately 52.4% for FY2017.

Our gross profit margin for the sale of food and beverages further decreased from approximately 61.6% for FY2016 to approximately 54.9% for FY2017 for the same reason stated above.

Our gross profit margin for the sale of furniture and home accessories increased from approximately 63.6% for the six months ended 30 September 2016 to approximately 66.3% for the six months ended 30 September 2017, mainly attributable to the increase in gross profit margin of the Direct Sales due to the increase in revenue and decrease in cost of sales of our furniture sold during the six months ended 30 September 2017. Our gross profit margin for the Distribution Sales decreased slightly from approximately 52.0% for the six months ended 30 September 2016 to approximately 51.5% for the six months ended 30 September 2017.

Our gross profit margin for the sale of food and beverages further decreased from approximately 57.8% for the six months ended 30 September 2016 to approximately 46.4% for the six months ended 30 September 2017, mainly due to the increase in cost of purchasing disposable utensils.

FINANCIAL INFORMATION

The table below sets forth a breakdown of our gross profit and gross profit margin by product categories:

	Year ended 31 March						Six months ended 30 September			
	2015		2016		2017		2016		2017	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)									
Furniture	34,378	67.9	42,871	67.8	40,614	66.2	18,733	63.1	21,536	66.5
Home accessories	4,795	61.4	4,859	49.8	3,963	50.6	2,644	60.5	2,827	61.1
Others ⁽¹⁾	918	100.0	2,106	100.0	1,230	100.0	800	100.0	561	100.0
Total	40,091	67.5	49,836	66.4	45,807	65.1	22,177	63.6	24,924	66.3

Note: (1) Others include delivery income, storage fees and fees generated from after-sale services. For details of our after-sale services please refer to the section headed “Business – Sales of furniture and home accessories – A. Retail Sales – After-sale services and product return policy” in this prospectus.

Our gross profit for the sale of furniture and home accessories was approximately HK\$40.1 million, HK\$49.8 million, HK\$45.8 million and HK\$24.9 million, representing gross profit margins of approximately 67.5%, 66.4%, 65.1% and 66.3%, for the three years ended 31 March 2017 and the six months ended 30 September 2017, respectively.

Our gross profit margin for the sale of furniture decreased slightly from approximately 67.9% for FY2015 to approximately 67.8% for FY2016. Due to the decrease in the average selling price of home accessories as part of our marketing strategy to drive our revenue, our gross profit margin for the sale of home accessories decreased from approximately 61.4% for FY2015 to approximately 49.8% for FY2016.

As a result of the general increase in our purchase cost of furniture, our gross profit margin for the sale of furniture decreased from approximately 67.8% for FY2016 to approximately 66.2% in FY2017. The increase in our gross profit margin for the sale of accessories from approximately 49.8% for FY2016 to approximately 50.6% in FY2017 was mainly attributable to the increase in the average selling price of home accessories.

Our gross profit margin for the sale of furniture increased from approximately 63.1% for the six months ended 30 September 2016 to approximately 66.5% for the six months ended 30 September 2017, and our gross profit margin for the sale of home accessories increased from approximately 60.5% to approximately 61.1% for the same period, primarily attributable to the increase in the average selling prices of furniture and home accessories.

FINANCIAL INFORMATION

Other income

Other income comprised bank interest income and sundry income during the Track Record Period, as set out below:

	Year ended 31 March			Six months ended 30 September	
	2015	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	1	1	1	1	1
Sundry income	<u>76</u>	<u>271</u>	<u>285</u>	<u>39</u>	<u>81</u>
	<u><u>77</u></u>	<u><u>272</u></u>	<u><u>286</u></u>	<u><u>40</u></u>	<u><u>82</u></u>

We recorded an increase in our other income by approximately 253.2% to approximately HK\$0.3 million for FY2016 from approximately HK\$0.1 million for FY2015. Such increase was mainly attributable to the increase in sundry income of approximately HK\$0.2 million resulting from the fair value gain on cash surrender value of life insurance as well as the reimbursement from an insurance claim for our motor vehicle in excess of its book value. We recorded other income of approximately HK\$0.3 million for FY2017, remaining stable. We recorded a slight increase in our other income by approximately HK\$42,000 for the six months ended 30 September 2017 as compared to the same period last year.

FINANCIAL INFORMATION

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. The table below sets forth the breakdown of our selling and marketing expenses during the Track Record Period.

	Year ended 31 March			Six months ended 30 September	
	2015	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	
Rental payments and related expenses	12,010	12,324	12,284	6,070	6,683
Staff costs	9,687	11,234	13,052	7,296	6,828
Marketing expenses	3,758	4,288	5,110	2,407	2,618
Payment gateway charges	1,314	1,477	1,534	721	791
Electricity and water expenses	703	825	826	458	371
	<u>27,472</u>	<u>30,148</u>	<u>32,806</u>	<u>16,952</u>	<u>17,291</u>

For FY2016, our selling and marketing expenses amounted to approximately HK\$30.1 million, representing an increase of approximately HK\$2.7 million or approximately 9.7% from approximately HK\$27.5 million for FY2015. Such increase was mainly due to the increase in staff costs resulting from the increase in the number of staff and the general salary increment of our staff for FY2016.

For FY2017, our selling and marketing expenses amounted to approximately HK\$32.8 million, representing an increase of approximately HK\$2.7 million or approximately 8.8% from approximately HK\$30.1 million for FY2016. Such increase was mainly due to (i) the increase in staff costs resulting from the increase in the number of staff during FY2017 as compared to FY2016 and the general increment of salary of our staff for FY2017; and (ii) the increase in marketing expenses as a result of the opening of our Sha Tin Store in October 2016.

For the six months ended 30 September 2017, our selling and marketing expenses amounted to approximately HK\$17.3 million, representing an increase of approximately HK\$0.3 million or approximately 2.0% from approximately HK\$17.0 million for the six months ended 30 September 2016. Such increase was mainly due to the increase in rental payments and related expenses arising from renting our Sha Tin Store which opened in October 2016, partially offset by the decrease in staff costs resulting from the resignation of a member of senior management in June 2017.

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Administrative expenses

Our administrative expenses comprised (i) staff costs for our administrative staff and Directors' emolument, but excluding share-based compensation expense; (ii) professional fees which included legal fees, accounting 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) fair value loss on cash surrender value of life insurance; (x) bank charges; and (xi) others which included motor vehicle expenses, donations, net foreign exchange losses and entertainment expenses.

	Year ended 31 March			Six months ended 30 September	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)				
Staff costs	3,744	5,944	7,293	2,423	3,050
Professional fees	1,284	839	563	273	150
Travel expenses	480	661	500	198	104
Office expenses	490	614	624	334	300
Depreciation and amortisation	719	838	1,262	608	704
Repairs and maintenance	525	645	790	480	364
Insurance expenses	184	181	359	154	202
Recruitment expenses	–	397	206	186	120
Fair value loss on cash surrender value of life insurance	314	–	–	–	–
Bank charges	95	83	148	94	48
Others	697	738	373	131	444
	<u>8,532</u>	<u>10,940</u>	<u>12,118</u>	<u>4,881</u>	<u>5,486</u>

For FY2015 and FY2016, our administrative expenses amounted to approximately HK\$8.5 million and HK\$10.9 million, respectively. The increase in administrative expenses for FY2016 by approximately HK\$2.4 million or approximately 28.2% was mainly attributable to the increase in staff costs mainly due to (i) the Directors' emoluments of Mr. Tsui and Ms. Haslock for FY2016, the increment of salary of our Managing Director and the general increment of our staff; and (ii) the hiring of a staff who was then an external consultant providing finance function to our Group in December 2014.

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For FY2017, our administrative expenses amounted to approximately HK\$12.1 million, representing an increase of approximately HK\$1.2 million or approximately 10.8% as compared to FY2016. Such increase was primarily due to the general increment of salary of our staff for FY2017 and the hiring of a member of our senior management in April 2016.

Our administrative expenses increased from approximately HK\$4.9 million for the six months ended 30 September 2016 to approximately HK\$5.5 million for the six months ended 30 September 2017, representing an increase of approximately HK\$0.6 million or approximately 12.4%. Such increase was mainly due to the increase in staff cost resulting from higher costs in hiring of a senior administration staff.

Listing-related expenses

We incurred listing-related expenses in the amount of approximately HK\$1.3 million, HK\$10.1 million and HK\$4.7 million for FY2016, FY2017 and the six months ended 30 September 2017 in preparation for the Listing. For more details, please refer to the paragraph headed “Listing expenses” in this section.

Share-based compensation expenses

We incurred share-based compensation expenses in the amount of approximately HK\$2.5 million, HK\$2.3 million and HK\$0.7 million for FY2016, FY2017 and the six months ended 30 September 2017 due to the incentive shares and the put option granted to Ms. Babington in June 2015. Please refer to the section headed “History, development and reorganisation – Pre-IPO Investment – Accounting treatment of the Pre-IPO investment” for further details.

Finance costs

Our finance costs mainly comprised interest expenses on bank borrowings and the amount incurred remained stable for FY2015 to FY2017. Such costs increased by approximately HK\$0.1 million from the six months ended 30 September 2016 to the six months ended 30 September 2017, which is in line with the increase in the interest-bearing borrowings.

Income tax expenses

Income tax payable by our Group is provided for at the applicable tax rates in accordance with the relevant law and regulations in Hong Kong. Hong Kong profit tax was provided on the estimated assessable profits arising in Hong Kong at a rate of 16.5% during the Track Record Period. The effective tax rate for FY2015 and FY2016 was approximately 17.3% and 22.8%, respectively. Our Group incurred a loss for FY2017 and the six months ended 30 September 2017. The higher effective tax rates of our Group for FY2015 and FY2016 than the Hong Kong profits tax rate were primarily due to certain expenses incurred but not deductible under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong). Our effective tax rate increased to approximately 22.8% for FY2016 from approximately 17.3% for FY2015, primarily attributable to the listing-related expenses and share-based compensation expense incurred for FY2016, which were not deductible for tax purposes. We incurred an income tax expense of approximately HK\$1.0 million and approximately HK\$0.8 million despite our loss for FY2017 and the six months ended 30 September 2017 respectively.

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There were no tax obligations arising from other jurisdictions during the Track Record Period. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group had no material dispute or unresolved tax issues with the relevant tax authority.

Profit/(Loss) for the year/period

As a result of the foregoing, our profit for the year amounted to approximately HK\$6.8 million and HK\$7.8 million for FY2015 and FY2016, respectively, and our loss for the year amounted to approximately HK\$7.1 million for FY2017. We also recorded a loss of approximately HK\$1.4 million for the six months ended 30 September 2017. The increase in profit from FY2015 to FY2016 of approximately HK\$1.0 million or 14.8% was primarily due to the increase in our revenue which was partially offset by the increase in our selling and marketing expenses as well as the non-recurring listing-related expense and share-based compensation expense. Our loss for FY2017 was primarily attributable to the increase in our staff cost and marketing expenses as mentioned above as well as the non-recurring listing-related expenses and share-based compensation expense. Our loss for the six months ended 30 September 2017 was mainly attributable to the non-recurring listing-related expenses and share-based compensation expense.

Our adjusted net profit for the year after excluding listing-related expenses and share-based compensation expense amounted to approximately HK\$6.8 million, HK\$11.6 million, HK\$5.2 million and HK\$3.9 million for FY2015, FY2016, FY2017 and the six months ended 30 September 2017, respectively.

	Year ended 31 March			Six months ended 30 September
	2015	2016	2017	2017
	%	%	%	%
Net profit margin before interest and tax ⁽¹⁾	12.8	12.5	Net loss	Net loss
Net profit margin ⁽²⁾	10.4	9.5	Net loss	Net loss

Notes: (1) Net profit margin before interest and tax is calculated based on the net profit netting off the interest and tax for the period divided by the total revenue for the respective period and multiplied by 100%.

(2) Net profit margin is calculated based on the net profit after taxes for the period divided by the total revenue for the respective period and multiplied by 100%.

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Net profit margin

Our Group's net profit margin before interest and tax remained stable at approximately 12.8% for FY2015 and 12.5% for FY2016 respectively, and our net profit margin decreased from approximately 10.4% for FY2015 to approximately 9.5% for FY2016. Our Group recorded a net loss before interest and tax for FY2017 and the six months ended 30 September 2017.

Our Group's net profit margins for FY2016 and FY2017 were impacted by the share-based compensation expense and listing-related expenses. For more details about the share-based compensation expense and listing-related expenses, please refer to the paragraphs headed "Share-based compensation expense" and "Listing-related expenses" in this section, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our primary uses of cash are to satisfy our working capital, operations and capital expenditure needs. During the Track Record Period, our Group's uses of cash have mainly been financed through a combination of cash received from our business operations and bank borrowings. Our Directors confirm that we were able to repay our bank borrowings when they became due.

Going forward, we expect to fund our liquidity requirements with a combination of various sources, including but not limited to, internally generated cash flows, bank borrowings, net proceeds from the Share Offer and, if necessary and as appropriate, additional equity or debt financing.

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Cash flows

The following table presents selected cash flows from our consolidated statements of cash flows for the Track Record Period:

	Year ended 31 March			Six months ended 30 September	
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
				(Unaudited)	
Net cash from/(used in) operating activities	7,158	7,622	1,960	5,797	(458)
Net cash used in investing activities	(9,090)	(3,696)	(1,792)	(495)	(137)
Net cash from/(used in) financing activities	<u>2,461</u>	<u>(1,364)</u>	<u>(5,336)</u>	<u>(804)</u>	<u>464</u>
Net increase/(decrease) in cash and cash equivalents	529	2,562	(5,168)	4,498	(131)
Cash and cash equivalents at the beginning of the year/period	<u>2,256</u>	<u>2,785</u>	<u>5,347</u>	<u>5,347</u>	<u>179</u>
Cash and cash equivalents (including bank balances and cash and bank overdraft) at the end of the year/period	<u><u>2,785</u></u>	<u><u>5,347</u></u>	<u><u>179</u></u>	<u><u>9,845</u></u>	<u><u>48</u></u>

Operating activities

FY2015

For FY2015, our net cash from operating activities amounted to approximately HK\$7.2 million, mainly as a result of the profit before income tax of approximately HK\$8.2 million, which was primarily adjusted for (i) depreciation of approximately HK\$0.7 million; and (ii) increase in trade and other payables of approximately HK\$2.3 million. This was partially offset by (i) an increase in inventories of approximately HK\$1.7 million; (ii) the increase in trade and other receivables of approximately HK\$1.0 million; and (iii) a net income tax payment of approximately HK\$1.9 million.

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FY2016

For FY2016, our net cash from operating activities amounted to approximately HK\$7.6 million, mainly as a result of the profit before income tax of approximately HK\$10.1 million, which was primarily adjusted for (i) depreciation of approximately HK\$0.8 million; (ii) share-based compensation expense of approximately HK\$2.5 million; and (iii) an increase in deferred revenue of approximately HK\$0.7 million. This was partially offset by (i) an increase in inventories of approximately HK\$1.3 million; (ii) an increase in trade and other receivables of approximately HK\$4.3 million; and (iii) net income tax payment of approximately HK\$1.1 million.

FY2017

For FY2017, our net cash from operating activities amounted to approximately HK\$2.0 million, mainly as a result of the loss before income tax of approximately HK\$6.2 million, which was primarily adjusted for (i) share-based compensation expense of approximately HK\$2.3 million; (ii) depreciation of approximately HK\$1.2 million; (iii) a decrease in inventories of approximately HK\$0.9 million; (iv) a decrease in trade and other receivables of approximately HK\$2.3 million; and (v) an increase in trade and other payables of approximately HK\$3.4 million. This was partially offset by the income tax payment of approximately HK\$2.3 million.

Six months ended 30 September 2017

For the six months ended 30 September 2017, our net cash used in operating activities amounted to approximately HK\$0.5 million, mainly as a result of the loss before income tax of approximately HK\$0.7 million, which was primarily adjusted for (i) an increase in inventories of approximately HK\$1.7 million; (ii) an increase in trade and other receivables of approximately HK\$1.3 million; and (iii) the income tax payment of approximately HK\$0.5 million. This was partially offset by (i) depreciation of approximately HK\$0.7 million; (ii) share-based compensation expense of approximately HK\$0.7 million; and (iii) an increase in trade and other payables of approximately HK\$3.1 million.

Investing activities

FY2015

For FY2015, we recorded net cash used in investing activities of approximately HK\$9.1 million, which was primarily as a result of (i) the addition of an amount due from a Director, Ms. Haslock, of approximately HK\$6.0 million; (ii) the purchase of property, plant and equipment of approximately HK\$0.9 million including leasehold improvement at our Flagship Store and warehouses and purchase of computer equipment; and (iii) a premium payment for a life insurance policy of approximately HK\$1.8 million.

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FY2016

For FY2016, we recorded net cash used in investing activities of approximately HK\$3.7 million, which was primarily as a result of (i) the addition of an amount due from ultimate holding company, namely Tiptop, of approximately HK\$2.0 million; and (ii) the purchase of property, plant and equipment of approximately HK\$1.5 million, including a truck, office and computer equipments and renovation of our Flagship Store.

FY2017

For FY2017, we recorded net cash used in investing activities of approximately HK\$1.8 million which comprised mainly of the purchase of property, plant and equipment.

Six months ended 30 September 2017

For the six months ended 30 September 2017, we recorded net cash used in investing activities of approximately HK\$0.1 million which comprised of the purchase of property, plant and equipment.

Financing activities

Our Group's bank borrowings, which contained a repayable on demand clause and are used for our working capital and other general corporate purposes, decreased from approximately HK\$4.4 million as at 31 March 2015 to approximately HK\$3.4 million as at 31 March 2016 and increased to approximately HK\$7.6 million as at 31 March 2017. For details of bank borrowings, please refer to paragraph headed "Interest-bearing borrowings" in this section.

FY2015

For FY2015, we recorded net cash from financing activities of approximately HK\$2.5 million, which was primarily as a result of proceeds from bank borrowings of approximately HK\$3.9 million. This was partially offset by repayment of bank borrowings of approximately HK\$0.8 million.

FY2016

For FY2016, we recorded net cash used in financing activities of approximately HK\$1.4 million, which was primarily as a result of repayment of bank borrowings of approximately HK\$0.9 million.

FY2017

For FY2017, we recorded net cash used in financing activities of approximately HK\$5.3 million, which was primarily as a result of (i) repayment of bank borrowings of approximately HK\$1.2 million; (ii) payment of dividend of HK\$5.0 million; and (iii) payment for deferred Listing cost of approximately HK\$2.0 million. This was partially offset by proceeds from bank borrowings of approximately HK\$3.0 million.

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Six months ended 30 September 2017

For the six months ended 30 September 2017, we recorded net cash from financing activities of approximately HK\$0.5 million, which was primarily as a result of the proceeds from bank borrowings of approximately HK\$2.5 million. This was partially offset by (i) repayment of bank borrowings of approximately HK\$1.3 million; (ii) interest paid of approximately HK\$0.2 million; and (iii) payment for deferred Listing cost of approximately HK\$0.3 million.

NET CURRENT ASSETS

The following table shows our Group's current assets and liabilities as at the dates indicated below:

	As at 31 March			As at 30 September	As at 30 November
	2015	2016	2017	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					(Unaudited)
Current assets					
Inventories	9,618	10,911	9,963	11,711	12,380
Trade and other receivables	7,257	11,555	11,396	14,443	15,029
Amount due from ultimate holding company	8,414	10,409	–	–	–
Tax recoverable	274	–	581	398	398
Pledged bank deposits	–	–	–	200	200
Bank balances and cash	2,785	5,347	2,499	2,718	1,761
	<u>28,348</u>	<u>38,222</u>	<u>24,439</u>	<u>29,470</u>	<u>29,768</u>
Total current assets					
Current liabilities					
Trade and other payables	6,474	6,579	10,127	14,574	16,890
Deferred revenue	–	689	796	73	73
Income tax liabilities	–	761	–	–	–
Interest-bearing borrowings	4,370	3,449	7,556	9,154	8,669
	<u>10,844</u>	<u>11,478</u>	<u>18,479</u>	<u>23,801</u>	<u>25,632</u>
Total current liabilities					
Net current assets	<u><u>17,504</u></u>	<u><u>26,744</u></u>	<u><u>5,960</u></u>	<u><u>5,669</u></u>	<u><u>4,136</u></u>

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Our net current assets position increased from approximately HK\$17.5 million as at 31 March 2015 to approximately HK\$26.7 million as at 31 March 2016, representing an increase of approximately HK\$9.2 million or 52.8%. The significant increase was mainly attributable to the increase in our total current assets from approximately HK\$28.3 million as at 31 March 2015 to approximately HK\$38.2 million as at 31 March 2016, primarily due to the increase in trade and other receivables of approximately HK\$4.3 million, the amount due from our ultimate holding company, namely Tiptop, of approximately HK\$2.0 million and banks balances and cash of approximately HK\$2.6 million. This was partially offset by the increase in our total current liabilities from approximately HK\$10.8 million as at 31 March 2015 to approximately HK\$11.5 million as at 31 March 2016, representing an increase of approximately HK\$0.6 million or 5.8% which was mainly attributable to the income tax liabilities of approximately HK\$0.8 million.

Our net current assets position decreased from approximately HK\$26.7 million as at 31 March 2016 to approximately HK\$6.0 million as at 31 March 2017, representing a decrease of approximately HK\$20.8 million or 77.7%. The significant decrease was mainly attributable to (i) the decrease in our total current assets from approximately HK\$38.2 million as at 31 March 2016 to approximately HK\$24.4 million as at 31 March 2017, primarily attributable to the decrease in the amount due from our ultimate holding company, namely Tiptop, which was offset by the interim dividend of approximately HK\$10.4 million declared on 30 June 2016; and (ii) the increase in our total current liabilities from approximately HK\$11.5 million as at 31 March 2016 to approximately HK\$18.5 million as at 31 March 2017, primarily attributable to the increase in trade and other payables due to the accrued listing-related expenses and the increase in bank borrowings.

Our net current assets position decreased from approximately HK\$6.0 million as at 31 March 2017 to approximately HK\$5.7 million as at 30 September 2017, representing a decrease of approximately HK\$0.3 million or 4.9%. The decrease was mainly attributable to the increase in our total current liabilities from approximately HK\$18.5 million as at 31 March 2017 to approximately HK\$23.8 million as at 30 September 2017, primarily attributable to (i) the increase in trade and other payables due to the accrued listing-related expenses; and (ii) the increase in interest-bearing borrowings of approximately HK\$1.6 million, which was partially offset by (i) the increase in trade and other receivables of approximately HK\$3.0 million; and (ii) the increase in inventories of approximately HK\$1.7 million. Our net current assets position further decreased to approximately HK\$4.1 million as at 30 November 2017, primarily attributable to the increase in trade and other payables.

FINANCIAL INFORMATION

DISCUSSION ON SELECTED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

Inventories

Our inventories, which consists of finished goods which we purchased from our suppliers, increased from approximately HK\$9.6 million as at 31 March 2015 to approximately HK\$10.9 million as at 31 March 2016 in anticipation of increased demand for our products in the coming months. Our inventories decreased slightly from approximately HK\$10.9 million as at 31 March 2016 to approximately HK\$10.0 million as at 31 March 2017 and increased to approximately HK\$11.7 million as at 30 September 2017, which was mainly in line with the change in revenue.

The table below sets out our average inventory turnover days as at the periods indicated:

	Year ended 31 March			Six months ended
	2015	2016	2017	30 September 2017
Average inventory turnover days ⁽¹⁾ (days)	153	139	145	152

Note: (1) Average inventory turnover days is calculated as the average of the beginning and ending inventory balances for the period, divided by the cost of sales for that period, multiplied by 365 days (for the full-year period) or 183 days (for the six-month period).

For FY2015, FY2016, FY2017 and the six months ended 30 September 2017, our average inventory turnover days were approximately 153 days, 139 days, 145 days and 152 days, respectively. The decrease in our average inventory turnover days for FY2016 as compared to FY2015 was primarily due to the increase in sales resulting from the renovation of our Flagship Store to showcase more of our products and enhance our customers' shopping experience. Our average inventory turnover days for FY2017 as compared to FY2016, and for the six months ended 30 September 2017 as compared to FY2017, remained relatively stable.

We have an inventory management policy in place to manage our inventory levels and we review our inventory levels from time to time. In general, we maintain a stock level sufficient for supply of products for three months. During the Track Record Period, we neither made any inventory provision nor wrote off significant amount of inventories since our Directors consider that our products are durable and are not significantly impacted by changes in fashion and seasonality (except for seasonal or festive products such as Christmas decorations) and that we will offer discount to slow moving stock while maintaining a reasonable profit margin, typically twice a year or when necessary. For more information of our inventory policy, please refer to the section headed "Business – Inventory" in this prospectus.

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The following table sets forth the aging analysis for our inventories as at the dates indicated:

	2015	As at 31 March	2017	As at
	<i>HK\$'000</i>	<i>2016</i>	<i>HK\$'000</i>	30 September
		<i>HK\$'000</i>	<i>HK\$'000</i>	2017
				<i>HK\$'000</i>
Within 90 days	6,582	6,410	5,407	6,899
91-180 days	1,508	1,606	1,992	1,947
Over 180 days	1,528	2,895	2,564	2,865
	<u>9,618</u>	<u>10,911</u>	<u>9,963</u>	<u>11,711</u>
Subsequent usage up to the Latest Practicable Date	9,422	10,498	7,267	6,687

Inventories aged within 90 days represented approximately 68.4%, 58.7%, 54.3% and 58.9% of our Group's inventories as at 31 March 2015, 2016, 2017 and 30 September 2017, respectively. Since our Group adopted an inventory policy of maintaining a stock level sufficient for supply of products for three months, the majority of our inventories aged within 90 days. The decrease in inventories aged within 90 days as at 31 March 2016 as compared to 31 March 2015 was mainly due to the completion of the renovation at our Flagship Store in February 2015. Our Directors believe that the increased floor space after the store renovation enabled us to showcase more of our products and enhance our customers' shopping experience which was reflected by an increase in sales of our Flagship Store and the lower level of inventories in our warehouses aged within 90 days. Our Directors consider that the decrease in inventories aged within 90 days as at 31 March 2017 as compared to 31 March 2016 was primarily due to the sales resulting from the opening of our Sha Tin Store in October 2016. The increase in inventories aged within 90 days as at 30 September 2017 as compared to 31 March 2017 was primarily due to the increase in revenue.

As at the Latest Practicable Date, approximately 98.0%, 96.2%, 72.9% and 57.1% of our inventories in the amount of approximately HK\$9.4 million, HK\$10.5 million, HK\$7.3 million and HK\$6.7 million as at 31 March 2015, 31 March 2016, 31 March 2017 and 30 September 2017 were subsequently sold, respectively, and approximately 89.1% and 36.1% of our inventories in the amount of approximately HK\$1.7 million and HK\$1.0 million aged within 91 to 180 days and over 180 days as at 30 September 2017, respectively, were subsequently sold.

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Trade and other receivables

The following table sets forth a breakdown of our Group's trade and other receivables as at the dates indicated:

	As at 31 March			As at 30 September
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables				
From customers, payment vendors and our PRC Distributor	269	1,863	318	1,511
From a related company	778	–	–	–
	<u>1,047</u>	<u>1,863</u>	<u>318</u>	<u>1,511</u>
Other receivables				
Deposits, prepayments and other receivables	4,387	4,976	5,226	5,718
Prepayment to suppliers	1,206	1,651	1,140	886
Amount due from a related company	617	467	471	471
Prepaid/Deferred listing costs	–	2,598	4,241	5,857
	<u>6,210</u>	<u>9,692</u>	<u>11,078</u>	<u>12,932</u>
	<u><u>7,257</u></u>	<u><u>11,555</u></u>	<u><u>11,396</u></u>	<u><u>14,443</u></u>

Trade receivables

Our trade receivables consisted of trade receivables from customers, payment vendors and our PRC Distributor. As at 31 March 2015 and 2016, our trade receivables amounted to approximately HK\$1.0 million and HK\$1.9 million respectively. The increase by approximately HK\$0.8 million as at 31 March 2016 as compared to 31 March 2015 was mainly attributable to the increase in trade receivables from our PRC Distributor of approximately HK\$1.6 million. As at 31 March 2017, our trade receivables amounted to approximately HK\$0.3 million. The decrease in trade receivables by approximately HK\$1.5 million as at 31 March 2017 as compared to that as at 31 March 2016 was primarily attributable to the settlement from our PRC Distributor. As at 30 September 2017, our trade receivables amounted to approximately HK\$1.5 million. The increase in our trade receivables as at 30 September 2017 as compared to 31 March 2017 was mainly attributable to trade receivables from our PRC Distributor of approximately HK\$0.4 million and trade receivables for sale of furniture and home accessories relating to a consulting project of approximately HK\$0.6 million.

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The ageing analysis of our trade receivables based on recognition date is as at the dates indicated:

	2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	As at 30 September 2017 <i>HK\$'000</i>
1 – 30 days	1,024	1,073	298	631
31 – 90 days	16	256	19	855
91 – 180 days	–	534	1	–
181 – 365 days	4	–	–	25
Over 1 year	3	–	–	–
	<u>1,047</u>	<u>1,863</u>	<u>318</u>	<u>1,511</u>

Our trade receivables aged within 30 days remained stable at approximately HK\$1.0 million and HK\$1.1 million as at 31 March 2015 and 31 March 2016, respectively. It decreased to approximately HK\$0.3 million as at 31 March 2017, primarily due to the settlement from our PRC Distributor. It increased to approximately HK\$0.6 million as at 30 September 2017, mainly due to the addition of trade receivables from customers of the Direct Sales and a customer of our styling and consulting services. Our trade receivables aged between 31 days and 180 days increased by approximately HK\$0.8 million as at 31 March 2016 as compared to that as at 31 March 2015, mainly due to the addition of trade receivables from our PRC Distributor. As at 31 March 2017, our trade receivables between 31 days and 180 days decreased by approximately HK\$0.8 million due to the settlement from our PRC Distributor. Our trade receivables aged between 31 days and 180 days increased by approximately HK\$0.8 million as at 30 September 2017 as compared to 31 March 2017, mainly due to trade receivables from our PRC Distributor and a customer of our styling and consulting services who purchased furniture from us.

As at 31 March 2015, 2016, 2017 and 30 September 2017, the ageing analysis of our Group's trade receivables that were past due as at the dates indicated but not impaired based on due date are as follows:

	2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	As at 30 September 2017 <i>HK\$'000</i>
1 – 90 days past due	892	1,322	110	936
91 – 180 days past due	–	534	1	–
181 – 365 days past due	4	–	–	25
Over 1 year past due	3	–	–	–
	<u>899</u>	<u>1,856</u>	<u>111</u>	<u>961</u>

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Our trade receivables that were past due but not impaired increased by approximately HK\$1.0 million between 31 March 2015 and 31 March 2016. Such increase was mainly due to the increase in trade receivables that were past due but not impaired within 180 days past due. As at 31 March 2017, the decrease in our trade receivables that were past due but not impaired as compared to that as at 31 March 2016 was due to the settlement from our PRC Distributor. Our trade receivables that were past due but not impaired increased by approximately HK\$0.9 million between 31 March 2017 and 30 September 2017. Such increase was mainly due to the increase in trade receivables that were past due but not impaired within 90 days past due. Our Directors were of the view that such trade receivables related to customers for whom there is no significant financial difficulties and based on our experience, no impairment allowance was necessary in respect of these overdue balances and such amounts were still considered recoverable based on historical experience. Our Directors confirmed that we did not hold any collateral in respect of trade receivables past due but not impaired.

Our Directors noted that most of the trade receivables for FY2016 were due from our PRC Distributor. Under the Distribution Agreement, we do not grant any credit term to our PRC Distributor. We started the distribution arrangement with our PRC Distributor in June 2015. To assist our PRC Distributor in establishing its retail store in Beijing, the PRC, and enhance the relationship with our PRC Distributor, we allowed a longer settlement period in FY2016, FY2017 and for the six months ended 30 September 2017. For more details, please refer to the section headed “Business – Distribution and Licence – A. Distribution and licence with our PRC Distributor” in this prospectus.

As at 31 March 2015, 2016, 2017 and 30 September 2017, our Group reviewed trade receivables for evidence of impairment on an individual basis and we have determined trade receivables of nil, approximately HK\$38,000, nil and nil, respectively, as individually impaired and written off as bad debts since we considered the possibility of recovery was small.

The table below sets out the average turnover days of trade receivables for the period indicated:

	2015	Year ended 31 March 2016	2017	Six months ended 30 September 2017
Average trade receivables turnover days ⁽¹⁾ (days)	4	6	5	4

Note: (1) Average trade receivables turnover days is calculated as the average of the beginning and ending trade receivables for the period, divided by our revenue for that period, multiplied by 365 days (for the full-year period) or 183 days (for the six-month period).

For FY2015, FY2016, FY2017 and the six months ended 30 September 2017, our average trade receivables turnover days were approximately 4 days, 6 days, 5 days and 4 days, respectively, remaining at a similar level.

At the Latest Practicable Date, approximately 98.0% of our trade receivables in the amount of approximately HK\$1.5 million as at 30 September 2017 have been settled.

FINANCIAL INFORMATION

Other receivables

Our other receivables consisted of (i) deposits, prepayments and other receivables which mainly represented rental deposits, utilities deposits, trade deposits, prepayments and amounts due from other debtors; (ii) prepayment to suppliers; (iii) amount due from a related company, namely, Trading (China); and (iv) prepaid or deferred listing expenses. The amount due from a related company was unsecured, interest-free and repayable on demand, which shall be settled before Listing.

Our other receivables increased by approximately HK\$3.5 million from 31 March 2015 to 31 March 2016. Such increase was mainly due to (i) an increase in deposits, prepayments and other receivables of approximately HK\$0.6 million which was mainly due to expenses incurred on behalf of our PRC Distributor in relation to the printing of promotional and marketing materials to be used in its retail store in Beijing; and (ii) an increase in prepaid or deferred listing expenses of approximately HK\$2.6 million which will be accounted for as an expense or a deduction from equity upon listing. Our other receivables increased by approximately HK\$1.4 million from 31 March 2016 to 31 March 2017 and increased by approximately HK\$1.9 million from 31 March 2017 to 30 September 2017 primarily due to the increase in prepaid or deferred listing expenses.

As at 31 March 2015, 2016 and 2017 and 30 September 2017, none of the amounts included in other receivables were either past due or impaired.

Amount due from ultimate holding company

The amount due from the ultimate holding company of our Company, namely Tiptop, was non-trade in nature, unsecured, interest-free and repayable on demand. During FY2015, Ms. Haslock and American Tree assigned their amounts due to our Group of approximately HK\$6.4 million and HK\$2.0 million respectively to Tiptop. The maximum outstanding amount due from Tiptop during FY2015, FY2016 and FY2017 and the six months ended 30 September 2017 amounted to approximately HK\$8.4 million, HK\$10.4 million, HK\$10.4 million and nil, respectively. The carrying amount of the amounts due approximated their fair values.

The amount due from Tiptop of HK\$10.4 million as at 31 March 2016 was subsequently set off by an interim dividend declared on 30 June 2016. No amount was due from Tiptop as at 30 September 2017 and the Latest Practicable Date.

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Trade and other payables

The following table sets forth the breakdown of our Group's trade and other payables for the dates indicated:

	2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	As at 30 September 2017 <i>HK\$'000</i>
Trade payables				
Amounts due to suppliers	519	331	255	829
Other payables				
Accrued charges and other payables	1,051	1,727	3,407	8,039
Deposits receipt in advance	4,904	4,521	6,465	5,706
	<u>5,955</u>	<u>6,248</u>	<u>9,872</u>	<u>13,745</u>
	<u>6,474</u>	<u>6,579</u>	<u>10,127</u>	<u>14,574</u>

Trade 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. However, our Directors confirm that given the business relationship with our Group, some of our suppliers are willing to arrange delivery of products before receiving full payments from our Group. This gave rise to the accounts payables balances of the Group as at the respective year/period ends during the Track Record Period. As at 31 March 2015, 2016, 2017 and 30 September 2017, our trade payables amounted to approximately HK\$0.5 million, HK\$0.3 million, HK\$0.3 million and HK\$0.8 million, respectively.

The ageing analysis of our trade payables based on recognition date for the dates indicated:

	2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	As at 30 September 2017 <i>HK\$'000</i>
0 – 30 days	517	331	245	811
31 – 60 days	2	–	10	14
61-90 days	–	–	–	4
	<u>519</u>	<u>331</u>	<u>255</u>	<u>829</u>

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The table below sets out the average turnover days of trade payable for the period indicated:

	Year ended 31 March			Six months ended
	2015	2016	2017	30 September 2017
Average trade payable turnover days ⁽¹⁾ (days)	7	6	4	8

Note: (1) Average trade payables turnover days is calculated as the average of the beginning and ending trade payables for the period, divided by our cost of sales for that period, multiplied by 365 days (for the full-year period) or 183 days (for the six-month period).

For FY2015, FY2016, FY2017 and the six months ended 30 September 2017, our average trade payables turnover days were approximately 7 days, 6 days, 4 days and 8 days respectively, which remained stable.

At the Latest Practicable Date, approximately 99.0% of our trade payables as at 30 September 2017 were subsequently settled.

Other payables

Our other payables comprised accrued charges and other payables which is mainly represented by renovation expenses payable and accrued listing-related expense; and deposits received in advance which represented unrecognised revenue from customers where delivery of products is required and pending. Our other payables amounted to approximately HK\$6.0 million and HK\$6.2 million as at 31 March 2015 and 31 March 2016 respectively representing an increase of approximately HK\$0.3 million. Such increase was mainly due to the increase in accrued charges and other payables of approximately HK\$0.7 million primarily attributable to the increase in provision for long service award and Directors' fees accrued for FY2016, partially offset by a decrease in deposits receipt in advance of approximately HK\$0.4 million.

Our other payables as at 31 March 2017 increased to approximately HK\$9.9 million primarily due to the increase in accrued listing expenses and deposits receipt in advance from customers.

Our other payables further increased to approximately HK\$13.7 million as at 30 September 2017. Such increase was mainly due to the increase in accrued charges and payables, primarily caused by the increase in accrued listing expenses of approximately HK\$4.5 million.

Our Directors confirm that we had no default or delay in settlement of trade and other payables during the Track Record Period that would have a material impact on our business, financial condition or results of operation. We will continue monitoring our liquidity requirements on a regular basis to ensure that sufficient working capital is maintained.

FINANCIAL INFORMATION

Deferred revenue

Our deferred revenue represented (i) distribution and licence fee received in advance which was recognised over the distribution period commencing from July in each year as stipulated in the Framework Distribution Agreement, under which we are expected to receive an annual fixed non-refundable distribution fee from our PRC Distributor; and (ii) gift vouchers sold but not yet redeemed. For details of the Distribution Agreement, please refer to the section headed “Business – Distribution and Licence – A. Distribution and licence with our PRC Distributor” in this prospectus.

We recorded nil, approximately HK\$0.7 million, HK\$0.8 million and HK\$0.1 million of deferred revenue as at 31 March 2015, 2016, 2017 and 30 September 2017, respectively.

We introduced gift vouchers during FY2016. We recorded nil, approximately HK\$89,000, HK\$116,000 and HK\$73,000 of gift vouchers that were sold but not yet redeemed as at 31 March 2015, 2016, 2017 and 30 September 2017, respectively.

Interest-bearing borrowings

As at 31 March 2015, 2016, 2017 and 30 September 2017, our Group recorded interest-bearing borrowings of approximately HK\$4.4 million, HK\$3.4 million, HK\$7.6 million and HK\$9.5 million, respectively. Except for the finance lease liabilities of approximately HK\$0.5 million as at 30 September 2017, all of the interest-bearing borrowings contain a repayable on demand clause and are therefore classified under current liabilities. For details of our interest-bearing borrowings, please refer to the paragraph headed “Indebtedness” in this section.

FINANCIAL INFORMATION

SENSITIVITY AND BREAKEVEN ANALYSIS

Sensitivity analysis – revenue

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in revenue on our profit before income tax and profit after income tax during the Track Record Period, holding all other variables constant. Our revenue was approximately HK\$65.3 million, HK\$81.9 million, HK\$77.3 million and HK\$40.6 million for FY2015, FY2016, FY2017 and the six months ended 30 September 2017, respectively. Fluctuations are assumed to be 25%, 30% and 35% for FY2015, FY2016, FY2017 and the six months ended 30 September 2017, respectively.

Changes in revenue	+35%	+30%	+25%	-25%	-30%	-35%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase/(Decrease) in profit before income tax for FY2015	22,838	19,576	16,313	(16,313)	(19,576)	(22,838)
Increase/(Decrease) in profit before income tax for FY2016	28,657	24,563	20,469	(20,469)	(24,563)	(28,657)
Increase/(Decrease) in profit before income tax for FY2017	27,061	23,195	19,329	(19,329)	(23,195)	(27,061)
Increase/(Decrease) in profit before income tax for the six months ended 30 September 2017	14,196	12,168	10,140	(10,140)	(12,168)	(14,196)
Increase/(Decrease) in profit after income tax for FY2015	19,070	16,346	13,621	(13,621)	(16,346)	(19,070)
Increase/(Decrease) in profit after income tax for FY2016	23,929	20,510	17,092	(17,092)	(20,510)	(23,929)
Increase/(Decrease) in profit after income tax for FY2017	22,596	19,368	16,140	(16,140)	(19,368)	(22,596)
Increase/(Decrease) in profit after income tax for the six months ended 30 September 2017	11,854	10,160	8,467	(8,467)	(10,160)	(11,854)

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Sensitivity analysis – cost of sales

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in cost of sales on our profit before income tax and profit after income tax during the Track Record Period, holding all other variables constant. Our cost of sales was approximately HK\$21.0 million, HK\$27.0 million, HK\$26.3 million and HK\$13.1 million for FY2015, FY2016, FY2017 and the six months ended 30 September 2017, respectively. Fluctuations are assumed to be 25%, 30% and 35% for FY2015, FY2016, FY2017 and the six months ended 30 September 2017, respectively.

Changes in cost of sales	+35%	+30%	+25%	-25%	-30%	-35%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Decrease)/Increase in profit before income tax for FY2015	(7,336)	(6,288)	(5,240)	5,240	6,288	7,336
(Decrease)/Increase in profit before income tax for FY2016	(9,460)	(8,109)	(6,757)	6,757	8,109	9,460
(Decrease)/Increase in profit before income tax for FY2017	(9,206)	(7,891)	(6,576)	6,576	7,891	9,206
(Decrease)/Increase in profit before income tax for the six months ended 30 September 2017	(4,570)	(3,917)	(3,265)	3,265	3,917	4,570
(Decrease)/Increase in profit after income tax for FY2015	(6,125)	(5,250)	(4,375)	4,375	5,250	6,125
(Decrease)/Increase in profit after income tax for FY2016	(7,899)	(6,771)	(5,642)	5,642	6,771	7,899
(Decrease)/Increase in profit after income tax for FY2017	(7,687)	(6,589)	(5,491)	5,491	6,589	7,687
(Decrease)/Increase in profit after income tax for the six months ended 30 September 2017	(3,816)	(3,271)	(2,726)	2,726	3,271	3,816

FINANCIAL INFORMATION

Sensitivity analysis – rental payments and related expenses

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in rental payments and related expenses on our profit before income tax and profit after income tax during the Track Record Period, holding all other variables constant. Our rental payments and related expenses were approximately HK\$12.0 million, HK\$12.3 million, HK\$12.3 million and HK\$6.7 million for FY2015, FY2016, FY2017 and the six months ended 30 September 2017, respectively. Fluctuations are assumed to be 5%, 10% and 15% for FY2015, FY2016, FY2017 and the six months ended 30 September 2017, respectively.

Changes in rental payments and related expenses	+15%	+10%	+5%	-5%	-10%	-15%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Decrease)/Increase in profit before income tax for FY2015	(1,802)	(1,201)	(601)	601	1,201	1,802
(Decrease)/Increase in profit before income tax for FY2016	(1,849)	(1,232)	(616)	616	1,232	1,849
(Decrease)/Increase in profit before income tax for FY2017	(1,843)	(1,228)	(614)	614	1,228	1,843
(Decrease)/Increase in profit before income tax for the six months ended 30 September 2017	(1,002)	(668)	(334)	334	668	1,002
(Decrease)/Increase in profit after income tax for FY2015	(1,504)	(1,003)	(501)	501	1,003	1,504
(Decrease)/Increase in profit after income tax for FY2016	(1,544)	(1,029)	(515)	515	1,029	1,544
(Decrease)/Increase in profit after income tax for FY2017	(1,539)	(1,026)	(513)	513	1,026	1,539
(Decrease)/Increase in profit after income tax for the six months ended 30 September 2017	(837)	(558)	(279)	279	558	837

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Sensitivity analysis – staff costs

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in staff costs on our profit before income tax and profit after income tax during the Track Record Period, holding all other variables constant. Our staff cost was approximately HK\$13.4 million, HK\$19.7 million, HK\$22.7 million and HK\$10.5 million for FY2015, FY2016, FY2017 and the six months ended 30 September 2017, respectively. Fluctuations are assumed to be 25%, 30% and 35% for FY2015, FY2016 and FY2017 and the six months ended 30 September 2017, respectively.

Changes in staff costs	+35%	+30%	+25%	-25%	-30%	-35%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Decrease)/Increase in profit before income tax for FY2015	(4,701)	(4,029)	(3,358)	3,358	4,029	4,701
(Decrease)/Increase in profit before income tax for FY2016	(6,883)	(5,900)	(4,916)	4,916	5,900	6,883
(Decrease)/Increase in profit before income tax for FY2017	(7,937)	(6,803)	(5,669)	5,669	6,803	7,937
(Decrease)/Increase in profit before income tax for the six months ended 30 September 2017	(3,687)	(3,160)	(2,634)	2,634	3,160	3,687
(Decrease)/Increase in profit after income tax for FY2015	(3,925)	(3,364)	(2,804)	2,804	3,364	3,925
(Decrease)/Increase in profit after income tax for FY2016	(5,747)	(4,926)	(4,105)	4,105	4,926	5,747
(Decrease)/Increase in profit after income tax for FY2017	(6,627)	(5,680)	(4,734)	4,734	5,680	6,627
(Decrease)/Increase in profit after income tax for the six months ended 30 September 2017	(3,079)	(2,639)	(2,199)	2,199	2,639	3,079

Breakeven analysis

For FY2015, it is estimated that, holding all other variables constant, our Group would achieve breakeven (i) with a decrease in revenue of approximately 12.5%; (ii) with an increase in cost of sales of approximately 38.8%; (iii) with an increase in rental payments and related expenses of approximately 67.7%; or (iv) with an increase in staff costs of approximately 60.5%.

For FY2016, it is estimated that, holding all other variables constant, our Group would achieve breakeven (i) with a decrease in revenue of approximately 11.4%; (ii) with an increase in cost of sales of approximately 34.5%; (iii) with an increase in rental payments and related expenses of approximately 75.7%; or (iv) with an increase in staff costs of approximately 47.5%.

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For FY2017, it was estimated that, holding all other variables constant, our Group would achieve breakeven (i) with an increase in revenue of approximately 11.1%; (ii) with a decrease in cost of sales of approximately 32.5%; (iii) with a decrease in rental payments and related expenses of approximately 69.7%; or (iv) with a decrease in staff costs of approximately 37.8%.

For the six months ended 30 September 2017, it is estimated that, holding all other variables constant, our Group would achieve breakeven (i) with an increase in revenue of approximately 4.2%; (ii) with a decrease in cost of sales of approximately 13.1%; (iii) with a decrease in rental payments and related expenses of approximately 25.6%; or (iv) with a decrease in staff costs of approximately 16.2%.

KEY FINANCIAL RATIOS

The following table sets forth our Group's key financial ratios for the dates/period indicated below:

	Year ended/as at 31 March			Six months ended/as at 30 September
	2015	2016	2017	2017
Return on total assets ⁽¹⁾ (%)	21.1	18.1	N/A ⁽⁸⁾	N/A ⁽⁸⁾
Return on equity ⁽²⁾ (%)	31.9	24.7	N/A ⁽⁸⁾	N/A ⁽⁸⁾
Interest coverage ⁽³⁾ (times)	53.3	62.2	N/A ⁽⁸⁾	N/A ⁽⁸⁾
Current ratio ⁽⁴⁾ (times)	2.6	3.3	1.3	1.2
Quick ratio ⁽⁵⁾ (times)	1.7	2.4	0.8	0.7
Gearing ratio ⁽⁶⁾ (%)	20.5	10.9	66.5	90.1
Net debt-to-equity ratio ⁽⁷⁾ (%)	7.4	Net cash	44.5	62.5

Notes:

- (1) Return on total assets is calculated based on the net profit for the period divided by the total assets at the end of the respective period and multiplied by 100%.
- (2) Return on equity is calculated based on the net profit for the period divided by the total equity at the end of the respective period and multiplied by 100%.
- (3) Interest coverage is calculated based on the profit before interest and tax for the period divided by the interest expenses for the respective period.
- (4) Current ratio is calculated based on the total current assets at the end of the respective period divided by the total current liabilities at the end of the respective period.
- (5) Quick ratio is calculated based on the total current assets (excluding inventories) at the end of the respective period divided by the total current liabilities at the end of the respective period.
- (6) Gearing ratio is calculated based on the total debt at the end of the respective period divided by the total equity at the end of the respective period. Total debt represents all interest-bearing loans.
- (7) Net debt-to-equity ratio is calculated based on net debt at the end of the respective period divided by the total equity at the end of the respective period. Net debt represents total debt net of bank balances and cash and pledged bank deposits.

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- (8) This number is not meaningful because we had loss before interest and tax and net loss for FY2017 and for the six months ended 30 September 2017.

Return on total assets

Our return on total assets decreased from approximately 21.1% for FY2015 to approximately 18.1% for FY2016. Such decrease was mainly due to the increase in our total assets primarily resulting from increases in trade and other receivables and bank balance and cash.

Return on equity

Our return on equity decreased from approximately 31.9% for FY2015 to approximately 24.7% for FY2016. Such decrease was mainly due to the increase in our total equity primarily resulting from our profit accumulation.

Interest coverage

Our interest coverage increased from approximately 53.3 times for FY2015 to approximately 62.2 times for FY2016, which was primarily due to the increase in our profit before interest and tax.

Current ratio

As at 31 March 2015 and 2016, our Group recorded a current ratio of approximately 2.6 times and 3.3 times respectively. Such increase was mainly due to the increase in our current assets primarily resulting from the increase in trade and other receivables and bank balance and cash. Our current ratio decreased to approximately 1.3 times as at 31 March 2017 mainly due to the decrease in our current assets primarily resulting from the decrease in amount due from our ultimate holding company and the increase in our current liabilities primarily resulting from the increase in trade and other payables and bank borrowings. Our current ratio maintained stable as at 30 September 2017 at approximately 1.2 times.

Quick ratio

As at 31 March 2015 and 2016, our Group recorded a quick ratio of approximately 1.7 times and 2.4 times, respectively. Such increase was mainly due to the increase in our current assets primarily resulting from the increase in trade and other receivables and bank balance and cash. Our quick ratio decreased to approximately 0.8 times as at 31 March 2017 mainly due to the decrease in our current assets primarily resulting from the decrease in amount due from our ultimate holding company and the increase in our current liabilities primarily resulting from the increase in trade and other payables and bank borrowings. Our quick ratio maintained stable as at 30 September 2017 at approximately 0.7 times.

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Gearing ratio

As at 31 March 2015 and 2016, our Group recorded a gearing ratio of approximately 20.5% and 10.9% respectively. Such decrease was mainly due to the repayment of bank borrowings and the increase in total equity in FY2016. Our gearing ratio increased to approximately 66.5% as at 31 March 2017 and approximately 90.1% as at 30 September 2017, mainly due to the decrease in total equity and the increase in bank borrowings.

Net debt-to-equity ratio

As at 31 March 2015, our Group recorded a net debt-to-equity ratio of approximately 7.4%. We were in a net cash position as at 31 March 2016. Our net debt-to-equity ratio changed from a net cash position to approximately 44.5% as at 31 March 2017 and approximately 62.5% as at 30 September 2017, due to the decrease in total equity and the increase in bank borrowings.

CAPITAL EXPENDITURE

Our capital expenditure on property, plant and equipment during the Track Record Period primarily represented the purchase of a truck, office equipments, computer equipments and renovations of our Flagship Store and Sha Tin Store. Our incurred capital expenditure for FY2015, FY2016, FY2017 and the six months ended 30 September 2017 amounted to approximately HK\$0.9 million, HK\$1.5 million, HK\$1.8 million and HK\$0.6 million, respectively. We also incurred capital expenditure on intangible assets which mainly represented website development costs. For FY2015, we had no intangible assets. For FY2016, we capitalised intangible assets of approximately HK\$0.5 million due to the costs incurred in relation to redesigning our website. For FY2017, we incurred capital expenditure on renovation of our Sha Tin Store and purchase of office equipment. For the six months ended 30 September 2017, we incurred capital expenditure of approximately HK\$0.5 million on purchase of a motor vehicle. Our Group had no capital expenditures contracted but not yet incurred and provided for as at the relevant balance sheet dates during the Track Record Period.

Planned capital expenditures

Save for the planned usage from the net proceeds from the Share Offer as disclosed in the “Future plans and use of proceeds” in this prospectus and the additions of property, plant and equipment necessary for our business operations which will be made by our Group from time to time, our Group had no material planned capital expenditures as at the Latest Practicable Date.

We expect to fund our contractual commitments and capital expenditures principally through part of the net proceeds we receive from the Share Offer, and cash generated from our operating activities and proceeds from borrowings. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months from the date of this prospectus.

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OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Save as disclosed below, we have not entered into any material off-balance sheet transactions or arrangements during the Track Record Period and up to the Latest Practicable Date.

Operating lease commitments

Our leases such as office, warehouses, shop premises and equipment under operating leases have varying lease terms and renewal rights. One of our leases includes contingent rentals in respect of gross receipts of one of our retail stores. The table below sets forth our future minimum lease payments under non-cancellable operating leases as at the dates indicated.

	As at 31 March			As at
	2015	2016	2017	30 September
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Within one year	10,641	8,531	8,992	10,128
In the second to fifth years	<u>6,027</u>	<u>3,214</u>	<u>11,166</u>	<u>11,591</u>
	<u>16,668</u>	<u>11,745</u>	<u>20,158</u>	<u>21,719</u>

Capital commitments

As at 30 September 2017, our Group had nil contracted but not provided for expenditure in respect of acquisition of property, plant and equipment.

Contingent liabilities

During the Track Record Period and as at the Latest Practicable Date, our Group did not have any material contingent liabilities and was not involved in any material legal proceedings. At the Latest Practicable Date, our Directors were not aware of any pending or potential material legal proceedings involving our Group.

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INDEBTEDNESS

The following table sets forth the borrowings of our Group as at the dates indicated:

	As at 31 March			As at 30 September	As at 30 November
	2015	2016	2017	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank overdraft, unsecured	–	–	2,320	2,670	2,673
Bank loans shown under current liabilities:					
Secured	1,129	953	760	3,060	2,953
Unsecured	3,241	2,496	4,476	3,340	2,957
Finance lease liabilities, secured	–	–	–	463	450
	<u>4,370</u>	<u>3,449</u>	<u>7,556</u>	<u>9,533</u>	<u>9,033</u>

As at 31 March 2015, 2016, 2017, 30 September 2017 and 30 November 2017, our Group's indebtedness was represented by bank borrowings and finance lease liabilities which amounted to approximately HK\$4.4 million, HK\$3.4 million, HK\$7.6 million, HK\$9.5 million and HK\$9.0 million, respectively. As at the close of business on 30 November 2017, we had total banking facilities of approximately HK\$8.9 million from our lending banks, approximately HK\$8.6 million of which was utilised.

Our secured bank borrowings comprised a loan denominated in USD entered into in March 2014. Such bank borrowings were secured, repayable by monthly instalments with a term of seven years from March 2014 bearing interest at floating rates. The effective interest rates of such bank borrowings were approximately 2%, 2.25%, 2.75%, 3% and 3% per annum as at 31 March 2015, 2016, 2017, 30 September 2017 and 30 November 2017, respectively. As at 31 March 2015, 2016, 2017, 30 September 2017 and 30 November 2017, such bank borrowings were secured by our Company's life insurance policy covering Ms. Haslock with a sum insured of approximately US\$1 million (equivalent to approximately HK\$7.8 million). In addition, as at 31 March 2015 and 2016, our secured bank borrowings were guaranteed by Ms. Haslock up to a limit of approximately US\$0.2 million (equivalent to approximately HK\$1.30 million). Such guarantee was released during FY2017. Our Directors confirm that we secured this loan to acquire the said life insurance policy. Our secured bank borrowings also consisted of a loan denominated in HK\$ entered into in February 2017. As at 30 September 2017 and 30 November 2017, such bank borrowings amounted to approximately HK\$2.4 million and HK\$2.3 million, respectively, which were repayable by monthly installments with a term of 5 years and an effective interest rate of 3.75% per annum. As at 30 September 2017 and 30 November 2017, such bank borrowings were secured by our Group's fixed deposits of HK\$200,000 and HK\$200,000, respectively, and were guaranteed by Mr. Tong, our chairman

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and our non-executive Director up to a limit of HK\$2.5 million. According to the bank facility letter dated 24 February 2017, the bank is, in principle, agreeable to release the guarantee and indemnity upon Listing, provided that (i) this prospectus contains no material information, which in the opinion of the bank would adversely affect the bank's position as a lender; and (ii) a guarantee and indemnity be duly executed by the Company.

Our unsecured bank borrowings comprised a loan under the SME Loan Guarantee Scheme – For Working Capital Loans entered into in April 2014. Such bank borrowings were unsecured, repayable by monthly instalments with a term of five years from April 2014 bearing interest at floating rates. In June 2016, such bank borrowings became a straight-line loan. The effective interest rates of such bank borrowing were approximately 4% as at 31 March 2015, 2016, 2017, 30 September 2017 and 30 November 2017. As at 31 March 2016, such bank borrowings were guaranteed by Ms. Haslock for up to a limit of HK\$7.8 million and by the Hong Kong Special Administrative Region under the SME Loan Guarantee Scheme – For Working Capital Loans. Such guarantees were released during FY2017. Our unsecured bank borrowings also comprised a corporate tax loan entered into in January 2017. Such bank borrowings were unsecured, repayable by monthly instalments with a term of two years from January 2017 bearing interest at floating rates. The effective interest rates of such bank borrowings were approximately 3% as at 31 March 2017, 30 September 2017 and 30 November 2017. Such bank borrowings were guaranteed by Mr. Tong, our chairman and our non-executive Director, up to a limit of HK\$6,000,000. According to the bank facility letter dated 4 January 2017, this personal guarantee provided by Mr. Tong will be released upon Listing. It will then be replaced by a corporate guarantee to be executed by the Company. Our Directors confirm that both loans are for general working capital purpose.

The above bank borrowings contain a repayable on demand clause and are shown under current liabilities.

In December 2016, our Group obtained a banking facility in relation to a overdraft facility of HK\$3 million (the “**Overdraft Facility**”), which is subject to a repayable on demand clause. The bank borrowing is secured by a personal guarantee provide by Mr. Tong, our chairman and our non-executive Director, up to a limit of HK\$3 million. According to the bank facility letter dated 8 December 2016, this personal guarantee will be released upon Listing and will then be replaced by a corporate guarantee to be executed by the Company. As at 30 November 2017, approximately HK\$2.7 million of the Overdraft Facility was utilised.

Save as disclosed above, at the Latest Practicable Date, our bank borrowings were not guaranteed and Tree Limited undertakes that Mr. Tong shall provide a limited personal guarantee should the Company not successfully list.

Save as disclosed above, our outstanding bank borrowings did not contain any material covenants.

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The following table sets forth the payment schedule of our bank borrowings as at the dates indicated:

	As at 31 March			As at 30 September	As at 30 November
	2015	2016	2017	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year or on demand	924	958	4,796	5,655	5,675
In the second year	959	994	2,300	1,685	1,293
In the third to fifth year	2,290	1,497	460	1,730	1,615
After the fifth year	197	–	–	–	–
	<u>4,370</u>	<u>3,449</u>	<u>7,556</u>	<u>9,070</u>	<u>8,583</u>

As at 30 September 2017 and 30 November 2017, our total obligations under finance lease amounted to approximately HK\$0.5 million and HK\$0.5 million, respectively. Our obligations under finance lease relates to our purchase of a motor vehicle by way of finance lease arrangement. The interest rate underlying obligations under finance lease was fixed at the contract date and was 2.75% per annum as at 30 September 2017 and 30 November 2017. The obligations under finance lease is guaranteed by Mr. Tong, our chairman and our non-executive Director, and secured by charges over a motor vehicle with carrying values of approximately HK\$0.5 million and HK\$0.5 million, respectively as at 30 September 2017 and 30 November 2017. According to a letter from the bank dated 24 August 2017, the bank in principle agrees to release the personal guarantee upon Listing provided proof is provided that the Group is wholly owned by the corporation incorporated in the Cayman Islands.

The following table sets forth the present value of minimum lease payments as at the dates indicated:

	As at 31 March			As at 30 September	As at 30 November
	2015	2016	2017	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Present value of minimum lease payments:					
Due within one year	–	–	–	84	85
Due in the second to fifth years	–	–	–	379	365
	<u>–</u>	<u>–</u>	<u>–</u>	<u>463</u>	<u>450</u>

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Except as disclosed in the paragraph headed “Indebtedness” above, our Directors confirm that our Group did not have any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as at 30 November 2017, being the latest practicable date for this indebtedness statement. Our Directors further confirm that during the Track Record Period, our Group did not experience any default, delay, withdrawal or request for repayment on demand of borrowings nor did we breach any major finance covenants and that there has not been any material change in our indebtedness and contingent liabilities since 30 November 2017 and up to the Latest Practicable Date. To the best knowledge and belief of our Directors, our Group will not have difficulties in obtaining new banking facilities or renewing banking facilities after Listing. As at the Latest Practicable Date, we did not have any plan for material external debt financing.

Working capital

Our Directors confirm that, taking into account the financial resources presently available to our Group including internal resources, available banking facilities, our cash flows from operating activities, bank balances and cash and estimated net proceeds of the Share Offer, our Group has sufficient working capital for our present capital requirements and for at least the next 12 months from the date of this prospectus. Our Directors further confirm that they are not aware of any other factors that would have a material impact on our Group’s liquidity.

PROPERTY INTERESTS

During the Track Record Period and up to the Latest Practicable Date, we did not own any properties. For further details, please refer to the section headed “Business – Properties” in this prospectus.

LISTING EXPENSES

The estimated total listing expenses (including underwriting commission), which are non-recurring in nature, are expected to be approximately HK\$36.7 million (assuming an Offer Price of HK\$0.15 per Offer Share, being the mid-point of the indicative Offer Price range), of which (i) approximately HK\$11.4 million is directly attributable to the issue of Offer Shares under the Share Offer and is expected to be accounted for as a reduction from equity; and (ii) the remaining amount of approximately HK\$25.3 million is expected to be reflected in the consolidated statements of comprehensive income, of which approximately HK\$1.3 million, HK\$10.1 million and HK\$4.7 million were charged in FY2016, FY2017 and the six months ended 30 September 2017 respectively, and an additional amount of approximately HK\$9.2 million is expected to be recognised in the period subsequent to the Track Record Period and upon Listing. Accordingly, the financial results of our Group for the year ending 31 March 2018 are expected to be materially affected by, among others, the listing expenses in relation to the Share Offer, the nature of which is non-recurring. Such listing expenses comprise a current estimate for reference purpose only, and the actual amount to be recognised is subject to adjustments based on audit and the then changes in variables and assumptions. Prospective

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investors should note that the estimated listing expenses of approximately HK\$9.2 million to be recognised in the period subsequent to the Track Record Period and upon Listing will materially affect our Group's financial performance and condition and results of operations for the year ending 31 March 2018, and may possibly result in a loss.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we (i) sold our products to American Tree, a company controlled by Ms. Haslock, and Wild Orchid, a company significantly influenced by the spouse of Ms. Haslock; and (ii) received consulting income from Wild Orchid for providing styling and consulting services. For details, please refer to the section headed "Connected transactions – Exempt continuing connected transaction" and Note 28 to the Accountants' Report in Appendix I to this prospectus. Our Directors confirm that these transactions were carried in the ordinary course of business.

FINANCIAL RISK MANAGEMENT

We are exposed to various types of market risks as follows. For more details please refer to Appendix I to this prospectus.

Credit Risk

We are exposed to credit risk in relation to our (i) cash and bank deposits; (ii) amount due from our ultimate holding company; and (iii) trade and other receivables.

Our trade receivables were mainly due from our PRC Distributor, customers and payment vendors in cooperation with us. The credit risk for trade receivables is considered negligible as the counterparties have a good track record of credit with our Group and there were no recent history of default in relation to these parties. In addition, our Group reviews the recoverable amount of each individual trade and other receivables regularly and at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts. Given the constant repayment history, our Directors are of the view that the risk of default by these counterparties is low.

At the end of the reporting periods, except for the amounts due from related parties, including our ultimate holding company, which accounted for approximately 30.5%, 25.3%, 1.6% and 1.4% of our Group's total assets as at 31 March 2015, 2016, 2017 and 30 September 2017, respectively, we have no significant concentration of credit risk, with exposure spread over a number of customers and counterparties.

The credit risk for bank balances is considered negligible as the counterparties are reputable banks in Hong Kong with high quality external credit ratings.

Please refer to Note 30.2 to the Accountants' Report in Appendix I to this prospectus for further quantitative disclosures in respect of our Group's exposure to credit risk in relation to financial assets.

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Liquidity risk

Liquidity risk relates to the risk that our Group will not be able to meet our obligations associated with our financial liabilities that are settled by delivering cash or another financial asset. We are exposed to liquidity risk in respect of (i) settlement of trade payables and our financial obligations; and (ii) our cash flow management.

Our Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants and its relationship with our bankers to ensure that our Group maintains sufficient reserves of cash and cash equivalents and committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term.

Please refer to Note 30.3 to the Accountants' Report in Appendix I to this prospectus for further details of our Group's remaining contractual maturities for our financial liabilities as at 31 March 2015, 2016, 2017 and 30 September 2017, based on undiscounted cash flows and the earliest period in which we can be required to pay.

Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in the market interest rates. Our Group's exposure to interest rate risk primarily arises from our interest-bearing bank borrowings. Borrowings bearing variable rates expose our Group to cash flow interest rate risk. As at 31 March 2015, 2016, 2017 and 30 September 2017, the exposure to interest rates for our Group's bank borrowings is considered immaterial.

Foreign currency risk

As our Group's revenue and expenses are mainly denominated in HKD and most of our Group's assets and liabilities are denominated in HKD, which is our functional currency, except for certain overseas purchases, bank balances and bank borrowings which are denominated in USD. We do not have a foreign currency hedging policy as the HKD is pegged to the USD, and thus, foreign exchange exposure is considered as minimal. As at 31 March 2015, 2016, 2017 and 30 September 2017, our Group did not have significant foreign currency risk from its operation.

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UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group prepared in accordance with Rule 7.31 of the GEM Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Share Offer on the net tangible assets of our Group attributable to equity holders of our Company as at 30 September 2017 as if the Share Offer had taken place on that date.

The unaudited pro forma statement of adjusted net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group as at 30 September 2017 or at any future date. The unaudited pro forma statement of adjusted net tangible assets of our Group is prepared based on the audited consolidated net tangible assets of our Group attributable to equity holders of the Company as at 30 September 2017 as set out in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountants' Report.

	Audited consolidated net tangible assets of our Group attributable to equity holders of the Company as at 30 September 2017 HK\$'000 (Note 1)	Estimated net proceeds from the Share Offer HK\$'000 (Note 2)	Unaudited pro forma adjusted net tangible assets of our Group attributable to equity holders of the Company HK\$'000	Unaudited pro forma adjusted net tangible assets per Share HK\$ (Note 3)
Based on the Offer				
Price of HK\$0.13 per Share	10,245	31,522	41,767	0.03
Based on the Offer				
Price of HK\$0.17 per Share	10,245	45,248	55,493	0.04

Notes:

- (1) The audited consolidated net tangible assets of our Group attributable to equity holders of our Company as at 30 September 2017 is extracted from the Accountants' Report in Appendix I to this prospectus, which is based on the audited consolidated net assets of our Group attributable to equity holders of the Company as at 30 September 2017 of HK\$10,585,000 with an adjustment for the intangible assets as at 30 September 2017 of HK\$340,000.

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- (2) The estimated net proceeds from the Share Offer are based on 396,000,000 Offer Shares at the Offer Price of HK\$0.13 and HK\$0.17 per Share after deduction of the estimated underwriting fees and other estimated listing-related expenses expected to be incurred by our Group subsequent to 30 September 2017. The calculation of such estimated net proceeds does not take into account of any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company under the general mandates granted to the Directors.
- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived on the basis of 1,584,000,000 Shares (being the number of ordinary shares expected to be in issue immediately after completion of the Capitalisation Issue and the Share Offer). No account has been taken of any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company under the general mandates granted to the Directors.
- (4) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 30 September 2017.

CAPITAL MANAGEMENT

Our capital management objectives are to safeguard the ability of our Group in continuing as a going concern in order to provide returns for our Shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance Shareholders' value in the long term. Our Group monitors capital by regularly reviewing its capital structure. As part of this review, our Directors consider the cost of capital and the risk associated with the issued share capital. Our Group may adjust the amount of dividends paid to Shareholders, issue new shares or sell assets to reduce debts.

DIVIDEND

On 30 June 2016, we declared an interim dividend of approximately HK\$10.4 million to offset the amount due from Tiptop. On 30 November 2016, we further declared an interim dividend of HK\$5.0 million to our Shareholders.

Save for the above, our Group did not pay or declare any dividend during the Track Record Period and up to the Latest Practicable Date.

Subject to the Companies Law and the Articles, through a general meeting, our Group may declare dividends in any currency but no dividends shall exceed the amount recommended by our Board.

Pursuant to the Articles, our Board may from time to time pay to the Shareholders such interim dividends as appear to our Board to be justified by the financial conditions and the profits of our Company. Our Board may also pay half-yearly or at other suitable intervals to be settled by it any dividend which may be payable at a fixed rate if our Board is of the opinion that the financial conditions and the profits of our Company justify the payment.

Our Group currently does not have a dividend policy nor any fixed dividend pay-out ratio and may distribute dividends by way of cash or by other means that our Directors consider appropriate. The payment and the amount of any dividends will be at the discretion of our Directors and will depend upon our future operations and earnings, capital requirements and

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surplus, general financial condition, contractual restrictions and other factors which our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Law. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year. Investors should note that the historical dividend distributions are not indicative of our Group's future dividend distribution policy.

DISTRIBUTABLE RESERVES

Under the Companies Law, we may pay dividends out of our profits or our share premium account in accordance with the provision of Articles of Association, provided that immediately following the date on which the dividend is proposed to be distributed, we remain able to pay our debts as and when they fall due in the ordinary course of business. As at 30 September 2017, our Company had distributable reserve of approximately HK\$10.3 million.

SUBSEQUENT EVENT

Please refer to Note 32 of the Accountants' Report in Appendix I to this prospectus for significant events of our Group which took place subsequent to 30 September 2017.

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors confirmed that, as at the Latest Practicable Date, there were no circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

RECENT DEVELOPMENT SUBSEQUENT TO THE TRACK RECORD PERIOD AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the date of this prospectus, except as described below, our Directors confirmed that there were no material changes to our business model, revenue structure and cost structure. Our principal business remained sale and distribution of furniture and home accessories, distribution and licencing of our intellectual property rights, provision of styling and consulting services and operation of TREE Café in our Flagship Store.

Our PRC Distributor opened its first retail store (with a café inside) and second retail store (without a café inside) in Chaoyang District, Beijing, the PRC, in March 2016 and February 2017, respectively. In February 2017, through Sanya Jun Lai, our PRC Distributor opened a retail store in Hainan province, the PRC. As advised by our PRC Distributor, it was informed in May 2017 that the location of its first retail store was subject to a change in the policy of the PRC government on the area in which its first retail store was situated and it was requested by the landlord to move out from its first retail store. As a result, in May 2017, our PRC Distributor closed down its first retail store (including the café). As advised by our PRC Distributor, it has been looking for a new location for a new store and café. Our PRC Distributor expects to reopen a new store and café in the first quarter of 2018. As at the Latest

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Practicable Date, our PRC Distributor operated two retail stores, one in Beijing and one in Hainan province, the PRC. We entered into the Renewed Distribution Agreement with our PRC Distributor on 17 October 2017 to renew the Distribution Agreement which will expire on 30 June 2018. The Renewed Distribution Agreement will take effect from 1 July 2018 for a period of three years.

Based on the unaudited financial information, during the two months ended 30 November 2017, we experienced an increase in the Direct Sales and a decrease in our food and beverage income as compared to the corresponding period in 2016.

Prospective investors should note that based on information available as at the Latest Practicable Date, the Directors expect to record a net loss for the year ending 31 March 2018 as the financial performance of our Group for the year ending 31 March 2018 is expected to be materially and adversely affected by (i) the non-recurring expenses in relation to the Listing; and (ii) the share-based compensation expense arising from the incentive shares and put option granted by Tiptop to Ms. Babington under the Incentive Shares Deed. Prospective investors are specifically warned that given the aforesaid expenses, our Group's financial performance for the year ending 31 March 2018 may not be comparable to that of the previous financial years.

Our Directors confirmed that up to the date of this prospectus, save as disclosed above, there has been no material adverse change in our financial or trading position or prospects since 30 September 2017 and there has been no event since 30 September 2017 which would materially affect the information in our consolidated financial statement included in the Accountants' Report set forth in Appendix I to this prospectus, in each case except as otherwise disclosed herein.

FOREIGN EXCHANGE LIABILITIES

As at the Latest Practicable Date, our Group had no material exposure to foreign exchange liabilities.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVES AND STRATEGIES

Our business objective is to maintain our competitiveness in the furniture and home furnishing industry and strengthen our position by capturing a larger market share in Hong Kong. Please refer to the section headed “Business – Our business strategies” in this prospectus for details of our business strategies.

IMPLEMENTATION PLAN

In order to implement our business objectives and strategies, we have adopted an implementation plan for our Group for each of the six-month periods from the Latest Practicable Date until 31 March 2020.

Investors should note that the following implementation plans are formulated on the bases and assumptions referred to in the paragraph headed “Bases and key assumptions” in this section. These bases and assumptions are inherently subject to uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed “Risk factors” in this prospectus. There is no assurance that our plans will materialise in accordance with our expected timeframes or that our objective will be accomplished. Whilst the actual course of events may invariably encounter unforeseeable changes and fluctuations, we shall use our best endeavours to anticipate changes, yet allowing for flexibility to implement the following plans.

Set out below is a summary of the key terms of our implementation plan:

FUTURE PLANS AND USE OF PROCEEDS

For the period from the Latest Practicable Date to 31 March 2018

Business Strategy	Use of Proceeds	Implementation Plan
Promote and strengthen brand image and recognition	HK\$75,000	Recruitment of visual merchandiser to enhance the visual display of our retail stores
	HK\$75,000	Recruitment of a trainer to design and facilitate training programs for all sale executives to enhance their customer service skills
Enhance styling and consulting service	HK\$97,000	Recruitment of project manager to expand our non-retail sales and our distribution network
	HK\$75,000	Recruitment of interior designer to provide consultation advice to our customers
Enhance operational efficiencies	HK\$830,000	Acquisition and integration of new POS system to allow better sales and inventory management

FUTURE PLANS AND USE OF PROCEEDS

For the six months ending 30 September 2018

Business Strategy	Use of proceeds	Implementation Plan
Expand our sales network	HK\$4,980,000	Leasing of two new retail stores to expand our geographic coverage
	HK\$1,992,000	Leasehold improvement for the new retail stores to enhance our customers' shopping experience
	HK\$830,000	Rent and utility deposits for the new retail stores
	HK\$415,000	Renovation and upgrade of our Flagship Store to increase our retail space to showcase more of our products and enhance our customers' shopping experience
	HK\$415,000	Establishment of an e-commerce platform to offer a full shopping experience and diversify our sales channels
	HK\$349,000	Recruitment of staff for e-commerce platform to accommodate our expansion in online sales
	HK\$747,000	Leasing of new warehouse to cater for increase in the demand for our products arising from our new retail stores and online sales

FUTURE PLANS AND USE OF PROCEEDS

Business Strategy	Use of proceeds	Implementation Plan
Promote and strengthen brand image and recognition	HK\$225,000	Recruitment of visual merchandiser to enhance the visual display of our retail stores
	HK\$225,000	Recruitment of a trainer to design and facilitate training programs for all sale executives to enhance their customer service skills
	HK\$249,000	Marketing expense on new store opening to raise our brand awareness
Enhance styling and consulting service	HK\$291,000	Recruitment of project manager to expand our non-retail sales and our distribution network
	HK\$225,000	Recruitment of interior designer to provide consultation advice to our customers
Enhance operational efficiencies	HK\$830,000	Leasehold improvement for a new head office to accommodate the increase in our headcount as a result of our expansion

FUTURE PLANS AND USE OF PROCEEDS

For six months ending 31 March 2019

Business Strategy	Use of proceeds	Implementation Plan
Expand our sales network	HK\$2,490,000	Leasing of a new retail store to expand our geographic coverage
	HK\$996,000	Leasehold improvement for the new retail store to enhance our customers' shopping experience
	HK\$415,000	Rent and utility deposits for the new retail store
	HK\$415,000	Renovation and upgrade of our Flagship Store to increase our retail space to showcase more of our products and enhance our customers' shopping experience
	HK\$349,000	Recruitment of staff for e-commerce platform to accommodate our expansion in online sales
	HK\$747,000	Leasing of new warehouse to cater for increase in the demand for our products arising from our new retail stores and online sales
	Promote and strengthen brand image and recognition	HK\$299,000
HK\$299,000		Recruitment of a trainer to design and facilitate training programs for all sale executives to enhance their customer service skills
HK\$125,000		Marketing expense on new store opening to raise our brand awareness
Enhance styling and consulting service	HK\$388,000	Recruitment of project manager to expand our non-retail sales and our distribution network
	HK\$299,000	Recruitment of interior designer to provide consultation advice to our customers
Enhance operational efficiencies	HK\$455,000	Addition of new delivery truck to accommodate our expansion

FUTURE PLANS AND USE OF PROCEEDS

For the six months ending 30 September 2019

Business Strategy	Use of proceeds	Implementation Plan
Expand our sales network	HK\$349,000	Recruitment of staff for e-commerce platform to accommodate our expansion in online sales
	HK\$747,000	Leasing of new warehouse to cater for increase in the demand for our products arising from our new retail stores and online sales
Promote and strengthen brand image and recognition	HK\$299,000	Recruitment of visual merchandiser to enhance the visual display of our retail stores
	HK\$299,000	Recruitment of a trainer to design and facilitate training programs for all sale executives to enhance their customer service skills
	HK\$125,000	Marketing expense on new store opening to raise our brand awareness
Enhance styling and consulting service	HK\$388,000	Recruitment of project manager to expand our non-retail sales and our distribution network
	HK\$299,000	Recruitment of interior designer to provide consultation advice to our customers

FUTURE PLANS AND USE OF PROCEEDS

REASONS FOR THE LISTING AND USE OF PROCEEDS

Our Directors believe that the Listing will facilitate the implementation of our business strategies as stated in the section headed “Business – Our business strategies” in this prospectus. Our Directors consider the net proceeds from the Listing will provide financial resources to our Group to achieve such business strategies which will facilitate the expansion of our geographical coverage in Hong Kong, further strengthen our market position and expand our market share in the lifestyle furniture and home furnishing market in Hong Kong. We intend to apply a majority of the net proceeds from the Listing to expand our retail network by opening three new retail stores by March 2020. In particular, our Directors believe the commercial rationale of the Listing is as follows:

Our Group can expand with the enhanced operational efficiency

Over the past decade, we did not expand aggressively in view of (i) our Group has only operated our business for around a decade; (ii) the time required to build up our “TREE” brand; (iii) the time required to establish an operational model for our Group including procurement, inventory and treasury cycles; (iv) the risk of giving up product and service quality by expanding too much at an early stage; and (v) the limited human resources available to our Group at that time. Our Directors consider that in order to expand our business, they should focus more on the strategy and business expansion of our Group, and that upgrading our operational capacities including our POS system can enhance efficiency of our operations and optimise our workflow. This will allow our Directors to be able to delegate more operational tasks to other appropriate staff or senior management and focus on the expansion of our business. With the proceeds from the Listing, we can recruit a trainer to design and facilitate training programs for all sales executives to enhance their customer service skills. We can also acquire a new POS system to allow better sales and inventory management. Our Directors expect that it can enhance our operational efficiency and provide our Directors with more resources to expand our business.

Our Group can capitalise on our well-established brand and current market position by expanding our retail network

Since our commencement of business, we have witnessed a growth of our revenue and profit and have built up our brand image. According to the Euromonitor Report, the entry barrier for the lifestyle and home furnishing market is relatively low and there is a significant competition among different retailers. Our Directors consider that we may not maintain our current market position if we only focus on operating our existing retail stores without expansion. In view of the competitive environment, our Directors consider that we have to proactively open more retail stores in different locations in Hong Kong to allow more exposure for our brand to stay competitive.

FUTURE PLANS AND USE OF PROCEEDS

Currently, we operate only three retail stores in Hong Kong Island and the New Territories, namely our Flagship Store, our Sai Kung Store and our Sha Tin Store, without any retail presence in Kowloon, and we derive a majority of our revenue from our Flagship Store. The proposed expansion of our retail network will include leasing of new retail stores, renovation for our new retail stores, leasing of a new warehouse to cater for the increase in demand from our new retail stores and establishment of an e-commerce platform for our online sale. Such expansion can allow us to tap into the lifestyle furniture and home furnishing market in different geographic regions and the online market and reduce our reliance on our Flagship Store.

Our Directors expect that there is sufficient demand to warrant the expansion of our retail network with the proceeds from the Listing

Our Directors consider that the proposed expansion of our retail network allows us to capture the potential demand for our products in the future, as supported by our historical growth and the historical performance, as well as the outlook of the lifestyle furniture and home furnishing market and the property market in Hong Kong as follows:

(i) Historical growth in revenue and profit of our Group

Our revenue and profit has grown since the commencement of our business. Such growth was generally higher than the growth in retail value sales (i.e. a CAGR of 0.8%) for the lifestyle furniture and home furnishing industry in Hong Kong as mentioned in the Euromonitor Report. Our Directors attributed such growth to the increasing demand for our products.

(ii) Historical increase in the number of outlets and retail value sales

According to the Euromonitor Report, despite the decrease in the number of outlets for furniture and home furnishing during the period from 2012 to 2016, the number of outlets for lifestyle furniture and home furnishing in which we operate increased slightly from 62 in 2012 to 63 in 2016. In addition, the retail value sales for the lifestyle furniture and home furnishing industry in Hong Kong increased from approximately HK\$1,285 million in 2012 to approximately HK\$1,362 million in 2016, representing a CAGR of approximately 0.8%.

(iii) Projected growth in retail value sales

Although it is expected that there will be a slight decrease in the number of outlets for lifestyle furniture and home furnishing in the coming years, Euromonitor expects the retail value sales for the lifestyle furniture and home furnishing industry in Hong Kong to increase from approximately HK\$1,383 million in 2017 to approximately HK\$1,489 million in 2021, representing a CAGR of approximately 1.9%, which is higher than the historical growth from 2012 to 2016.

FUTURE PLANS AND USE OF PROCEEDS

(iv) Continuous supply of residential properties

According to the Euromonitor Report, the total number of units of private domestic properties completed increased from 10,149 in 2012 to 14,595 in 2016, representing a CAGR of approximately 9.5%. It is expected to further increase to 17,930 in 2017. Furthermore, the number of units of permanent living quarters in Hong Kong increased from approximately 2.6 million as at 30 September 2012 to approximately 2.8 million as at 30 September 2016, representing an increase of approximately 4.4% or a CAGR of approximately 1.1%. All these indicated a steady growth in the supply of private residential properties.

According to the Euromonitor Report, although the number of sale and purchase agreements for the private domestic property market in Hong Kong has generally declined during the period from 2012 to 2016, the average transaction price and the private domestic price index increased at CAGRs of approximately 8.9% and 8.5%, respectively, over the same period. Our Directors attributed such increase in residential property prices to high demand for residential properties in Hong Kong.

A successful listing can allow our Group to get access to the necessary funds for our expansion plans in the capital market, without negatively affecting our financial position

Prior to the Listing, funding of our business activities was primarily from internally generated cash and bank borrowings. Our Directors consider that opening more retail stores requires substantial capital and start-up costs such as rental deposits and store renovations costs which are not otherwise available from our existing internal resources and banking facilities. As we do not have sufficient fixed assets available for security or pledge, it is difficult for us to obtain bank loans on commercially acceptable terms that are sufficient to finance meaningful business expansion. As at 30 September 2017, we had bank balances and cash of approximately HK\$2.7 million and total banking facilities of approximately HK\$9.4 million, among which HK\$9.1 million was utilised. Our Directors consider that the proceeds from the Listing will provide our Group with the required funds to achieve a scalable business expansion, including expanding our sales network, recruitment of a project manager to expand our non-retail sales and our distribution network, recruitment of an interior designer to provide consultation advice to our customers, conducting leasehold improvement for a new head office to accommodate the increase in our headcount and the addition of a new delivery truck to accommodate our expansion. The Listing will enable us to gain access to the capital market for future growth with opportunities to raise funds not only at the Listing but also at a later stage. Moreover, our Directors consider that further debt financing is not desirable as the funds are repayable and temporary in nature. The additional interest expenses can also constrain our cash flow and increase our gearing level. Our Directors consider that it may be time-consuming for us to accumulate sufficient cash for our expansion and we may not be able to react speedily to the changing industry circumstances. The use of internally generated funds for expansion is also not desirable since it can expose our Group to a higher liquidity risk.

FUTURE PLANS AND USE OF PROCEEDS

Our Group can benefit from various commercial benefits arising from a public listing status

Our Directors believe that a public listing status on the Stock Exchange will (i) enhance our corporate profile and increase our ability to attract strategic investors and business partners, including potential distributors in overseas markets; (ii) promote our brand and products locally and internationally; (iii) raise confidence of potential and existing customers, suppliers and staff in our Group and strengthen the relationship with our stakeholders; (iv) offer our Company a broader shareholder base which could potentially lead to a more liquid market in the trading of our Shares; and (v) allow our Group to further incentivise our staff through the implementation of the Share Option Scheme.

The net proceeds from the Share Offer based on the Offer Price of HK\$0.15 per Offer Share, being the mid-point of the Offer Price range, are estimated to be approximately HK\$22.7 million, after deducting the estimated underwriting commission and listing expenses of approximately HK\$36.7 million paid and payable by our Company from the gross proceeds from the Share Offer.

We intend to apply the aforesaid net proceeds from the Share Offer in the following manner:

- (i) approximately 71.5% of the total estimated net proceeds, or approximately HK\$16.2 million will be used to expand our sales network through:
 - (a) opening three new retail stores by March 2020, one in New Territories, one in Central and one in Kowloon. We plan to open a retail store in Central with a view to capitalising on the customer base and reputation built from our SoHo Store, which ceased operation in July 2016. Currently, we do not operate any retail store in Kowloon and our Directors believe that with the proceeds from the Share Offer, we are able to penetrate into the lifestyle furniture and home furnishing market in Kowloon;
 - (b) renovating our Flagship Store by relocating our current head office at Horizon Plaza in Ap Lei Chau to a new location and revamping such area into retail shopping space to increase our retail space at our Flagship Store to showcase more of our products and enhance customers' shopping experience;
 - (c) launching an e-commerce platform fully integrated with payment vendors and our inventory system offering full shopping experience from product browsing to check-out services catering to online customers. Our Directors believe that the e-commerce platform will assist in diversifying our sales channels, meeting market trends and competing with other established e-commerce platforms; and
 - (d) renting a new storage warehouse to accommodate our expansion plans in (a), (b) and (c) above, in particular our Directors predict that online customers typically expect a shorter delivery time in comparison to in-store customers;

FUTURE PLANS AND USE OF PROCEEDS

- (ii) approximately 10.1% of the total estimated net proceeds, or approximately HK\$2.3 million, will be used to promote and strengthen brand image and recognition through:
 - (a) recruiting a stylist as an in-house visual merchandiser, responsible for enhancing and standardising the visual displays of all of our retail stores and preparing marketing materials;
 - (b) recruiting a trainer specialised in providing sales and customer services to design and facilitate training programs for all sales executives to enhance their customer service skills so as to strengthen our brand image. The trainer will also provide customer services to our customers on shopping floor; and
 - (c) marketing campaigns including social media marketing, placing of advertisements and holding of public relations events, in order to create public awareness, particularly for our planned new retail stores and online store;

- (iii) approximately 9.1% of the total estimated net proceeds, or approximately HK\$2.1 million, will be used to enhance our styling and consulting services and distribution sales through recruiting:
 - (a) a project manager to expand our non-retail sales to corporate clients on a project basis, and identify potential distributors to market our products outside of Hong Kong as well as managing and strengthening relationship with our existing customers; and
 - (b) an interior designer to expand our value-added services in providing consulting advice to our retail and corporate customers; and

- (iv) approximately 9.3% of the total estimated net proceeds, or approximately HK\$2.1 million, will be used to enhance operational efficiencies through:
 - (a) installing a new integrated POS system to link up, among other things, our retail stores, warehouses, accounting system as well as our planned e-commerce platform to allow better sales and inventory management;
 - (b) purchasing one new delivery truck for logistics and delivery to accommodate our expansion; and
 - (c) renting and moving into a new head office to accommodate the increase in our headcount as our current head office at Horizon Plaza in Ap Lei Chau is already at full capacity. The office is expected to be situated in the surrounding areas of Central to maintain a reasonable distance to our store locations.

FUTURE PLANS AND USE OF PROCEEDS

For the period from the Latest Practicable Date to 31 March 2020, our Group's net proceeds from the Share Offer of New Shares will be used as follows:

	From the Latest Practicable Date to 31 March 2018 <i>HK\$'000</i>	Six months ending 30 September 2018 <i>HK\$'000</i>	Six months ending 31 March 2019 <i>HK\$'000</i>	Six months ending 30 September 2019 <i>HK\$'000</i>	Six months ending 31 March 2020 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Expand our sales network	–	9,728	5,412	1,096	–	16,236
Promote and strengthen brand image and recognition	150	699	723	723	–	2,295
Enhance styling and consulting services	172	516	687	687	–	2,062
Enhance operational efficiencies	830	830	455	–	–	2,115
	<u>1,152</u>	<u>11,773</u>	<u>7,277</u>	<u>2,506</u>	<u>–</u>	<u>22,708</u>

With our brand, current market position and experienced management team, we plan to open three new retail stores by March 2020 to take advantage of the potential demand for our products as set out in the paragraph headed “Reasons for the Listing and use of proceeds” above. For each of our new retail stores to be opened in the coming years, with the proceeds from the Listing, we plan to allocate (i) approximately HK\$2.5 million to the leasing of the new retail store; (ii) approximately HK\$1.0 million to the leasehold improvement for the new retail store; and (iii) approximately HK\$0.4 million to the rent and utility deposits for the new retail store. However, prospective investors should note that the actual costs to be incurred for our new retail stores may be different from the expected costs as mentioned above as events and circumstances frequently do not occur as expected and the difference may be material.

In the event that the Offer Price is set at the high end or the low end of the indicative Offer Price range, the net proceeds from the Share Offer will be increased by approximately HK\$6.5 million to approximately HK\$29.2 million or decreased by approximately HK\$7.2 million to approximately HK\$15.5 million, after deducting the estimated underwriting commission and listing expenses in connection with the Share Offer payable by us, respectively. Our Group intends to use the net proceeds based on the percentages disclosed above, regardless of whether the Shares are priced at the high end or low end of the indicative Offer Price. Our Directors consider in the event that the Share Offer is priced at the low end of the indicative Offer Price range, there would be no material impact on our proposed expansion plan, having considered that our Group's internal resources and cash flows from operation will be sufficient to finance the future plans of our Group as scheduled up to 31 March 2020.

FUTURE PLANS AND USE OF PROCEEDS

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, our Directors intend to deposit the net proceeds into short-term demand deposits with authorised financial institutions and/or licensed banks in Hong Kong.

In the event that any part of the future plans does not materialise or proceed as planned, we will carefully evaluate the situation and may reallocate the intended funding to our other future plans and/or to place the proceeds on short-term interest bearing deposit accounts with licensed banks and/or financial institutions in Hong Kong so long as we consider it to be in the best interest of our Company and our shareholders as a whole. Should our Directors decide to allocate the net proceeds from the Share Offer to business plans and/or new projects of our Group other than those disclosed in this prospectus after the Listing, we will make an announcement to notify our Shareholders and investors of the changes in compliance with the GEM Listing Rules.

BASES AND KEY ASSUMPTIONS

We have adopted the following principal assumptions in the preparation of our future plans up to 31 March 2020:

- there will be no material adverse change in the existing political, legal, fiscal, market or economic conditions in Hong Kong and any other places in which any member of our Group carries on or will carry on business;
- there will be no material change in the bases or rates of taxation and duties in the Hong Kong;
- we will have sufficient financial resources to meet the planned capital and business development requirements during the period to which the business objective relates;
- the Share Offer will be completed in accordance with and as described in the section headed “Structure and conditions of the Share Offer” in this prospectus;
- our Directors and key senior management will continue to be involved in the development of our existing and future development and we will be able to retain our key management personnel;
- we will be able to recruit additional key management personnel and staff when required;
- we will be able to retain our customers and suppliers;
- there will be no material changes in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;

FUTURE PLANS AND USE OF PROCEEDS

- there will be no material changes in the bases (such as inflation, interest rate, and foreign exchange rate) or rates of taxation applicable to the activities of our Group;
- there will be no disasters, natural, political or otherwise, which would materially disrupt the businesses or operations of our Group;
- we will not be materially and adversely affected by the risk factors as set out in the section headed “Risk factors” in this prospectus; and
- we will be able to continue our operations in substantially the same manner as we have been operating during the Track Record Period and we will also be able to carry out our implementation plans without disruptions adversely affecting our operations or business objectives in any way.

UNDERWRITING

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Joint Global Coordinators

Oceanwide Securities Company Limited
Yuanta Securities (Hong Kong) Company Limited

Joint Bookrunners and Joint Lead Managers

Oceanwide Securities Company Limited
Yuanta Securities (Hong Kong) Company Limited
Sinolink Securities (Hong Kong) Company Limited

Public Offer Underwriters

Oceanwide Securities Company Limited
Yuanta Securities (Hong Kong) Company Limited
Sinolink Securities (Hong Kong) Company Limited

Placing Underwriters

Oceanwide Securities Company Limited
Yuanta Securities (Hong Kong) Company Limited
Sinolink Securities (Hong Kong) Company Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is offering initially 39,600,000 Public Offer Shares (subject to reallocation) for subscription by the public in Hong Kong on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price.

Subject to:

- the Listing Division of Stock Exchange granting the listing of, and permission to deal in, our Shares in issue or to be issued pursuant to the Share Offer or otherwise as mentioned in this prospectus and such listing and permission not subsequently being revoked; and
- certain other conditions set out in the Public Offer Underwriting Agreement being satisfied or waived on or before the dates and times as specified therein or such other dates as the Joint Global Coordinators (for themselves and on behalf of the Underwriters) may agree (but in any event not later than the 30th day after the date of this prospectus),

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- The Public Offer Underwriters have agreed to subscribe or procure subscribers applications, on the terms and conditions of this prospectus, the related Application Forms and the Public Offer Underwriting Agreement, for the Public Offer Shares now being offered and which are not taken up under the Public Offer.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The obligations of the Public Offer Underwriters to subscribe or procure subscribers for the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) shall have the right, in its sole and absolute discretion, by notice in writing to terminate the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement if it see fits upon the occurrence of, but not limited to any of the following events at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date:

- (a) there shall develop, occur, exist or come into effect:
 - (i) any change or development involving a prospective change, or any event or series of events resulting in or representing a change or development involving a prospective change, in local, national, regional or international, financial, political, military, industrial, economic, fiscal, regulatory, currency or market conditions and matters and/or disaster or any monetary or trading settlement systems (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and interbank markets, or any monetary or trading settlement system, any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange, any change in the system under which the value of the Hong Kong currency is linked to that of the currency of the US dollars, or any material fluctuation in the exchange rate of Hong Kong dollars against any foreign currencies, or any interruption in the securities settlement or clearing service or procedures) in or affecting Hong Kong, China, Indonesia, Cayman Islands or any other jurisdictions where any member of our Group or its major service providers is incorporated or operates (collectively, the “**Relevant Jurisdictions**” and individually, a “**Relevant Jurisdiction**”); or
 - (ii) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or

UNDERWRITING

- (iii) any event or series of events in the nature of force majeure or otherwise beyond control of the Public Offer Underwriter (whether or not covered by insurance or responsibility has been claimed) including, without limitation, acts of government, strikes, lock-outs, fire, explosions, flooding, earthquakes, epidemics, pandemics, outbreaks of infections, diseases, Severe Acute Respiratory Syndrome (SARS) and Influenza A (H5N1) and any related or mutated forms of infectious diseases, civil commotions, economic sanctions, public disorder, social or political crises, acts of war, acts of terrorism, acts of God, accidents or interruptions or delays in transportation in or affecting any Relevant Jurisdiction; or
- (iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any Relevant Jurisdiction; or
- (v) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, or (B) a general moratorium on commercial banking activities or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of the Relevant Jurisdictions; or
- (vi) any change or development involving a prospective change in taxation or exchange controls, currency exchange rates or foreign investment regulations (including without limitation a material devaluation of the Hong Kong dollar against any foreign currencies) or the implementation of any exchange control in any Relevant Jurisdiction; or
- (vii) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction; or
- (viii) any litigation, legal action or claim being threatened or instigated against any member of our Group; or
- (ix) the commencement by any governmental, law enforcement agency, regulatory or political body or organisation of any action against any Director or any member of our Group or an announcement by any governmental, law enforcement agency, regulatory or political body or organisation that it intends to take any such action; or

UNDERWRITING

- (x) any Director being charged or indicted or detained with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or the commencement by any government authority of any investigation or other action against any Director in his/her capacity as such or an announcement by any government authority that it intends to investigate or take any such actions; or
- (xi) the chairman or chief executive officer of our Company vacating office; or
- (xii) an order or petition for the winding up or liquidation of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or substantive part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or
- (xiii) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription of the Shares) or any aspect of the Share Offer with the GEM Listing Rules, the Articles, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law, the SFO or any other applicable laws and regulations; or
- (xiv) a valid demand by any creditor for repayment or payment of any indebtedness of our Company or any member of our Group or in respect of which our Company or any member of our Group is liable prior to its stated maturity; or
- (xv) any change or development involving a prospective change, or a materialisation of, any of the risk factors set out in the section headed “Risk Factors” in this prospectus; or
- (xvi) any loss or damage sustained by any member of our Group (howsoever caused but excluding such loss or damage which are subject of and fully covered by any insurance or claim against any person); or
- (xvii) any adverse change or development involving a prospective change in the condition (financial or otherwise) or in the earnings, business affairs, business prospects or trading position of any member of our Group, or customer confidence, including but not limited to any action, suit, proceeding, litigation or claim of any third party being threatened or instigated against any member of our Group, or any investigation of any member of our Group or an order or suspension of business by any government authority; or

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(xviii) other than with the approval of the Joint Global Coordinators and the Public Offer Underwriters (such approval not to be unreasonably withheld), the issue or requirement to issue by our Company of a supplementary prospectus (or any other documents used in connection with the contemplated subscription for and/or purchaser of the Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the GEM Listing Rules,

which in each case in the sole and reasonable opinion of the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters):

- (1) is/are or shall or could be expected to have a material adverse effect on the assets, liabilities, Shareholders' equity, profits, losses, general affairs, management, business, financial, trading or other condition or prospects of our Company or our Group or any members of our Group or on any present or prospective Shareholder in his, her or its capacity as such; or
- (2) has or will have or could be expected to have an adverse effect on the success, marketability or pricing of the Share Offer or the level of applications under the Public Offer or the level of interest under the Share Offer; or
- (3) makes it impracticable, inadvisable or inexpedient for the Share Offer to proceed or to market the Share Offer or shall otherwise result in an interruption to or delay thereof; or
- (4) has or would have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) or the Share Offer incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof.

(b) there has come to the notice of the Joint Global Coordinators:

- (i) that any statement contained in this prospectus or the Application Forms, considered by the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) in their sole and reasonable opinion to be material in relation to the Share Offer, was, when the same was issued, or has become, untrue, incorrect or misleading in any respect or that any forecasts, expressions of opinion, intention or expectation expressed in the web proof information pack, this prospectus, the Application Forms and/or any notice, announcements, advertisements communications and other documents issued or used by our Company in connection with the Share Offer (including any supplement or amendment thereto), was not, when it was made, fair and honest and based on reasonable assumptions in any material respect; or

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- (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a misstatement or omission therefrom as considered by the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) in their sole and reasonable opinion to be material to the Share Offer; or
- (iii) any breach of any of the obligations imposed upon any party under the Public Offer Underwriting Agreement or the Placing Underwriting Agreement (other than on the Public Offer Underwriters) which the Joint Global Coordinators considers to be material; or
- (iv) any breach, considered by the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) in their sole and reasonable opinion to be material in the context of the Share Offer, of any of the provisions, representations, warranties and undertakings given by our Company, our executive provisions Directors, the Controlling Shareholders contained in the Public Offer Underwriting Agreement, or any event rendering any such representations and warranties to be untrue, incorrect, inaccurate or misleading in any respect; or
- (v) any change or development involving a prospective change in the conditions, business affairs, prospects, assets, liabilities, general affairs, management, shareholders' equity, profits, losses or the financial or trading position or performance of any members of our Group which is considered by the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) in their sole and reasonable opinion to be material in the context of the Share Offer; or
- (vi) approval by the Listing Division of the listing of, and permission to deal in, the Shares in issue or to be issued under the Share Offer is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (vii) our Company withdraws any of this prospectus, the Application Forms and/or any other documents used in connection with contemplated subscription and sale of the Offer Shares; or
- (viii) any person (other than any of the Public Offer Underwriter) has withdrawn or sought to withdraw its consent to being named in this prospectus, the Application Forms and/or any other documents used in connection with the contemplated subscription and sale of the Offer Shares or to the issue of any of such documents; or
- (ix) other than with the approval of the Joint Global Coordinators, the issue or requirement to issue by our Company of any supplement or amendment to this prospectus and the Application Forms (or to any other documents used in

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connection with the contemplated subscription and sale of the Offer Shares) pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance; or

- (x) any potential litigation, disputes or claims which would affect the operation, financial condition or reputation of any member of the Group in any material respect; or
- (xi) GEM Listing Rules, the SFO or any other applicable laws, or any requirement or request of the Stock Exchange and/or the SFC where the matter to be disclosed is, in the sole and reasonable opinion of the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriter), materially adverse to the marketing or implementation of the Share Offer; or
- (xii) any prohibition on our Company by a governmental authority for whatever reasons from offering, allotting, issuing or selling of the Offer Shares pursuant to the terms of the Share Offer; or
- (xiii) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnified parties under the Public Offer Underwriting Agreement; or
- (xiv) the Placing Underwriting and/or the Price Determination Agreement Agreement have not been duly executed at or before 18 January 2018 (or such other date as may be agreed between our Company and the Joint Global Coordinators); or
- (xv) the imposition of any moratorium, suspension or material restriction on trading securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (xvi) any event of force majeure including but without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out, natural disaster or outbreak of infectious diseases, which in the reasonable opinion of the Sole Sponsor and/or the Joint Global Coordinators (for themselves and on behalf of the Underwriters):
 - (1) is or will be materially adverse to the business, financial condition or prospects of our Group taken as a whole; or
 - (2) has or will have a material adverse effect on the success of the Share Offer or has or will have the effect of making any part of the Underwriting Agreements incapable of implementation or performance in accordance with its terms; or
 - (3) makes it inadvisable or inexpedient to proceed with the Share Offer.

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Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company and our Controlling Shareholders will enter into the Placing Underwriting Agreement with, among others, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriters on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, the Placing Underwriters would, subject to certain conditions, agree to subscribe or procure subscribers to subscribe for the Placing Shares being offered pursuant to the Placing.

Following the completion of the Share Offer, the Underwriters and their respective affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Underwriting Agreements.

Save for their interests and obligations under the Underwriting Agreements, the sponsorship and documentation fee payable to the Sole Sponsor in connection with the Listing, and the fee payable to the Sole Sponsor for acting as our compliance adviser, none of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or their respective directors or employees, is interested, beneficially or otherwise, in any shares in any member of our Group or has any right (whether enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

No director or employee of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers or the Underwriters has a directorship in our Company or any member of our Group. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors should note that if the Placing Underwriting Agreement is not entered into or is terminated, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated in accordance with its terms. It is expected that pursuant to the Placing Underwriting Agreement, our Company and the Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement.

Commission and expenses

The Underwriters will receive an underwriting commission of an amount equal to 8% of the aggregate Offer Price of all Offer Shares, out of which the Underwriters will pay all sub-underwriting commission, if any. In addition, we will pay to an Underwriter an incentive fee of 1% of the aggregate Offer Price of all Offer Shares if certain conditions are met.

The Sole Sponsor will receive a financial advisory and documentation fee in relation to the Listing and the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters will be reimbursed for their expenses incurred in connection with the Share Offer.

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The above underwriting commission, advisory and documentation fee and expenses, together with the Stock Exchange listing application fee, Stock Exchange trading fee, SFC transaction levy, legal and other professional fees, and printing and other expenses relating to the Share Offer and Listing, are estimated to amount in aggregate to approximately HK\$36.7 million in total based on the Offer Price of HK\$0.15 per Offer Share, being the mid-point of the indicative range of the Offer Price stated in this prospectus, and are to be borne by our Company.

Indemnity

Our Company, the Controlling Shareholders and the executive Directors have agreed to indemnify the Joint Global Coordinators, the Joint Lead Managers and the Underwriters for certain losses which it may suffer, including losses arising from its performance of or failure to perform its obligations under the Underwriting Agreement and any breach by our Company, the Controlling Shareholders or the executive Directors pursuant to the terms of the Underwriting Agreement.

Underwriters' interest in our Company

The Sole Sponsor and the other Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under the section headed "Underwriting arrangements and expenses – Commission and expenses" above. None of the Underwriters or any of their close associates has any shareholding interests in any member of our Group nor has any right (whether legally enforceable or not) to subscribe for or purchase or nominate persons to subscribe for or purchase any Shares.

Sole Sponsor and its independence

Oceanwide Capital as the Sole Sponsor satisfies the independence criteria applicable to the Sole Sponsor as set out in Rule 6A.07 of the GEM Listing Rules. The Sole Sponsor made an application on our behalf to the Stock Exchange for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein. The Sole Sponsor has received or will receive a sponsor fee of approximately HK\$6.9 million in connection with the Listing. The sponsor fee relates solely to services provided by the Sole Sponsor in its capacity as a sponsor, and not other services which it may provide, such as (without limitation) book-building, pricing and underwriting.

The Sole Sponsor has been appointed as the compliance adviser of the Company with effect from the Listing Date until the despatch of the audited consolidated financial results for the second full financial year after the Listing Date as required under the GEM Listing Rules, and our Company will pay to the Sole Sponsor an agreed fee for its provision of services as its compliance adviser.

UNDERWRITING

Save as otherwise disclosed in this prospectus, as at the Latest Practicable Date, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the other Underwriters were not interested, beneficially or non-beneficially, in any of our Shares or securities or any shares or securities of any member of our Group or had any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any of our Shares or securities or any shares or securities of any member of our Group.

Undertakings

Our Company has undertaken to the Stock Exchange that no further shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six (6) months from the Listing Date (whether or not such issue of shares or securities will be completed within six (6) months from the Listing Date), except for those permitted in accordance with Rule 17.29 subsections (1) to (5) of GEM Listing Rules.

Pursuant to the Underwriting Agreement and Rule 13.16A(1) of the GEM Listing Rules, our Company has undertaken to and covenanted with the Stock Exchange, the Sole Sponsor, the Joint Global Coordinators, the Joint Lead Managers and the Underwriters that our Company will not, and each of the Controlling Shareholders and executive Directors has jointly and severally, undertaken to the Stock Exchange, the Sole Sponsor, the Joint Global Coordinators, the Joint Lead Managers and the Underwriters that it/he will procure our Company not to, without the prior written consent of the Sole Sponsor and/or the Joint Global Coordinators, (for itself and on behalf of the Underwriters) and unless in compliance with the requirements of the GEM Listing Rules (including but not limited to Rule 17.29 of the GEM Listing Rules), except for the issue of Shares under the Share Offer, the Capitalisation Issue, the grant of any option under the Share Option Scheme or the issue of Shares upon exercise of any option granted under the Share Option Scheme:

- (i) at any time within the period of six months from the Listing Date (the “**First Six-month Period**”) offer, allot, issue, agree to allot or issue, sell, lend, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, rights or warrants to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase any of the share capital or other securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein), or enter into any swap, derivative, repurchase, lending, pledge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of share capital or such other securities, in cash or otherwise, or publicly disclose that our Company will or may enter into any of the foregoing transactions (whether or not such transaction will be completed in the aforesaid period); and

UNDERWRITING

- (ii) at any time during the period of six months commencing on the date on which the First Six-month Period expires (the “**Second Six-month Period**”), issue or grant (conditionally or unconditionally) any options or right to subscribe for or otherwise convert into or exchange for Shares or securities of our Company or of any of its subsidiaries so as to result in any of the Controlling Shareholders ceasing to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company;

and in the event our Company enters into any transaction specified in sub-paragraph (i) above during the Second Six-month Period (whether or not such transaction will be completed in the aforesaid period), it shall take all reasonable steps to ensure that any such transaction, agreement, or as the case may be, announcement will not create a disorderly or false market in the securities of our Company.

Each of the Controlling Shareholders has, jointly and severally, undertaken to and covenanted with each of our Company, the Stock Exchange, the Sole Sponsor, the Joint Global Coordinators, the Joint Lead Managers and the Underwriters that, without the prior written consent of the Sole Sponsor and/or the Joint Global Coordinators (for itself and on behalf of the Underwriters) and unless in compliance with the requirements of the GEM Listing Rules, it/he shall not, and shall procure none of its/his associates or companies controlled by it/him or any nominee or trustee holding in trust for it/him to:

- (i) at any time during the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date on which the First Six-month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company in respect of which it/he is shown by this prospectus to be the beneficial owner (whether direct or indirect); and
- (ii) at any time during the Second Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the securities referred to in sub-paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, any of the Controlling Shareholders would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company;

and in the event that it/he enters into any transaction specified in sub-paragraph (i) above during the Second Six-month Period (whether or not such transaction will be completed in the aforesaid period), it/he will take all reasonable steps to ensure that any such transaction, agreement, or as the case may be, announcement will not create a disorderly or false market in the securities of our Company.

UNDERWRITING

Each of the Controlling Shareholders has undertaken to and covenanted with our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Lead Managers, the Underwriters and the Stock Exchange that:

- (i) in the event that it/he pledges or charges any of its/his direct or indirect interest in our Shares or other securities of our Company under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules at any time during the period commencing on the date by reference to which Disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date on which the Second Six-month Period expires, it/he must inform our Company, the Sole Sponsor, the Joint Global Coordinators and the Underwriters immediately thereafter, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and

- (ii) having pledged or charged any of its/his interests in our Shares or other securities of our Company under sub-paragraph (i) above, it/he must inform our Company, the Sole Sponsor the Joint Global Coordinators and the Underwriters immediately in the event that it/he becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of our Shares or other securities of our Company affected.

Our Company will also inform the Stock Exchange as soon as our Company has been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters by way of announcement in accordance with Rule 17.43 of the GEM Listing Rules as soon as possible after being so informed by any of the Controlling Shareholders.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

The Share Offer consists of:

- the Public Offer of 39,600,000 Public Offer Shares (including 3,960,000 Employee Reserved Shares) (subject to reallocation as mentioned below), representing 10% of the Offer Shares, which will be offered to members of the public in Hong Kong as further described in the paragraph “The Public Offer” below; and
- the Placing of 356,400,000 Placing Shares (subject to reallocation as mentioned below), representing 90% of the Offer Shares which will initially be conditionally be placed with selected professional, institutional and other investors, as further described in the paragraph headed “The Placing” below.

Of the 39,600,000 Offer Shares initially being offered under the Public Offer, 3,960,000 Offer Shares (representing 1% of the total number of Offer Shares initially being offered under the Share Offer) are available for subscription by Eligible Employees on a preferential basis under the Employee Preferential Offering, subject to the terms and conditions set out in this prospectus and the **PINK** Application Form.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, to subscribe for the Offer Shares under the Placing, but may only receive Shares under either the Public Offer or the Placing. Eligible Employees may make an application for the Employee Reserved Shares on a **PINK** Application Form and, in addition, will be entitled to apply for Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both. The number of Offer Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in the sub-paragraph headed “Reallocation” in this section.

THE PUBLIC OFFER

39,600,000 Public Offer Shares are being offered for subscription (subject to reallocation as mentioned below) by members of the public in Hong Kong under the Public Offer, representing 10% of the total number of Offer Shares offered under the Share Offer. Subject to reallocation of Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Public Offer will represent approximately 2.5% of our Company’s enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue, and without taking into account any of our Shares that may be allotted and issued upon exercise of the options that may be granted under the Share Option Scheme. The Public Offer is fully underwritten by the Public Offer Underwriters (subject to satisfaction or waiver of conditions provided in the Public Offer Underwriting Agreement).

Of the 39,600,000 Offer Shares initially being offered under the Public Offer, 3,960,000 Offer Shares (representing 1% of the total number of Offer Shares initially being offered under the Share Offer) are available for subscription by Eligible Employees on a preferential basis under the Employee Preferential Offering, subject to the terms and conditions set out in this prospectus and the **PINK** Application Form.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. An applicant for Shares under the Public Offer will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it has not applied for nor taken up any Shares under the Placing nor otherwise participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue (as the case may be), such applicant's application under the Public Offer is liable to be rejected. Multiple or suspected multiple applications and any application made for more than 35,640,000 Public Offer Shares (being 100% of the Public Offer Shares initially comprised in the Public Offer and after deduction of the number of the Employee Reserved Shares) will be rejected.

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. When there is over subscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Completion of the Public Offer is subject to the conditions as set out in the paragraph headed "Conditions of the Share Offer" in this section.

Allocation

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of the Public Offer Shares validly applied for by applicants. Allocation of the Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Multiple or suspected multiple applications under the Public Offer and any application for more than 35,640,000 Public Offer Shares (being 100% of the Public Offer Shares initially comprised in the Public Offer and after deduction of the number of the Employee Reserved Shares) will be rejected. Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not received any Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The final Offer Price, the level of indication of interest in the Placing, level of applications in the Public Offer and the basis of allocation of the Public Offer Shares are expected to be announced on Wednesday, 24 January 2018 through a variety of channels as described in section headed "How to apply for Public Offer Shares and Employee Reserved Shares – 11. Publication of results" in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Reallocation

Allocation of the Offer Shares between the Public Offer and the Placing is subject to adjustment which would have the effect of increasing the number of Offer Shares under the Public Offer to a certain percentage of the total number of Offer Shares offered under the Share Offer if certain prescribed total demand levels are reached. In the event of over-applications in the Public Offer, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) shall apply a clawback mechanism following the closing of the application lists on the following basis

- if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times of the number of Offer Shares initially available for subscription under the Public Offer, then 79,200,000 Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be 118,800,000 Offer Shares, representing 30% of the Offer Shares initially available under the Share Offer;
- if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times of the number of Offer Shares initially available for subscription under the Public Offer, then 118,800,000 Offer Shares will be allocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be 158,400,000 Offer Shares, representing 40% of the Offer Shares initially available under the Share Offer; and
- if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more of the number of Offer Shares initially available for subscription under the Public Offer, then 158,400,000 Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be 198,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Share Offer.

In each case, based on the additional Offer Shares reallocated to the Public Offer, the number of Offer Shares allocated to the Placing will be correspondingly reduced, in such manner as the Joint Global Coordinators deems appropriate. In addition, the Joint Global Coordinators in its sole and absolute discretion reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

If the Public Offer is not fully subscribed, the Joint Global Coordinators will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Public Offer Shares in such amount as the Joint Global Coordinators deems appropriate.

The Offer Shares to be offered in the Public Offer and the Placing may be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Applications

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or if he or she has been or will be placed or allocated Placing Shares under the Placing.

THE EMPLOYEE PREFERENTIAL OFFERING

Up to 3,960,000 Employee Reserved Shares, representing 10% of the Public Offer Shares and 1% of the total number of Offer Shares initially being offered under the Share Offer (without taking into account any Shares which may be issued and allotted upon any exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme), are available for subscription by the Eligible Employees on a preferential basis.

As at the Latest Practicable Date, there were 62 Eligible Employees.

Allocation of Employee Reserved Shares under the Employee Preferential Offering will be based on the allocation guidelines contained in Practice Note 20 to the Listing Rules. The allocation of Employee Reserved Shares to Eligible Employees will in any event be made on an equitable basis and will not be based on the identity, seniority, work performance or length of service of the Eligible Employee. No favour will be given to any Eligible Employee who applies for a large number of Employee Reserved Shares.

Eligible Employees applying for Employee Reserved Shares will be subject to an allocation basis that is based on the level of valid applications received. The allocation basis will be determined by our Company's Hong Kong Branch Share Registrar based on the level of valid applications received under the Employee Preferential Offering and the number of Employee Reserved Shares validly applied for within each application tier. The allocation basis will be consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of Employee Reserved Shares. Any application made on a **PINK** Application Form for more than 3,960,000 Employee Reserved Shares will be rejected.

Any Offer Shares not subscribed for by the Eligible Employees under the Employee Preferential Offering will be available for subscription by the public in Hong Kong under the Public Offer after the reallocation as described above in the paragraph headed "The Public Offer".

If you are an Eligible Employee, in addition to being able to apply for Employee Reserved Shares under the Employee Preferential Offering by a **PINK** Application Form, you may also:

- apply for Public Offer Shares as a member of the public in the Public Offer on a **WHITE** or **YELLOW** Application Form or by submitting application online through the designated website of the **HK eIPO White Form** Service Provider or giving **electronic application** instruction to HKSCC via CCASS; or

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- apply for or indicate an interest for Placing Shares under the Placing,

but you may not do both. Eligible Employees will receive no preference as to entitlement or allocation in respect of such further application for Public Offer Shares or Placing Shares.

THE PLACING

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the Placing will be 356,400,000 Shares, representing 90% of the total number of the Offer Shares initially available under the Share Offer. Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Placing will represent approximately 22.5% of our Company's enlarged issued share capital immediately after the completion of the Share Offer and the Capitalisation Issue, but without taking into account any of our Shares that may be allotted and issued upon exercise of the options that may be granted under the Share Option Scheme.

Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed by the Placing Underwriter(s). The Placing Shares will be selectively placed to certain professional and institutional and other investors anticipated to have a sizeable demand for such Placing Shares in Hong Kong. The Placing is subject to the Public Offer being unconditional.

Allocation of Offer Shares pursuant to the Placing will be based on a number of factors, including the level and timing of demand, and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Placing Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

OFFER PRICE

Determination of the Offer Price

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the Placing. Prospective investors will be required to specify the number of the Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Public Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Pricing for the Offer Shares for the purpose of the various offerings under the Share Offer will be fixed on the Price Determination Date, which is expected to be on or about Thursday, 18 January 2018, by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

Offer Price range

The Offer Price will not be more than HK\$0.17 per Offer Share and is expected to be not less than HK\$0.13 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but not expected to be, lower than the indicative Offer Price range as stated in this prospectus.

Price payable on application

Applicants for Offer Shares under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$0.17 for each Public Offer Share (plus the brokerage, Stock Exchange trading fee and SFC transaction levy payable on each Offer Share), amounting to a total of HK\$3,434.26 per board lot of 20,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$0.17 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

If, for any reason, our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Thursday, 18 January 2018, the Share Offer will not proceed and will lapse.

Further details are set out in the section headed “How to apply for Public Offer Shares and Employee Reserved Shares” in this prospectus.

Change to Offer Price range

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during a bookbuilding process in respect of the Placing, and with the consent of our Company, change the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer.

In such a case, our Company will, as soon as practicable following the decision to make such change, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause there to be published on the Stock Exchange’s website at www.hkexnews.hk and our Company’s website at www.treeholdings.com notice of the

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

extension or reduction of the indicative Offer Price range. Upon issue of such a notice, the revised Offer Price range will be final and conclusive. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Share Offer statistics, and any other financial information in this prospectus which may change as a result of any such change.

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of an extension or reduction in the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer. Applicants who have submitted their applications for Public Offer Shares before such an announcement is made may subsequently withdraw their applications in the event that such an announcement is subsequently made. In the absence of any notice being published in relation to a change in the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

ANNOUNCEMENT OF THE BASIS OF ALLOCATION

Announcement of the final Offer Price, together with the indication of the level of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares are expected to be announced on Wednesday, 24 January 2018 on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.treeholdings.com.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon, among others:

(a) Listing

The Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Placing and the Share Option Schemes, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on GEM.

(b) Underwriting Agreement

The obligations of the Underwriters under the Underwriting Agreements becoming unconditional in all respects including, if relevant, the waiver of any condition(s) by the Joint Global Coordinators (for themselves and on behalf of the Underwriters). This requires (i) the Underwriting Agreements not being terminated in accordance with its terms or otherwise prior to 8:00 a.m. on the Listing Date, which is expected to be on Thursday, 25 January 2018 and (ii) that all other conditions set out in the Underwriting Agreements are fulfilled, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event, not later than Sunday, 11 February 2018, being the date which is 30th day after the date of this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

(c) Price Determination Agreement

The Price Determination Agreement between our Company, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) being entered into and becoming effective and the Offer Price having been determined on or before the Price Determination Date.

If any such condition has not been fulfilled or waived (as the case may be) prior to the times and dates specified, the Placing will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Placing will be caused to be published by our Company on the GEM website and the Company's website at www.treeholdings.com on the next business day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in "How to apply for Public Offer Shares and Employee Reserved Shares – 13. Refund of application monies". In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Listing Division grants the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus on GEM and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

In respect of the dealings in the Shares which may be settled through CCASS, investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

COMMENCEMENT OF DEALINGS

Dealings in the Shares on GEM are expected to commence at 9.00 a.m. on Thursday, 25 January 2018. Our Shares will be traded in board lots of 20,000 Shares each and are freely transferable. The GEM stock code for the Shares is 8395.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- apply online via the **HK eIPO WHITE Form** service at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

If you are an Eligible Employee, you may also apply for Employee Reserved Shares by using a **PINK** Application Form.

Our Company, the Joint Global Coordinators, the **HK eIPO WHITE Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S; and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO WHITE Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

If an application is made by a person under a power of attorney, our Company and the Joint Global Coordinators may accept or reject it at their discretion and on any conditions they think fit, including provision of evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO WHITE Form** service for the Public Offer Shares.

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a core connected person of our Company or will become a core connected person of our Company immediately upon completion of the Share Offer;
- an associate or close associate of any of the above; or
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

Eligible Employees may apply for the Employee Reserved Shares on a **PINK** Application Form unless they:

- are an existing beneficial owner of Shares in our Company or any of our subsidiaries or an associate (as defined in the Listing Rules) of an existing beneficial owner of Shares in our Company or any of our subsidiaries;
- are a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon the completion of the Share Offer;
- are a natural person of the PRC (except those who have complied with all relevant PRC laws and regulations in relation to such application, including but not limited to qualified domestic institutional investors);
- are a United States person or a person who is within the United States (both terms as defined under the Regulation S).

3. APPLYING FOR PUBLIC OFFER SHARES

Which application channel to use

For Public Offer Shares to be issued in your own name, either (i) use a **WHITE** Application Form; or (ii) apply online through the designated website of the **HK eIPO WHITE Form** Service Provider at www.hkeipo.hk under the **HK eIPO WHITE Form** service.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

For Employee Reserved Shares under the Employee Preferential Offering by an Eligible Employee, use a **PINK** Application Form.

Where to Collect the Prospectus and Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 12 January 2018 until 12:00 noon on Wednesday, 17 January 2018 from:

- (i) the following offices of the Public Offer Underwriters:

Oceanwide Securities Company Limited	18/F-19/F, China Building, 29 Queen's Road Central, Hong Kong
Yuanta Securities (Hong Kong) Company Limited	23/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong
Sinolink Securities (Hong Kong) Company Limited	Units 2503, 2505-06, 25/F, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong

- (ii) the following branches of the receiving bank:

The Bank of East Asia, Limited

District	Branch Name	Address
Hong Kong Island	Main Branch	10 Des Voeux Road Central, Central
	Shauiwan Branch	G/F, Ka Fook Building, 289- 293 Shau Kei Wan Road, Shau Kei Wan
Kowloon	East Tsim Sha Tsui Branch	Shop G3-G5, G/F, East Ocean Centre, 98 Granville Road, Tsim Sha Tsui
	Mei Foo Sun Chuen Branch	Shop N57, G/F, Mount Sterling Mall, Mei Foo

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 12 January 2018 until 12:00 noon on Wednesday, 17 January 2018 from the Depository Counter of HKSCC at 1/F., One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

A **PINK** Application Form together with a copy of this prospectus can be collected by Eligible Employees from our Company's office at 28/F, Horizon Plaza, 2 Lee Wing Street, Ap Lei Chau, Hong Kong during normal business hours from 9:00 a.m. on Friday, 12 January 2018 until 12:00 noon on Tuesday, 16 January 2018. Electronic copies of the **PINK** Application Form and this prospectus can be viewed from websites of our Company at www.treeholdings.com and the Stock Exchange at www.hkexnews.hk.

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "The Bank of East Asia (Nominees) Limited – Tree Holdings Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Friday, 12 January 2018	– 9:00 a.m. to 5:00 p.m.
Saturday, 13 January 2018	– 9:00 a.m. to 1:00 p.m.
Monday, 15 January 2018	– 9:00 a.m. to 5:00 p.m.
Tuesday, 16 January 2018	– 9:00 a.m. to 5:00 p.m.
Wednesday, 17 January 2018	– 9:00 a.m. to 12:00 noon

Your completed **PINK** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "The Bank of East Asia (Nominees) Limited – Tree Holdings Public Offer" for the payment, must be returned to our Company's office at 28/F, Horizon Plaza, 2 Lee Wing Street, Ap Lei Chau, Hong Kong by 12:00 noon on Tuesday, 16 January 2018.

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 17 January 2018, the last application day or such later time as described in the sub-section headed "10. Effect of bad weather on the opening of the application lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO WHITE Form** service, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the Articles of Association and the Memorandum of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying (except in respect of Employee Reserved Shares applied under the Employee Preferential Offering, if applicable);
- (xvii) understand that our Company, our Directors, the Sole Sponsor, the Joint Global Coordinators and their respective agents and nominees will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO WHITE Form** Service Provider by you or by any one as your agent or by any other person or by any other person, other than on a **PINK** Application Form as an Eligible Employee; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC Provider; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

Terms, conditions and instructions for the PINK Application Form

You may refer to the **PINK** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in paragraph headed “2. Who can apply” in this section, may apply through the **HK eIPO WHITE Form** service for the Public Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO WHITE Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO WHITE Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO WHITE Form** service.

Time for submitting applications under the HK eIPO WHITE Form

You may submit your application online to the **HK eIPO WHITE Form** Service Provider through the designated website at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 12 January 2018 until 11:30 a.m. on Wednesday, 17 January 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 17 January 2018 or such later time under the paragraph headed “10. Effect of bad weather on the opening of the applications lists” in this section.

No multiple applications

If you apply by means of **HK eIPO WHITE Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO WHITE Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO WHITE Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO WHITE Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center

1/F., One & Two Exchange Square

8 Connaught Place

Central

Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Sponsor, the Joint Lead Managers and our Hong Kong Branch Share Registrar.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors, the Sole Sponsor and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

- agree that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer (including the Employee Preferential Offering) results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Companies Ordinance, the Articles of Association and the Memorandum of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 20,000 Public Offer Shares. Instructions for more than 20,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, 12 January 2018	– 9:00 a.m. to 8:30 p.m.	<i>(Note 1)</i>
Monday, 15 January 2018	– 8:00 a.m. to 8:30 p.m.	<i>(Note 1)</i>
Tuesday, 16 January 2018	– 8:00 a.m. to 8:30 p.m.	<i>(Note 1)</i>
Wednesday, 17 January 2018	– 8:00 a.m.	<i>(Note 1)</i> to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 12 January 2018 until 12:00 noon on Wednesday, 17 January 2018 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 17 January 2018, the last application day or such later time as described in the sub-section headed “10. Effect of bad weather on the opening of the application lists” in this section.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through **HK eIPO White Form** service is also only a facility provided by **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO WHITE Form** service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 17 January 2018.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, or through the **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealings in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

If you are an Eligible Employee, you may also make an application for Employee Reserved Shares by using a **PINK** Application Form. Only one application for Employee Reserved Shares is permitted per Eligible Employee under the Employee Preferential Offering. Multiple applications by any Eligible Employee via **PINK** Application Form are liable to be rejected. In addition, Eligible Employees may also apply for Offer Shares under the Public Offer.

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 20,000 Public Offer Shares and if you are an Eligible Employee at the same time, you may also submit an application using a **PINK** application Form. Each application or **electronic application instructions** in respect of more than 20,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or otherwise specified on the designated website at **www.hkeipo.hk**.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and conditions of the Share Offer” in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 17 January 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 17 January 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Wednesday, 24 January 2018 on our Company’s website at **www.treeholdings.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer (including the Employee Preferential Offering) will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at **www.treeholdings.com** and the Stock Exchange’s website at **www.hkexnews.hk** by no later than 9:00 a.m. on Wednesday, 24 January 2018;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Wednesday, 24 January 2018 to 12:00 midnight on Tuesday, 30 January 2018;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 24 January 2018 to Monday, 29 January 2018 (excluding Saturday and Sunday); and

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- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 24 January 2018 to Friday, 26 January 2018 at all the receiving bank's designated branches on a Business Day.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure and conditions of the Share Offer" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **HK eIPO WHITE Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Sponsor, the Joint Global Coordinators, the **HK eIPO WHITE Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares (including the Employee Preferential Offering) is void:

The allotment of Public Offer Shares (including the Employee Preferential Offering) will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO WHITE Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 100% of the Public Offer Shares initially available for subscription under the Public Offer less the number of Employee Reserved Shares.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.17 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer set out in the section headed “Structure and conditions of the Share Offer – Conditions of the Public Offer” in this prospectus are not fulfilled or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Wednesday, 24 January 2018.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below) and one share certificate for each Eligible Employee under the Employee Preferential Offering.

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE**, **YELLOW** or **PINK** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares and/or Employee Reserved Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Wednesday, 24 January 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

If you apply by **PINK** Application Forms, your refund cheque(s) and Share certificate(s) will be sent to the Company on Wednesday, 24 January 2018 and the Company will arrange for onward transmission to you.

Share certificates will only become valid at 8:00 a.m. on Thursday, 25 January 2018 provided that the Share Offer has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 24 January 2018 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified on your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, 24 January 2018, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection of refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Wednesday, 24 January 2018, by ordinary post and at your own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, 24 January 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you apply as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "11. Publication of results" in this section. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 24 January 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 24 January 2018, or such other date as notified by our Company as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Wednesday, 24 January 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) *If you apply via Electronic Application Instructions to HKSCC*

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 24 January 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer Shares (including the Employee Reserved Shares) in the manner specified in the paragraph headed "11. Publication of results" in this section on Wednesday, 24 January 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 24 January 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 24 January 2018. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 24 January 2018.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.



ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF TREE HOLDINGS LIMITED AND OCEANWIDE CAPITAL LIMITED

Introduction

We report on the historical financial information of Tree Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-48, which comprises the consolidated statements of financial position as at 31 March 2015, 2016 and 2017 and 30 September 2017, the statements of financial position of the Company as at 31 March 2016 and 2017 and 30 September 2017, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 March 2015, 2016 and 2017 and the six months ended 30 September 2017 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-48 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 12 January 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purpose of the accountant's report, a true and fair view of the Company's financial position as at 31 March 2016 and 2017 and 30 September 2017 and the Group's financial position as at 31 March 2015, 2016 and 2017 and 30 September 2017 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 September 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative

Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant’s report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 10 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12
28 Hennessy Road
Wanchai
Hong Kong

12 January 2018

Lin Ching Yee Daniel

Practising Certificate No.: P02771

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by Grant Thornton Hong Kong Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

(A) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 March			Six months ended 30 September	
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000
					(unaudited)	
Revenue	4	65,252	81,877	77,316	38,463	40,560
Cost of sales		<u>(20,959)</u>	<u>(27,029)</u>	<u>(26,303)</u>	<u>(13,627)</u>	<u>(13,058)</u>
Gross profit		44,293	54,848	51,013	24,836	27,502
Other income	5	77	272	286	40	82
Selling and marketing expenses		(27,472)	(30,148)	(32,806)	(16,952)	(17,291)
Administrative expenses		(8,532)	(10,940)	(12,118)	(4,881)	(5,486)
Listing-related expenses		–	(1,289)	(10,066)	(3,853)	(4,658)
Share-based compensation expense	26	–	(2,487)	(2,331)	(1,497)	(656)
Finance costs	6	<u>(157)</u>	<u>(165)</u>	<u>(140)</u>	<u>(57)</u>	<u>(158)</u>
Profit/(Loss) before income tax	7	8,209	10,091	(6,162)	(2,364)	(665)
Income tax expense	9	<u>(1,419)</u>	<u>(2,297)</u>	<u>(986)</u>	<u>(619)</u>	<u>(763)</u>
Profit/(Loss) and total comprehensive income/(loss) for the year/period attributable to equity holders of the Company		<u>6,790</u>	<u>7,794</u>	<u>(7,148)</u>	<u>(2,983)</u>	<u>(1,428)</u>
Earnings/(Loss) per share attributable to equity holders of the Company (expressed in HK cents per share)						
– Basic and diluted	11	<u>0.57</u>	<u>0.66</u>	<u>(0.60)</u>	<u>(0.25)</u>	<u>(0.12)</u>

(B) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 March			As at 30 September
	Notes	2015	2016	2017	2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Property, plant and equipment	13	1,904	2,557	3,176	3,128
Intangible assets	15	–	482	389	340
Cash surrender value of life insurance	16	1,485	1,544	1,609	1,652
Deferred tax assets	23	409	256	223	175
		<u>3,798</u>	<u>4,839</u>	<u>5,397</u>	<u>5,295</u>
Current assets					
Inventories	17	9,618	10,911	9,963	11,711
Trade and other receivables	18	7,257	11,555	11,396	14,443
Amount due from ultimate holding company	19	8,414	10,409	–	–
Tax recoverable		274	–	581	398
Pledged bank deposits		–	–	–	200
Bank balances and cash		2,785	5,347	2,499	2,718
		<u>28,348</u>	<u>38,222</u>	<u>24,439</u>	<u>29,470</u>
Current liabilities					
Trade and other payables	20	6,474	6,579	10,127	14,574
Deferred revenue	21	–	689	796	73
Income tax liabilities		–	761	–	–
Interest-bearing borrowings	22	4,370	3,449	7,556	9,154
		<u>10,844</u>	<u>11,478</u>	<u>18,479</u>	<u>23,801</u>
Net current assets		<u>17,504</u>	<u>26,744</u>	<u>5,960</u>	<u>5,669</u>
Total assets less current liabilities		<u>21,302</u>	<u>31,583</u>	<u>11,357</u>	<u>10,964</u>
Non-current liabilities					
Interest-bearing borrowings	22	–	–	–	379
Net assets		<u>21,302</u>	<u>31,583</u>	<u>11,357</u>	<u>10,585</u>
EQUITY					
Share capital	24	–	–	–	–
Reserves	25	21,302	31,583	11,357	10,585
Total equity		<u>21,302</u>	<u>31,583</u>	<u>11,357</u>	<u>10,585</u>

(C) STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 March		As at 30 September
	Notes	2016	2017	2017
		HK\$'000	HK\$'000	HK\$'000
Non-current asset				
Investment in subsidiaries	14	–	20,249	20,249
Current assets				
Other receivables	18	–	4,241	5,857
Current liabilities				
Other payables	20	–	9,541	15,818
Net current liabilities		–	(5,300)	(9,961)
Net assets		–	14,949	10,288
EQUITY				
Share capital	24	–	–	–
Reserves	25	–	14,949	10,288
Total equity		–	14,949	10,288

(D) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance at 1 April 2014	–	–	14,512	14,512
Profit and total comprehensive income for the year	–	–	6,790	6,790
Balance at 31 March 2015 and 1 April 2015	–	–	21,302	21,302
Profit and total comprehensive income for the year	–	–	7,794	7,794
Transactions with owners – Share-based compensation (<i>Note 26</i>)	–	2,487	–	2,487
Balance at 31 March 2016 and 1 April 2016	–	2,487	29,096	31,583
Loss and total comprehensive loss for the year	–	–	(7,148)	(7,148)
Transactions with owners – Share-based compensation (<i>Note 26</i>) – Dividend paid (<i>Note 10</i>)	–	2,331	(15,409)	2,331 (15,409)
Total transactions with owners	–	2,331	(15,409)	(13,078)
Balance at 31 March 2017 and 1 April 2017	–	4,818	6,539	11,357
Loss and total comprehensive loss for the period	–	–	(1,428)	(1,428)
Transactions with owners – Share-based compensation (<i>Note 26</i>)	–	656	–	656
Balance at 30 September 2017	–	5,474	5,111	10,585
(Unaudited) Balance at 1 April 2016	–	2,487	29,096	31,583
Loss and total comprehensive loss for the period	–	–	(2,983)	(2,983)
Transactions with owners – Share-based compensation (<i>Note 26</i>) – Dividend paid (<i>Note 10</i>)	–	1,497	(10,409)	1,497 (10,409)
Total transactions with owners	–	1,497	(10,409)	(8,912)
Balance at 30 September 2016	–	3,984	15,704	19,688

(E) CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March			Six months ended	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Cash flows from operating activities					
Profit/(Loss) before income tax	8,209	10,091	(6,162)	(2,364)	(665)
Adjustment for:					
Depreciation	719	830	1,164	559	655
Amortisation of intangible assets	–	8	98	49	49
Interest income	(1)	(1)	(1)	(1)	(1)
Interest expenses	157	165	140	57	158
Fair value loss/(gain) on cash surrender value of life insurance	314	(59)	(65)	(34)	(43)
Share-based compensation expense	–	2,487	2,331	1,497	656
Write off of trade receivables	–	38	–	–	–
Write off of property, plant and equipment	33	–	–	–	–
Write off of inventories	–	47	32	32	–
Operating profit/(loss) before working capital changes	9,431	13,606	(2,463)	(205)	809
(Increase)/Decrease in inventories	(1,667)	(1,340)	916	306	(1,748)
(Increase)/Decrease in trade and other receivables	(991)	(4,330)	2,281	4,169	(1,340)
Increase in trade and other payables	2,256	105	3,413	281	3,075
Increase/(Decrease) in deferred revenue	–	689	107	1,245	(723)
Cash generated from operations	9,029	8,730	4,254	5,796	73
Income tax paid	(2,169)	(1,403)	(2,295)	–	(532)
Income tax refund	297	294	–	–	–
Interest received	1	1	1	1	1
Net cash from/(used in) operating activities	7,158	7,622	1,960	5,797	(458)
Cash flows from investing activities					
Addition in amounts due from related companies	(408)	–	(4)	(154)	–
Repayment in amount due from a related company	–	150	–	–	–
Addition in amount due from a director	(6,027)	–	–	–	–
Addition in amount due from ultimate holding company	–	(1,995)	–	–	–
Purchase of property, plant and equipment	(856)	(1,483)	(1,783)	(341)	(137)
Additions of intangible assets	–	(368)	(5)	–	–
Premium payment for a life insurance policy	(1,799)	–	–	–	–
Net cash used in investing activities	(9,090)	(3,696)	(1,792)	(495)	(137)

	Year ended 31 March			Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000
				(unaudited)	
Cash flows from financing activities					
Repayment in amount due to a director	(465)	–	–	–	–
Increase in pledged bank deposits	–	–	–	–	(200)
Proceeds from bank borrowings	3,900	–	3,000	–	2,500
Repayment of bank borrowings	(817)	(921)	(1,213)	(474)	(1,336)
Capital element of finance lease payments	–	–	–	–	(7)
Interest element of finance lease payments	–	–	–	–	(2)
Interest paid	(157)	(165)	(140)	(57)	(156)
Dividend paid	–	–	(5,000)	–	–
Payment for deferred IPO cost	–	(278)	(1,983)	(273)	(335)
Net cash from/(used in) financing activities	<u>2,461</u>	<u>(1,364)</u>	<u>(5,336)</u>	<u>(804)</u>	<u>464</u>
Net increase/(decrease) in cash and cash equivalents	529	2,562	(5,168)	4,498	(131)
Cash and cash equivalents at beginning of year/period	<u>2,256</u>	<u>2,785</u>	<u>5,347</u>	<u>5,347</u>	<u>179</u>
Cash and cash equivalents at end of year/period	<u><u>2,785</u></u>	<u><u>5,347</u></u>	<u><u>179</u></u>	<u><u>9,845</u></u>	<u><u>48</u></u>
Analysis of the balances of cash and cash equivalents					
Bank balances and cash	2,785	5,347	2,499	9,845	2,718
Bank overdraft (<i>Note 22</i>)	–	–	(2,320)	–	(2,670)
	<u><u>2,785</u></u>	<u><u>5,347</u></u>	<u><u>179</u></u>	<u><u>9,845</u></u>	<u><u>48</u></u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION, HISTORY AND REORGANIZATION AND BASIS OF PRESENTATION

1.1 General information

Tree Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 9 March 2016 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. The address of the Company’s registered office is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is 28/F., Horizon Plaza, 2 Lee Wing Street, Ap Lei Chau, Hong Kong.

The Company is an investment holding company and its subsidiaries (collectively, the “Group”) are principally engaged in the sale and distribution of furniture and home accessories, the provision of styling and consulting services and the operation of a café (the “Listing Business”). During the years ended 31 March 2016 and 2017, the Group has further expanded its operation by entering into distribution agreements with a third party to be the exclusive retail distributor of the furniture and home accessories of the Group in the People’s Republic of China (the “PRC”) and granted non-exclusive and non-transferable licence rights to use certain of the Group’s intellectual properties, such as logo and trademarks in the PRC.

At the end of each reporting period, the directors consider the immediate and ultimate holding company of the Company to be Tiptop Honour Limited (“Tiptop”), a company incorporated in Samoa.

1.2 History and reorganization of the Group

Prior to the incorporation of the Company and completion of the group reorganization (as explained below), the Listing Business was carried out through Tree Limited, a company incorporated in Hong Kong on 22 February 2002. Tree Limited was wholly owned and controlled by Ms. Nicole Lucy Haslock (“Ms. Haslock”), the founder and a director of the Company, prior to March 2015. At the end of March 2015, Ms. Haslock has completed the disposal of her entire share capital in Tree Limited to Tiptop, and Tiptop became the holding company of Tree Limited. Pursuant to the relevant sales and purchase agreement dated 27 March 2015 and the call option deed dated 1 June 2015, a call option (the “Call Option”) was granted to Ms. Haslock by Tiptop to purchase 2% of the equity interest in Tree Limited or its holding company from Tiptop at a consideration of HK\$1,300,000 at anytime prior to an IPO (as defined). The Call Option has no financial impact on the Group’s financial information.

Pursuant to the reorganization (the “Reorganization”) in preparation for the listing of the Company’s shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing” or “IPO”), the Company acquired all the companies now comprising the Group from Tiptop. The major steps undertaken to effect the Reorganization were as follows:

(i) Incorporation of the Company

On 9 March 2016, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000, comprising 38,000,000 ordinary shares of HK\$0.01 each. On incorporation, 1 ordinary share was issued as nil paid to the initial subscriber. The issued share was subsequently transferred to Tiptop at par value on 9 March 2016.

(ii) Incorporation of Tree Investment Group Limited

On 6 April 2016, Tree Investment Group Limited (“Tree Investment”) was incorporated in the British Virgin Islands (“BVI”) with limited liability. On incorporation, 1 share with par value of US\$1 was allotted and issued as fully paid to the Company.

(iii) Transfer of shares of Tree Limited to Tree Investment

On 29 July 2016, the entire share capital in Tree Limited held by Tiptop was transferred to Tree Investment, in consideration of the allotment and issue of 99 shares in the Company to Tiptop credited as fully paid.

Upon the completion of the above transfer, the Company became the holding company of the subsidiaries now comprising the Group.

(iv) Transfer of shares of the Company to Ms. Haslock

On 10 August 2016, Ms. Haslock has exercised the Call Option. Accordingly and as part of the Reorganization, on 10 August 2016, Ms. Haslock through her wholly owned subsidiary, Savvy Consulting Limited, acquired 2% equity interest of the Company from Tiptop at a consideration of HK\$1,300,000.

(v) Transfer of shares of the Company to Ms. Mary Kathleen Babington ("Ms. Babington")

As detailed in Note 26, pursuant to the Incentive Shares Deed dated 1 June 2015 as supplemented by the Supplemental Deed dated 31 May 2016 and the Second Supplemental Incentive Shares Deed dated 15 November 2016 entered among Tiptop, Tree Limited and Ms. Babington, a director and a key management personnel of the Group, Tiptop has agreed to award and transfer 5% of its equity interest in Tree Limited or its holding company or its successor entity pursuant to any pre-IPO restructuring to Ms. Babington at a consideration of HK\$1 with certain vesting conditions.

Accordingly and as part of the Reorganization, on 10 August 2016, Ms. Babington through her wholly owned subsidiary, Rothley Investment Limited ("Rothley"), acquired 5% equity interest of the Company from Tiptop at a consideration of HK\$1.

Upon the completion of the Reorganization and as at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Name of company	Country/ place and date of incorporation	Issued and paid-up capital/ registered capital	Equity interest held	Principal activities and place of operation	Note
Directly held by the Company					
Tree Investment	BVI/ 6 April 2016	US\$1	100%	Investment holding in Hong Kong	(a)
Indirectly held by the Company					
Tree Limited	Hong Kong/ 22 February 2002	HK\$2	100%	Sale and distribution of furniture and home accessories, consignment sales, distribution and licencing of intellectual property rights, the provision of styling and consulting services and the operation of a café in Hong Kong	(b)

Notes:

- (a) No audited financial statements were issued for this company as it was newly incorporated and is not required to issue audited financial statements under the statutory requirements of its place of incorporation.
- (b) The statutory financial statements of Tree Limited for the years ended 31 March 2015, 2016 and 2017 were audited by Grant Thornton Hong Kong Limited.

All companies comprising the Group have adopted 31 March as their financial year end date.

1.3 Basis of presentation

Immediately prior to and after the Reorganization, the Listing Business is held by Tiptop and the Listing Business was carried out through Tree Limited. Pursuant to the Reorganization, both Tree Limited and the Listing Business are transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganization and do not meet the definition of a business. The Reorganization is merely a reorganization of the Listing Business and does not result in any changes in business substance, nor in any management or the ultimate owner of the Listing Business, before and after the Reorganization. Accordingly, the Group resulting from the Reorganization is regarded as a continuation of the Listing Business under Tree Limited and the Historical Financial Information of the companies now comprising the Group is presented using the carrying values of the Listing Business for all periods presented.

Intercompany transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the Historical Financial Information which are 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 (the “HKICPA”). The Historical Financial Information has been prepared on the historical cost basis, except for cash surrender value of life insurance which are carried at fair value.

All new standards, amendments to standards and interpretations, which are mandatory for the financial year beginning on or before 1 April 2017 are consistently applied to the Group for the Track Record Period.

It should be noted that accounting estimates and assumptions are used in preparation of the Historical Financial Information. 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 Historical Financial Information are disclosed in Note 3 below.

2.2 Issued but not effective HKFRSs

The following new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 April 2017, and have not been applied in preparing the Historical Financial Information. None of these are expected to have a significant effect on the results of operation and financial position of the Group, except the following set out below:

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle except for amendments to HKFRS 12 ¹
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 40	Transfers of Investment Property ¹

- 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 a date to be determined

HKFRS 9 “Financial Instruments”

HKFRS 9 “Financial Instruments” introduces extensive changes to HKAS 39 “Financial Instruments: Recognition and Measurement”, guidance on the classification and measurement of financial assets and financial liabilities, impairment requirements for financial assets and general hedge accounting.

The main areas of expected impact are as follows:

- the classification and measurement of the Group’s financial assets will need to be reviewed based on the new criteria that considers the assets’ contractual cash flows and the business model in which they are managed.
- an expected credit loss-based impairment (either on a twelve-month basis or a lifetime basis) will need to be recognised on the Group’s trade receivables (see Note 18).

HKFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018. The directors do not consider that the application of HKFRS 9 will have material financial impact on the Group’s financial performance and financial position.

HKFRS 15 “Revenue from Contracts with Customers”

HKFRS 15 presents new requirements for the recognition of revenue, replacing HKAS 18 “Revenue”, HKAS 11 “Construction Contracts”, and several revenue-related Interpretations. HKFRS 15 contains a single model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or overtime. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

1. Identify the contract(s) with customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations.
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. For more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The directors do not consider that the application of HKFRS 15 will have material financial impact on the Group’s financial performance and financial position.

HKFRS 16 “Leases”

HKFRS 16 “Leases” will replace HKAS 17 and three related Interpretations. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability. HKFRS 16 is effective from periods beginning on or after 1 January 2019. In order to determine the impact the Group, the directors are in the process of:

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under HKFRS 16’s new definition.
- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices.
- assessing their current disclosures for operating leases (Note 27(b)) as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets.
- determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions.
- assessing the additional disclosures that will be required.

As disclosed in Note 27(b), the Group’s operating lease commitment as at 30 September 2017 amounted to HK\$21,719,000. The directors of the Company do not expect the adoption of HKFRS 16 would result in significant impact on the Group’s results but it is expected that certain portion of these commitments will be required to recognise in the consolidated statement of financial position as right-of-use assets and lease liabilities.

2.3 Consolidation**(a) Subsidiaries**

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. Where necessary, amounts reported by subsidiaries have been adjusted to conform with the Group’s accounting policies.

(b) Separate financial statements

In the Company’s statement of financial position, subsidiaries are carried at cost less any impairment loss. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee’s pre or post-acquisition profits are recognised in the Company’s profit or loss.

2.4 Foreign currency translation**(a) Functional and presentation currency**

Items included in the financial information of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The Historical Financial Information are presented in Hong Kong dollars (“HK\$”), which is the Company’s functional and the Group’s presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income.

2.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the assets to its working condition and location for its intended use. Depreciation of assets commences when the assets ready for intended use.

Depreciation on property, plant and equipment is provided to write off the cost less their residue values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold improvements	Over the lease terms
Furniture and fixtures and office equipment	20% – 30%
Motor vehicles	30%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

2.6 Intangible assets

Website development costs

Cost directly associated with the development of specific websites, which include external direct costs of materials and services consumed in developing the website are capitalised. The capitalisation of such costs ceases no later than the point at which the websites are substantially completed and ready for its intended purpose. Website development costs are amortised on a straight-line basis over a period of 5 years, which represent the expected useful life of the website. Capitalised website development costs stated at cost less accumulated amortisation and accumulated impairment losses.

Research and other development costs relating to website development and website maintenance costs are expensed as incurred.

Trademarks

Trademarks are initially recorded at cost. These trademarks have a finite useful lives and are carried at cost less accumulated amortisation. Amortisation is calculated on a straight-line basis over a period of 10 years.

2.7 Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss and loans and receivables. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or the transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are designated at initial recognition at fair value through profit or loss if the assets are part of a group of financial assets which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the Group of financial assets is provided internally on that basis to the key management personnel. The Group has designated the life insurance policy in the name of the Group covering Ms. Haslock at fair value through profit or loss (Note 16).

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Impairment of financial assets

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- Significant financial difficulty of the debtor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;

- The disappearance of an active market for that financial asset because of financial difficulties; and
- A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decrease and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

Impairment losses on financial assets other than financial assets at fair value through profit or loss and trade receivables that are stated at amortised cost, are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

2.9 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand. For the purpose of the consolidated statement of cash flows presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.10 Financial liabilities

The Group's financial liabilities mainly include bank borrowings, finance lease liabilities and trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing cost (Note 2.17).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender or substantially different terms, or the terms of an existing liabilities are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see Note 2.11).

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

2.11 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments of such assets, are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges as the lessee

When the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental, if any, are charged to profit or loss in the accounting period in which they are incurred.

2.12 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deduction from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.13 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services provided in the normal course of business, net of discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Sale of furniture and home accessories are recognised upon the transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

Distribution and license fee income is recognised on a straight-line basis over the terms of the distribution agreement and license period.

Food and beverage income from the operation of a café is recognised at the point of sale to customers.

Commission income from consignment sales are recognised when the goods are sold by the Group.

Consulting income is recognised when the services have been performed.

2.14 Interest income

Interest income is recognised on an accrual basis using the effective interest method.

2.15 Impairment of non-financial assets

Property, plant and equipment and intangible assets are subject to impairment testing. They are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment losses recognised for cash generating unit is charged pro rata to the assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.16 Employee benefits

Retirement benefit

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefit plan (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulative compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Equity-settled share-based compensation transactions

In June 2015, Tiptop has granted share awards to Ms. Babington in return for her continuous services to the Group (Note 26). The fair value of the services received in exchange for the grant of the equity instruments is recognised as expense.

The total amount to be expensed is determined by reference to the fair value of the equity instruments granted including any market performance conditions; excluding the impact of any service and non-market performance vesting conditions; and including the impact of any non-vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of shares that are expected to vest. The total expense is recognised over the vesting period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of shares that are expected to vest based on the non-market performance and service conditions. The Group recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

When an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

2.17 Borrowing costs

Borrowing costs incurred, net of any investment income earned on the temporary investment of the specific borrowings, for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

2.18 Accounting for income tax

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

2.20 Dividend distribution

Dividend distribution to the Company's ordinary shareholders is recognised as a liability in the Company's Historical Financial Information in the period which the dividends are approved by the Company's shareholders or board of directors, where appropriate.

2.21 Related parties

For the purpose of the Historical Financial Information, a party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group.
- (b) the party is an entity and if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group.
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) the entity and the Group are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

- (vi) the entity is controlled or jointly controlled by a person identified in (a).
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

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 Company 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 17) 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.

Recognition of share-based compensation expense

As detailed in Note 26, Tiptop has granted share awards and a put option to a director of the Group during the year ended 31 March 2016. The directors, with the assistance of an independent professional valuer, have used the discounted cash flow method and the option pricing model to determine the total fair value of these shares and put option awarded. Significant judgments on key assumptions, such as discount rates and projections of future performance are required to be made by the directors.

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 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:

	Year ended 31 March			Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000
Sale of furniture and home accessories	59,359	75,089	70,373	34,848	37,580
Distribution and license fee income	–	1,800	2,720	1,200	1,880
Food and beverage income	4,766	4,629	3,852	2,265	750
Commission income	349	359	271	150	105
Consulting income	778	–	100	–	245
	<u>65,252</u>	<u>81,877</u>	<u>77,316</u>	<u>38,463</u>	<u>40,560</u>

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 Track Record Period.

As of 31 March 2015, 2016 and 2017 and 30 September 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 Track Record Period were originated in Hong Kong.

5. OTHER INCOME

	Year ended 31 March			Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Bank interest income	1	1	1	1	1
Sundry income	76	271	285	39	81
	<u>77</u>	<u>272</u>	<u>286</u>	<u>40</u>	<u>82</u>

6. FINANCE COSTS

	Year ended 31 March			Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Interest expenses on bank borrowings	157	165	140	57	156
Finance charges on obligations under finance lease	–	–	–	–	2
	<u>157</u>	<u>165</u>	<u>140</u>	<u>57</u>	<u>158</u>

7. PROFIT/(LOSS) FOR THE YEAR/PERIOD

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

	Year ended 31 March			Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Auditor's remuneration	235	258	258	129	129
Cost of inventories recognised as expense	20,959	27,029	26,303	13,627	13,058
Depreciation of property, plant and equipment	719	830	1,164	559	655
Amortisation of intangible assets	–	8	98	49	49
Operating lease charges in respect of:					
– Warehouse, office and shop premises	10,803	10,997	10,749	5,358	5,756
– Equipment	170	185	23	23	–
Net exchange loss	47	31	10	15	113
Fair value loss/(gain) on cash surrender value of life insurance	314	(59)	(65)	(34)	(43)
Write off of trade receivables	–	38	–	–	–
Write off of property, plant and equipment	33	–	–	–	–
Write off of inventories	–	47	32	32	–
	<u>–</u>	<u>47</u>	<u>32</u>	<u>32</u>	<u>–</u>

8. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 March			Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Salaries, bonus and allowances	12,892	16,536	19,596	9,356	9,511
Retirement benefit scheme contributions	539	642	749	363	367
Share-based compensation expense	–	2,487	2,331	1,497	656
	<u>13,431</u>	<u>19,665</u>	<u>22,676</u>	<u>11,216</u>	<u>10,534</u>

9. INCOME TAX EXPENSE

	Note	Year ended 31 March			Six months ended 30 September	
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Current tax – Hong Kong						
Current year/period		1,404	2,164	1,012	555	728
Under/(Over) provision in respect of prior years/periods		4	(20)	(59)	–	(13)
		<u>1,408</u>	<u>2,144</u>	<u>953</u>	<u>555</u>	<u>715</u>
Deferred tax						
Origination and reversal of temporary differences	23	11	153	33	64	48
Income tax expense		<u>1,419</u>	<u>2,297</u>	<u>986</u>	<u>619</u>	<u>763</u>

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

	Year ended 31 March			Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Profit/(Loss) before income tax	<u>8,209</u>	<u>10,091</u>	<u>(6,162)</u>	<u>(2,364)</u>	<u>(665)</u>
Tax on profit/(loss) before income tax, calculated at the statutory rates applicable to profits in the tax jurisdiction concerned	1,354	1,665	(1,002)	(236)	660
Tax effect on non-taxable income	–	(37)	(19)	(14)	(7)
Tax effect on non-deductible expenses	61	689	2,066	869	123
Under/(Over) provision in respect of prior years/periods	4	(20)	(59)	–	(13)
Income tax expense	<u>1,419</u>	<u>2,297</u>	<u>986</u>	<u>619</u>	<u>763</u>

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) 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% on the estimated assessable profits for the Track Record Period.

10. DIVIDENDS

	<i>Notes</i>	Year ended 31 March			Six months ended 30 September	
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Dividend declared and paid by the Company	(a)	–	–	5,000	–	–
Dividend declared and paid by Tree Limited	(b)	–	–	10,409	10,409	–
		–	–	15,409	10,409	–

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 Track Record Period represented dividend declared before the completion of the Reorganization and paid by Tree Limited to its then shareholder. The dividend declared and payable to Tiptop was fully paid by offsetting against the amount due from Tiptop (Note 19). The rates for dividend and the number of shares ranking for dividend are not presented as such information is not considered meaningful for the purpose of this report.

11. EARNINGS/(LOSS) PER SHARE

For the purpose of computing basic and diluted earnings/(loss) per share, the number of ordinary shares has been adjusted retrospectively for the effect of the Reorganization as described in Note 1.2 and capitalisation issue as described in Note 32 as if the Reorganization and capitalization issue had been completed on 1 April 2014.

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year/period.

	Year ended 31 March			Six months ended 30 September	
	2015	2016	2017	2016 (unaudited)	2017
Profit/(Loss) attributable to equity holders of the Company (HK\$'000)	6,790	7,794	(7,148)	(2,983)	(1,428)
Number of ordinary shares for the purpose of calculating basic earnings/(loss) per share (thousands)	1,188,000	1,188,000	1,188,000	1,188,000	1,188,000
Basic earnings/(loss) per share (expressed in HK cents per share)	0.57	0.66	(0.60)	(0.25)	(0.12)

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share for the Track Record Period equals the basic earnings/(loss) per share as there were no dilutive potential ordinary shares in existence during the Track Record Period.

12. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS**(a) Directors' remuneration**

The emoluments of the individual director of the Company during the Track Record Period which were included in the employee benefit expenses are set out below:

Name of director	Notes	Fees HK\$'000	Basic salaries and allowances HK\$'000	Retirement benefit contribution HK\$'000	Share-based compensation HK\$'000	Total HK\$'000
Year ended 31 March 2015						
Executive director:						
Ms. Babington	(i)	–	1,505	18	–	1,523
Non-executive director:						
Ms. Haslock	(i)	–	–	–	–	–
		–	1,505	18	–	1,523
Year ended 31 March 2016						
Executive directors:						
Ms. Babington	(i)	–	1,919	18	2,487	4,424
Mr. Tsui Wing Tak	(i)	95	–	–	–	95
Non-executive director:						
Ms. Haslock	(i)	200	–	–	–	200
		295	1,919	18	2,487	4,719
Year ended 31 March 2017						
Executive directors:						
Ms. Babington	(i)	–	1,979	18	2,331	4,328
Mr. Tsui Wing Tak	(i)	120	–	–	–	120
Non-executive directors:						
Ms. Haslock	(i)	240	–	–	–	240
Mr. Tong Tang Joseph	(ii)	–	–	–	–	–
		360	1,979	18	2,331	4,688
Six months ended 30 September 2016 (unaudited)						
Executive directors:						
Ms. Babington	(i)	–	1,004	9	1,497	2,510
Mr. Tsui Wing Tak	(i)	60	–	–	–	60
Non-executive directors:						
Ms. Haslock	(i)	120	–	–	–	120
Mr. Tong Tang Joseph	(ii)	–	–	–	–	–
		180	1,004	9	1,497	2,690

Name of director	Notes	Fees HK\$'000	Basic salaries and allowances HK\$'000	Retirement benefit contribution HK\$'000	Share-based compensation HK\$'000	Total HK\$'000
Six months ended 30 September 2017						
Executive directors:						
Ms. Babington	(i)	–	1,005	9	656	1,670
Mr. Tsui Wing Tak	(i)	60	–	–	–	60
Non-executive directors:						
Ms. Haslock	(i)	120	–	–	–	120
Mr. Tong Tang Joseph	(ii)	–	–	–	–	–
		<u>180</u>	<u>1,005</u>	<u>9</u>	<u>656</u>	<u>1,850</u>

Notes:

- (i) Appointed on 9 March 2016. The remuneration shown above represents remuneration received from the Group by these directors in their capacity as employees or directors of the companies comprising the Group during the Track Record Period. Ms. Babington is also the chief executive officer of the Group.
- (ii) Appointed on 22 April 2016.

There were no arrangements under which a director of the Company waived or agreed to waive any remuneration during the Track Record Period.

(b) Five highest paid individuals

For the years ended 31 March 2015, 2016 and 2017 and the six months ended 30 September 2016 and 2017, the five individuals whose emoluments were the highest in the Group include 1, 1, 1, 1 and 1 director, respectively, whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining 4, 4, 4, 4 and 4 individuals are as follows:

	Year ended 31 March			Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Basic salaries and allowances	1,067	2,274	2,853	1,470	1,192
Discretionary bonus	177	120	82	44	58
Retirement benefit scheme contributions	62	68	71	36	36
	<u>1,306</u>	<u>2,462</u>	<u>3,006</u>	<u>1,550</u>	<u>1,286</u>

The aggregate of the emoluments in respect of the remaining 4 individuals for the years ended 31 March 2015, 2016 and 2017 and the six months ended 30 September 2016 and 2017 fell within the following bands:

	Year ended 31 March			Six months ended 30 September	
	2015	2016	2017	2016 (unaudited)	2017
Emolument bands					
Nil – HK\$1,000,000	4	3	3	4	4
HK\$1,000,001 – HK\$1,500,000	–	1	1	–	–
	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

During the Track Record Period, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2014				
Cost	5,245	1,889	1,143	8,277
Accumulated depreciation	(3,999)	(1,343)	(1,135)	(6,477)
Net book amount	1,246	546	8	1,800
Year ended 31 March 2015				
Opening net book amount	1,246	546	8	1,800
Additions	701	155	–	856
Write off	(33)	–	–	(33)
Depreciation	(452)	(267)	–	(719)
Closing net book amount	1,462	434	8	1,904
At 31 March 2015 and 1 April 2015				
Cost	5,902	2,044	1,143	9,089
Accumulated depreciation	(4,440)	(1,610)	(1,135)	(7,185)
Net book amount	1,462	434	8	1,904
Year ended 31 March 2016				
Opening net book amount	1,462	434	8	1,904
Additions	458	509	516	1,483
Depreciation	(495)	(301)	(34)	(830)
Closing net book amount	1,425	642	490	2,557
At 31 March 2016 and 1 April 2016				
Cost	6,360	2,553	1,235	10,148
Accumulated depreciation	(4,935)	(1,911)	(745)	(7,591)
Net book amount	1,425	642	490	2,557
Year ended 31 March 2017				
Opening net book amount	1,425	642	490	2,557
Additions	1,530	253	–	1,783
Depreciation	(656)	(353)	(155)	(1,164)
Closing net book amount	2,299	542	335	3,176
At 31 March 2017 and 1 April 2017				
Cost	7,316	2,806	1,235	11,357
Accumulated depreciation	(5,017)	(2,264)	(900)	(8,181)
Net book amount	2,299	542	335	3,176
Six months ended 30 September 2017				
Opening net book amount	2,299	542	335	3,176
Additions	–	85	522	607
Depreciation	(375)	(177)	(103)	(655)
Closing net book amount	1,924	450	754	3,128
At 30 September 2017				
Cost	7,316	2,891	1,757	11,964
Accumulated depreciation	(5,392)	(2,441)	(1,003)	(8,836)
Net book amount	1,924	450	754	3,128

At 31 March 2015, 2016 and 2017 and 30 September 2017, the net book value of the Group's property, plant and equipment held under finance lease was nil, nil and HK\$475,000, respectively.

14. INVESTMENT IN SUBSIDIARIES – COMPANY

	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 30 September 2017 HK\$'000
Unlisted shares, at cost	–	20,249	20,249

Note: Details of the principal subsidiaries are stated in Note 1.2.

15. INTANGIBLE ASSETS

	Website development costs HK\$'000	Trademarks HK\$'000	Total HK\$'000
At 1 April 2014, 31 March 2015 and 1 April 2015			
Cost	–	–	–
Accumulated amortisation	–	–	–
Net book amount	–	–	–
Year ended 31 March 2016			
Opening net book amount	–	–	–
Additions	490	–	490
Amortisation	(8)	–	(8)
Closing net book amount	482	–	482
At 31 March 2016 and 1 April 2016			
Cost	490	–	490
Accumulated amortisation	(8)	–	(8)
Net book amount	482	–	482
Year ended 31 March 2017			
Opening net book amount	482	–	482
Additions	–	5	5
Amortisation	(98)	–	(98)
Closing net book amount	384	5	389
At 31 March 2017 and 1 April 2017			
Cost	490	5	495
Accumulated amortisation	(106)	–	(106)
Net book amount	384	5	389
Six months ended 30 September 2017			
Opening net book amount	384	5	389
Amortisation	(49)	–	(49)
Closing net book amount	335	5	340
At 30 September 2017			
Cost	490	5	495
Accumulated amortisation	(155)	–	(155)
Net book amount	335	5	340

16. CASH SURRENDER VALUE OF LIFE INSURANCE

During the year ended 31 March 2015, the Group has invested in an insurance policy for Ms. Haslock, a director and a key management personnel of the Company. The Group is the beneficiary of such investment. The carrying amount represented the cash surrender value of the policy and approximates its fair value at the end of the reporting periods. As at 31 March 2015, 2016 and 2017 and 30 September 2017, the life insurance was pledged to a bank to secure banking facilities of the Group (Note 22). Details of fair value measurement are set out in Note 30.6.

17. INVENTORIES

	2015 HK\$'000	As at 31 March 2016 HK\$'000	2017 HK\$'000	As at 30 September 2017 HK\$'000
Finished goods	9,618	10,911	9,963	11,711

18. TRADE AND OTHER RECEIVABLES

Group

Notes	2015 HK\$'000	As at 31 March 2016 HK\$'000	2017 HK\$'000	As at 30 September 2017 HK\$'000
Trade receivables				
From third parties (a)	269	1,863	318	1,511
From a related company 28(c)	778	–	–	–
	<u>1,047</u>	<u>1,863</u>	<u>318</u>	<u>1,511</u>
Other receivables				
Deposits, prepayments and other receivables	4,387	4,976	5,226	5,718
Prepayment to suppliers	1,206	1,651	1,140	886
Amount due from a related company 28(c)	617	467	471	471
Prepaid/Deferred IPO costs	–	2,598	4,241	5,857
	<u>6,210</u>	<u>9,692</u>	<u>11,078</u>	<u>12,932</u>
	<u>7,257</u>	<u>11,555</u>	<u>11,396</u>	<u>14,443</u>

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. As at 31 March 2015, 2016 and 2017 and 30 September 2017, the ageing analysis based on recognition date of the trade receivables is as follows:

	2015	As at 31 March 2016	2017	As at 30 September 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
1 – 30 days	1,024	1,073	298	631
31 – 90 days	16	256	19	855
91 – 180 days	–	534	1	–
181 – 365 days	4	–	–	25
Over 1 year	3	–	–	–
	<u>1,047</u>	<u>1,863</u>	<u>318</u>	<u>1,511</u>

As at 31 March 2015, 2016 and 2017 and 30 September 2017, the Group reviews receivables for evidence of impairment on an individual basis. As at 31 March 2015, 2016 and 2017 and 30 September 2017, the Group has determined trade receivables of nil, HK\$38,000, nil and nil respectively as individually impaired and has been written off as bad debts during the Track Record Period. Bad debts written off have been included in “administrative expenses” in the consolidated statements of comprehensive income. The trade receivables written off are due from customers experiencing financial difficulties that were in delinquency of payments.

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:

	2015	As at 31 March 2016	2017	As at 30 September 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
1 – 90 days past due	892	1,322	110	936
91 – 180 days past due	–	534	1	–
181 – 365 days past due	4	–	–	25
Over 1 year past due	3	–	–	–
	<u>899</u>	<u>1,856</u>	<u>111</u>	<u>961</u>

As at 31 March 2015, 2016 and 2017 and 30 September 2017, trade receivables that were neither past due nor impaired were HK\$148,000, HK\$7,000, HK\$207,000 and HK\$550,000 respectively. These related to a number of payment vendors and customer for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a number of customers and distributor that have a good track record of credit with the Group. Based on past credit and payment history, management believe 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 2015, 2016 and 2017 and 30 September 2017, none of the amounts included in other receivables were either past due or impaired.

Company

	As at 31 March		As at
	2016	2017	30 September
	HK\$'000	HK\$'000	2017
			HK\$'000
Other receivables			
Prepaid/Deferred IPO costs	–	4,241	5,857
	<u> </u>	<u> </u>	<u> </u>

19. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

The amount due from ultimate holding company, Tiptop, is non-trade in nature, unsecured, interest-free and repayable on demand. During the year ended 31 March 2015, Ms. Haslock and American Tree, Ltd. ("American Tree"), a company owned and controlled by Ms. Haslock, have assigned certain outstanding amounts to Tiptop, details of which are stated in Note 28. The maximum outstanding from the ultimate holding company during the years ended 31 March 2015, 2016 and 2017 and the six months ended 30 September 2017 amounted to HK\$8,414,000, HK\$10,409,000, HK\$10,409,000 and nil, respectively. The carrying amount of the amounts due approximated their fair values.

20. TRADE AND OTHER PAYABLES**Group**

	Note	As at 31 March			As at
		2015	2016	2017	30 September
		HK\$'000	HK\$'000	HK\$'000	2017
					HK\$'000
Trade payables					
To third parties	(a)	519	331	255	829
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Other payables					
Accrued charges and other payables		1,051	1,727	3,407	8,039
Deposits receipt in advance		4,904	4,521	6,465	5,706
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
		5,955	6,248	9,872	13,745
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
		6,474	6,579	10,127	14,574
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

All amounts are short-term and hence the carrying values of the Group's trade and other payables as at 31 March 2015, 2016 and 2017 and 30 September 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:

	2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	As at 30 September 2017 <i>HK\$'000</i>
0 – 30 days	517	331	245	811
31 – 60 days	2	–	10	14
61 – 90 days	–	–	–	4
	<u>519</u>	<u>331</u>	<u>255</u>	<u>829</u>

Company

	As at 31 March 2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	As at 30 September 2017 <i>HK\$'000</i>
Other payables			
Accrued charges and other payables	–	1,174	5,707
Amount due to a subsidiary	–	8,367	10,111
	<u>–</u>	<u>9,541</u>	<u>15,818</u>

The amount due to a subsidiary is unsecured, interest-free and repayable on demand.

21. DEFERRED REVENUE

Deferred revenue represented advance distribution and license fee received which is recognised over the distribution period stipulated in the distribution contract and gift vouchers sold but not yet redeemed.

22. INTEREST-BEARING BORROWINGS

<i>Notes</i>	2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	As at 30 September 2017 <i>HK\$'000</i>
Non-current				
Finance lease liabilities	22(a) –	–	–	379
Current				
Current portion of finance lease liabilities	22(a) –	–	–	84
Bank borrowings	22(b) 4,370	3,449	7,556	9,070
	<u>4,370</u>	<u>3,449</u>	<u>7,556</u>	<u>9,154</u>
	<u>4,370</u>	<u>3,449</u>	<u>7,556</u>	<u>9,533</u>

22(a) Finance lease liabilities

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

	2015	As at 31 March	2017	As at
	<i>HK\$'000</i>	<i>2016</i>	<i>2017</i>	30 September
		<i>HK\$'000</i>	<i>HK\$'000</i>	2017
				<i>HK\$'000</i>
Total minimum lease payments:				
Due within one year	–	–	–	107
Due in the second to fifth years	–	–	–	419
	–	–	–	526
Future finance charges on finance leases	–	–	–	(63)
Present value of finance lease liabilities	–	–	–	463
Present value of minimum lease payments:				
Due within one year	–	–	–	84
Due in the second to fifth years	–	–	–	379
	–	–	–	463
Less: Portion due within one year included under current liabilities	–	–	–	(84)
Portion due after one year included under non-current liabilities	–	–	–	379

The Group has entered into 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. None of the lease include options to renew or any contingent rental provisions. The finance lease bear interest at fixed rate.

Finance lease liabilities are effectively secured by the underlying assets as the rights to the leased asset would be reverted to the lessor in the event of default by repayment by the Group and is guaranteed by Mr. Tong Tang Joseph ("Mr. Tong"), a director of the Company and the controlling shareholder of Tiptop.

22(b) Bank borrowings

		2015	As at 31 March	2017	As at
	<i>Notes</i>	<i>HK\$'000</i>	<i>2016</i>	<i>2017</i>	30 September
			<i>HK\$'000</i>	<i>2017</i>	2017
				<i>HK\$'000</i>	<i>HK\$'000</i>
Bank overdraft, unsecured	<i>(a)</i>	–	–	2,320	2,670
Bank loans:					
Secured	<i>(b)</i>	1,129	953	760	3,060
Unsecured	<i>(c)</i>	3,241	2,496	4,476	3,340
		4,370	3,449	7,556	9,070

As at 31 March 2015, 2016 and 2017 and 30 September 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 2015, 2016 and 2017 and 30 September 2017, the Group's bank borrowings, based on the scheduled repayment dates set out in the loan agreements, were repayable as follows:

	2015 HK\$'000	As at 31 March 2016 HK\$'000	2017 HK\$'000	As at 30 September 2017 HK\$'000
Within one year or on demand	924	958	4,796	5,655
In the second year	959	994	2,300	1,685
In the third to fifth year	2,290	1,497	460	1,730
After the fifth year	197	–	–	–
	4,370	3,449	7,556	9,070
	4,370	3,449	7,556	9,070

Notes:

- (a) As at 31 March 2017 and 30 September 2017, bank overdraft of HK\$2,320,000 and HK\$2,670,000, respectively, are guaranteed by Mr. Tong up to a limit of HK\$3,000,000.
- (b) As at 31 March 2015, 2016 and 2017 and 30 September 2017, the bank borrowings of HK\$1,129,000, HK\$953,000, HK\$760,000 and HK\$674,000, respectively, 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 2%, 2.25%, 2.75% and 3% per annum as at 31 March 2015, 2016 and 2017 and 30 September 2017, respectively. As at 31 March 2015, 2016 and 2017 and 30 September 2017, the bank borrowings are secured by the Company's life insurance policy covering Ms. Haslock with sum insured of USD1,000,000 (Note 16). In addition to the above, as at 31 March 2015 and 2016, bank borrowings were also guaranteed by Ms. Haslock up to a limit of USD166,000 (equivalent to approximately HK\$1,295,000). Such guarantee was released during the year ended 31 March 2017.

As at 31 March 2015, 2016 and 2017 and 30 September 2017, the bank borrowings of nil, nil, nil and HK\$2,386,000, respectively, 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 nil, nil, nil and 3.75% per annum as at 31 March 2015, 2016 and 2017 and 30 September 2017, respectively. As at 30 September 2017, the bank borrowings are secured by the Group's fixed deposits of HK\$200,000. 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 2015, 2016 and 2017 and 30 September 2017, the bank borrowings of HK\$3,241,000, HK\$2,496,000, HK\$1,719,000 and HK\$1,320,000, respectively, 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%, 4%, 4% and 4% per annum as at 31 March 2015, 2016 and 2017 and 30 September 2017, respectively. As at 31 March 2016, the bank borrowings were guaranteed by Ms. Haslock up to a limit of HK\$7,800,000 and by the Hong Kong Special Administrative Region under the SME Loan Guarantee Scheme – For Working Capital Loans (collectively, the "Guarantees"). The Guarantees were released during the year ended 31 March 2017.

As at 31 March 2015, 2016 and 2017 and 30 September 2017, bank borrowings of nil, nil, HK\$2,757,000 and HK\$2,020,000, respectively, 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 nil, nil, 3% and 3% per annum as at 31 March 2015, 2016 and 2017 and 30 September 2017, respectively. As at 31 March 2017 and 30 September 2017, the bank borrowings were guaranteed by Mr. Tong up to a limit of 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.

23. DEFERRED TAXATION

The net movement during the Track Record Period in the deferred tax assets is as follows:

	<i>HK\$'000</i>
At 1 April 2014	420
Recognised in profit or loss (<i>Note 9</i>)	(11)
	<hr/>
At 31 March 2015 and 1 April 2015	409
Recognised in profit or loss (<i>Note 9</i>)	(153)
	<hr/>
At 31 March 2016 and 1 April 2016	256
Recognised in profit or loss (<i>Note 9</i>)	(33)
	<hr/>
At 31 March 2017 and 1 April 2017	223
Recognised in profit or loss (<i>Note 9</i>)	(48)
	<hr/>
At 30 September 2017	175
	<hr/> <hr/>

The movement in deferred income tax assets and liabilities during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets

	Accelerated accounting depreciation <i>HK\$'000</i>
At 1 April 2014	420
Recognised in profit or loss	(11)
	<hr/>
At 31 March 2015 and 1 April 2015	409
Recognised in profit or loss	(73)
	<hr/>
At 31 March 2016 and 1 April 2016	336
Recognised in profit or loss	(48)
	<hr/>
At 31 March 2017 and 1 April 2017	288
Recognised in profit or loss	(56)
	<hr/>
At 30 September 2017	232
	<hr/> <hr/>

Deferred tax liabilities

	Accelerated tax amortisation <i>HK\$'000</i>
At 1 April 2014	–
Recognised in profit or loss	–
	<hr/>
At 31 March 2015 and 1 April 2015	–
Recognised in profit or loss	(80)
	<hr/>
At 31 March 2016 and 1 April 2016	(80)
Recognised in profit or loss	15
	<hr/>
At 31 March 2017 and 1 April 2017	(65)
Recognised in profit or loss	8
	<hr/>
At 30 September 2017	(57)
	<hr/> <hr/>

24. SHARE CAPITAL

Group

For the purpose of this report, the capital as at 31 March 2015 and 2016 represented the share capital of the companies comprising the Group after elimination of investments in subsidiaries.

With the completion of the Reorganization on 29 July 2016, the Company became the holding company of the Group and the capital as at 31 March 2017 and 30 September 2017 represents the issued share capital of the Company comprising 100 shares of HK\$0.01 each. Details of the movements in the share capital of the Company since its date of incorporation to 30 September 2017 are detailed below.

Company

	<i>Notes</i>	Number of shares	Nominal value of shares HK\$'000
Authorised:			
<i>Ordinary shares</i>			
Ordinary shares upon incorporation	<i>(i)</i>	38,000,000	380
At 31 March 2016 and 2017 and 30 September 2017		38,000,000	380
Issued and fully paid:			
<i>Ordinary shares</i>			
Issued upon incorporation	<i>(i)</i>	1	–
At 31 March 2016 and 1 April 2016		1	–
Allotment of shares	<i>(ii)</i>	99	–
At 31 March 2017, 1 April 2017 and 30 September 2017		100	–

Notes:

- (i) The Company was incorporated on 9 March 2016 with an authorised share capital of HK\$380,000, comprising 38,000,000 ordinary shares of HK\$0.01 each. On incorporation, 1 ordinary share was issued as nil paid.
- (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) By a resolution 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.

25. RESERVES

Group

Capital reserve arises from capital contribution by the shareholder of the Company (Note 26).

Company

	Share premium HK\$'000	Accumulated losses HK\$'000	Total reserves HK\$'000
At date of incorporation and 31 March 2016	–	–	–
Loss for the year	–	(300)	(300)
Reorganization (<i>note</i>)	20,249	–	20,249
Dividend (<i>Note 10</i>)	–	(5,000)	(5,000)
	<hr/>	<hr/>	<hr/>
At 31 March 2017 and 1 April 2017	20,249	(5,300)	14,949
Loss for the period	–	(4,661)	(4,661)
	<hr/>	<hr/>	<hr/>
At 30 September 2017	<u>20,249</u>	<u>(9,961)</u>	<u>10,288</u>

Note: Share premium of HK\$20,249,000 represents the difference between the carrying value of Tree Limited acquired on 29 July 2016 pursuant to the Reorganization over the nominal value of the share capital of the Company issued in exchange thereof. For details, please refer to Note 1.2.

26. SHARE-BASED COMPENSATION TRANSACTIONS

Incentive Shares awarded to a key management personnel by Tiptop

On 1 June 2015, pursuant to an Incentive Shares Deed entered among Tiptop, Tree Limited and Ms. Babington, a director and a key management personnel of the Group, (collectively, the “Parties”), Tiptop has agreed to award and transfer 5% of its equity interest in Tree Limited or its holding company or its successor entity pursuant to any pre-IPO restructuring (the “Incentive Shares”) to Ms. Babington within thirty business days after 1 June 2015 at a consideration of HK\$1. The Incentive Shares were granted to recognise Ms. Babington’s prior contribution and to give incentive in order to retain her for the continual growth and expansion of the Listing Business.

Pursuant to the Incentive Shares Deed, Ms. Babington must return the Incentive Shares to Tiptop at a cost of HK\$1 if she terminates or gives notice to terminate her employment with Tree Limited prior to the Agreed Date (being the earlier of: (i) the date of any IPO; (ii) the date of any change of control as defined in the employment contract; or (iii) 30 June 2017). As at 31 March 2016 and 2017, the estimated date of an IPO is in 2017. The Incentive Shares Deed also includes a put option (the “Put Option”) and tag along rights with Tiptop, pursuant to which, on the condition that (i) the profit of Tree Limited for each of the years ending 31 March 2016 and 2017 are not less than HK\$10,000,000 and HK\$10,000,000, respectively; and (ii) an IPO does not take place within twenty-four months from 1 June 2015, Ms. Babington is entitled to exercise the Put Option to sell back the Incentive Shares to Tiptop at a total consideration of HK\$5,000,000 on or after the date of sign off of the audited financial statements of Tree Limited for the year ending 31 March 2017 by the auditors. In addition, in the event of an IPO, Ms. Babington may continue to exercise the Put Option at any time within three months following the IPO if the market price of the Incentive Shares falls below the option price of HK\$5,000,000 (the “Special Right to the Put Option”) immediately prior to the date of any put notice. The Group has no legal or constructive obligation to repurchase or settle the Incentive Shares or the Put Option in cash. The Incentive Shares and the Put Option were treated as linked and accounted for as a share-based compensation transaction by way of capital contribution from the shareholder and were fully vested on 30 June 2017.

The fair value of the Incentive Shares and the Put Option at the date of grant i.e. 1 June 2015, was approximately HK\$5,474,000. The fair value is estimated by reference to the difference between the consideration and the fair value of the underlying 5% equity interest in Tree Limited, the Listing Business, and the Put Option at the date of grant. The Company have used the discounted cash flow method in determining the fair value of the underlying 5% equity interest in Tree Limited and the option pricing model in determining the fair value of the Put Option. The key assumptions used in the discounted cash flow method at the grant date includes the discount rate of 12.33% and projections of future performance. The valuation of the Put Option was determined using the Black-Scholes option pricing model and the following principal assumptions were used in the valuation:

Fair value of shares at grant date	HK\$3,017,500
Exercise price at date of grant	HK\$5,000,000
Expected volatility	57.44%
Expected option life	2.08 years
Dividend yield	0%
Risk-free interest rate	0.42%

The underlying expected volatility was determined by reference to historical data, calculated based on expected life of the Put Option. Expectations of early exercise were incorporated into the Black-Scholes option pricing model. No special features pertinent to the options granted were incorporated into measurement of fair value.

On 31 May 2016, pursuant to a Supplemental Deed entered among the Parties, it was further agreed that the Incentive Shares will be transferred to Ms. Babington on or before 31 October 2016. In addition, on 15 November 2016, pursuant to the Second Supplemental Incentive Shares Deed entered among the Parties, it was further agreed that the Special Right to the Put Option be removed and Ms. Babington shall not be entitled to exercise the Put Option for a period of six months commencing on the filing of any listing application by Tree Limited or its direct or indirect parent company for an IPO, and the Put Option and tag along rights will lapse upon the Listing. As all of the above modifications were not beneficial to Ms. Babington, as such, the Group has continued to account for the original grant as if the modifications had not occurred.

Pursuant to the Incentive Shares Deed, the Supplemental Deed and as part of the Reorganization, on 10 August 2016, Ms. Babington through her wholly owned subsidiary, Rothley, acquired 5% equity interest of the Company from Tiptop at a consideration of HK\$1.

The Group recognised a total expense of nil, HK\$2,487,000, HK\$2,331,000, HK\$1,497,000 and HK\$656,000, respectively, for each of the years ended 31 March 2015, 2016 and 2017 and the six months ended 30 September 2016 and 2017 in relation to the above share award granted by the shareholder of the Company during the Track Record Period.

27. COMMITMENTS

(a) Capital commitments

At the end of each reporting period, the Group had the following capital commitments:

	2015	As at 31 March		As at
	2015	2016	2017	30 September
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Contracted but not provided for:				
Expenditure in respect of acquisition of property, plant and equipment	–	–	480	–
	<u>–</u>	<u>–</u>	<u>480</u>	<u>–</u>

(b) Operating lease commitments

The Group leases its office, warehouses, shop premises and equipment under operating leases. The leases have varying lease terms and renewal rights. One of the leases includes contingent rentals in respect of the gross receipts of one of the retail shops of the Group. At the end of each reporting period, the total future minimum lease payments payable by the Group under non-cancellable operating leases are as follows:

	2015	As at 31 March	2017	As at
	<i>HK\$'000</i>	2016	<i>HK\$'000</i>	30 September
		<i>HK\$'000</i>	<i>HK\$'000</i>	2017
				<i>HK\$'000</i>
Within one year	10,641	8,531	8,992	10,128
In the second to fifth years	6,027	3,214	11,166	11,591
	<u>16,668</u>	<u>11,745</u>	<u>20,158</u>	<u>21,719</u>

28. RELATED PARTY TRANSACTIONS

The Group's accounting policies on related parties are disclosed in Note 2.21. In addition to the transactions/information disclosed elsewhere in these Historical Financial Information, during the Track Record Period, the Group had the following material transactions with related parties:

- (a) During the Track Record Period, the related parties that had transactions with the Group were as follows:

Name of related parties	Relationship with the Group
Tiptop	Ultimate holding company
Mr. Tong	Director of the Company and the controlling shareholder of Tiptop
Ms. Babington	Director of the Company
Ms. Haslock	Director of the Company, and the sole shareholder of the Listing Business prior to 30 March 2015
Mr. Nigel Blake Wakley ("Mr. Wakley")	Director of Tree Limited prior to 10 June 2015, and the spouse of Ms. Haslock
American Tree	Controlled by Ms. Haslock
Trading (China) Limited 貿易(中國)有限公司 (Formerly known as "Tree (China) Limited 大樹(中國)有限公司")	Controlled by Ms. Haslock
Tree (Shanghai) Limited 名樹貿易(上海)有限公司	Controlled by Ms. Haslock and deregistered on 23 July 2014
Wild Orchid	Significantly influenced by Mr. Wakley

- (b) During the Track Record Period, the transactions with related parties of the Group carried in the ordinary course of business were as follows:

		Year ended 31 March			Six months ended	
		2015	2016	2017	30 September	
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2016	2017
					<i>HK\$'000</i>	<i>HK\$'000</i>
					(unaudited)	
American Tree	Sale of goods	433	167	-	-	-
Wild Orchid	Consulting income	778	-	-	-	-
Wild Orchid	Sale of goods	-	1,183	-	-	-
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

In addition to the above, during the year ended 31 March 2015, Ms. Haslock and American Tree have assigned its amounts due to Tree Limited of approximately HK\$6,403,000 and HK\$2,011,000 respectively to Tiptop (Note 19).

Pursuant to a licence agreement dated 1 June 2015 entered among Tree Limited, American Tree and Ms. Haslock, Tree Limited has granted American Tree an exclusive royalty-free licence to use certain of the Group's trademarks and intellectual property rights in the United States of America and Canada for an initial period of 20 years (the "Licence Period") for annual revenue-based licence fee. During the years ended 31 March 2016 and 2017 and the six months ended 30 September 2016 and 2017, no licence fee income has been recognised by the Group as American Tree has not yet commenced its retail business. Pursuant to the Supplemental Licence Deed dated 16 December 2016 entered among the same parties, the Licence Period commenced on 1 June 2015 shall expire on one day preceding the listing date and shall be automatically renewed for the second term commencing on the listing date and expiring on one day preceding the third anniversary of the listing date, which may then be extended automatically for successive further terms of three years each.

(c) **Trade and other receivables from related parties**

	As at 1 April 2014 HK\$'000	2015 HK\$'000	As at 31 March		As at 30 September 2017 HK\$'000
			2016 HK\$'000	2017 HK\$'000	
Trade receivables					
American Tree	1,095	–	–	–	–
Wild Orchid	–	778	–	–	–
	<u>1,095</u>	<u>778</u>	<u>–</u>	<u>–</u>	<u>–</u>
Other receivables					
Amounts due from related companies					
American Tree	89	–	–	–	–
Trading (China) Limited	549	617	467	471	471
Tree (Shanghai) Limited	54	–	–	–	–
	<u>692</u>	<u>617</u>	<u>467</u>	<u>471</u>	<u>471</u>
Amount due from a director					
Ms. Haslock	376	–	–	–	–
	<u>2,163</u>	<u>1,395</u>	<u>467</u>	<u>471</u>	<u>471</u>

The amounts due from the related parties are unsecured, interest-free and repayable on demand, except for the consulting income receivable from Wild Orchid of HK\$778,000 as at 31 March 2015 which were due as at 31 March 2015. Except for the amount due from Wild Orchid, no balance due from related parties were either past due or impaired. The amount due from Wild Orchid has been fully settled during the year ended 31 March 2016.

The maximum outstanding of amount due from related parties during the year/period is as follows:

	Year ended 31 March			As at 30 September 2017
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000
Wild Orchid	778	863	–	–
American Tree	2,011	–	154	–
Trading (China) Limited	617	617	471	471
Tree (Shanghai) Limited	54	–	–	–
Ms. Haslock	6,403	–	–	–
	<u>9,863</u>	<u>1,480</u>	<u>625</u>	<u>471</u>

(d) **Guarantees provided by related parties**

During the Track Record Period, Ms. Haslock and Mr. Tong have provided personal guarantees to a bank in respect of utilised banking facilities granted to the Group, details of which are stated in Note 22.

(e) Key management personnel remuneration

Key management of the Group are members of the board of directors and senior management. Included in employee benefit expenses are key management personnel remuneration which includes the following expenses:

	Year ended 31 March			Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Basic salaries and allowances	2,021	4,439	4,409	2,725	2,542
Discretionary bonus	41	53	145	33	84
Retirement benefit scheme contributions	45	81	87	51	53
Share-based compensation expense	–	2,487	2,331	1,497	656
	<u>2,107</u>	<u>7,060</u>	<u>6,972</u>	<u>4,306</u>	<u>3,335</u>

29. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS**(a) Significant non-cash transaction**

- (i) During the year ended 31 March 2015, the Group has assigned certain current account balances with its related parties, details of which are stated in Note 28(b).
- (ii) As disclosed in Note 10, during the year ended 31 March 2017, an interim dividend of HK\$10,409,000 declared and payable to Tiptop by Tree Limited was fully offset against the amount due from Tiptop (Note 19).

(b) Reconciliation of liabilities arising from financing activities

The table below set out the reconciliation of liabilities arising from financing activities for each of the years ended 31 March 2015, 2016 and 2017 and the six months ended 30 September 2016 and 2017.

	Amount due to a director HK\$'000	Finance lease liabilities HK\$'000	Bank loans HK\$'000	Total HK\$'000
At 1 April 2014	465	–	1,287	1,752
Cash flows	<u>(465)</u>	<u>–</u>	<u>3,083</u>	<u>2,618</u>
At 31 March 2015	<u>–</u>	<u>–</u>	<u>4,370</u>	<u>4,370</u>
At 1 April 2015	–	–	4,370	4,370
Cash flows	<u>–</u>	<u>–</u>	<u>(921)</u>	<u>(921)</u>
At 31 March 2016	<u>–</u>	<u>–</u>	<u>3,449</u>	<u>3,449</u>
At 1 April 2016	–	–	3,449	3,449
Cash flows	<u>–</u>	<u>–</u>	<u>1,787</u>	<u>1,787</u>
At 31 March 2017	<u>–</u>	<u>–</u>	<u>5,236</u>	<u>5,236</u>

	Amount due to a director <i>HK\$'000</i>	Finance lease liabilities <i>HK\$'000</i>	Bank loans <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2017	–	–	5,236	5,236
Acquisition of property, plant and equipment	–	470	–	470
Cash flows	–	(7)	1,164	1,157
	<u>–</u>	<u>(7)</u>	<u>1,164</u>	<u>1,157</u>
At 30 September 2017	<u>–</u>	<u>463</u>	<u>6,400</u>	<u>6,863</u>
(Unaudited)				
At 1 April 2016	–	–	3,449	3,449
Cash flows	–	–	(474)	(474)
	<u>–</u>	<u>–</u>	<u>(474)</u>	<u>(474)</u>
At 30 September 2016	<u>–</u>	<u>–</u>	<u>2,975</u>	<u>2,975</u>

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include credit risk, liquidity risk and market risk (including interest rate risk and foreign currency risk). The Group's overall risk management strategy seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group and approved by the board of directors.

30.1 Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statements of financial position relate to the following categories of financial assets and financial liabilities:

	2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	As at 30 September 2017 <i>HK\$'000</i>
Financial assets				
Financial assets at fair value through profit or loss				
Cash surrender value of life insurance	1,485	1,544	1,609	1,652
Loans and receivables				
Trade and other receivables	6,153	7,717	5,827	7,203
Amount due from ultimate holding company	8,414	10,409	–	–
Pledged bank deposits	–	–	–	200
Bank balances and cash	2,785	5,347	2,499	2,718
	<u>18,837</u>	<u>25,017</u>	<u>9,935</u>	<u>11,773</u>
Financial liabilities				
Financial liabilities measured at amortised cost				
Trade and other payables	6,474	6,329	9,680	14,091
Interest-bearing borrowings	4,370	3,449	7,556	9,533
	<u>10,844</u>	<u>9,778</u>	<u>17,236</u>	<u>23,624</u>

30.2 Credit risk

The Group is exposed to credit risk in relation to its cash and bank deposits, amount due from ultimate holding company and trade and other receivables. The Group's maximum exposure to credit risk in relation to financial assets is limited to the carrying amount at the reporting dates as summarised in Note 30.1.

Trade receivables at the reporting dates were mainly due from a distributor, customers and payment vendors in cooperation with the Group. The credit risk for trade receivables is considered negligible as the counterparties have a good track record of credit with the Group and there were no recent history of default in relation to these parties.

In addition, the Group reviews the recoverable amount of each individual trade and other receivables regularly and at the end of each reporting periods to ensure adequate impairment losses are made for irrecoverable amounts. Given the constant repayment history, the directors are of the view that the risk of default by these counterparties is low.

At the end of the reporting periods, except for the amounts due from related parties, including ultimate holding company, the Group has no significant concentration of credit risk, with exposure spread over a number of customers and counterparties.

The credit risk for bank balances is considered negligible as the counterparties are reputable banks in Hong Kong with high quality external credit ratings.

30.3 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financial obligations, and also in respect of its cash flow management. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants and its relationship with its bankers to ensure that the Group maintain sufficient reserves of cash and cash equivalents and committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Analysed below is the Group's remaining contractual maturities for its financial liabilities as at 31 March 2015, 2016 and 2017 and 30 September 2017, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting periods) and the earliest date the Group can be required to pay. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

Specifically, for bank borrowings which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

	Within 1 year or on demand <i>HK\$'000</i>	Over 1 year but within 2 years <i>HK\$'000</i>	Over 2 years but within 5 years <i>HK\$'000</i>	Total contractual undiscounted amount <i>HK\$'000</i>	Carrying amount <i>HK\$'000</i>
At 31 March 2015					
Trade and other payables	6,474	–	–	6,474	6,474
Interest-bearing borrowings	4,370	–	–	4,370	4,370
	<u>10,844</u>	<u>–</u>	<u>–</u>	<u>10,844</u>	<u>10,844</u>
At 31 March 2016					
Trade and other payables	6,329	–	–	6,329	6,329
Interest-bearing borrowings	3,449	–	–	3,449	3,449
	<u>9,778</u>	<u>–</u>	<u>–</u>	<u>9,778</u>	<u>9,778</u>
At 31 March 2017					
Trade and other payables	9,680	–	–	9,680	9,680
Interest-bearing borrowings	7,556	–	–	7,556	7,556
	<u>17,236</u>	<u>–</u>	<u>–</u>	<u>17,236</u>	<u>17,236</u>
At 30 September 2017					
Trade and other payables	14,091	–	–	14,091	14,091
Interest-bearing borrowings	9,176	107	312	9,595	9,533
	<u>23,267</u>	<u>107</u>	<u>312</u>	<u>23,686</u>	<u>23,624</u>

The following table summarises the maturity analysis of bank borrowings with repayment on demand clause based on agreed scheduled repayments set out in the bank loan agreements. The amounts include interest payment computed using contractual rates. The Group regularly monitors its compliance with the loan 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. The directors believe that these bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the bank loan agreements.

	Within 1 year or on demand HK\$'000	Over 1 year but within 2 years HK\$'000	Over 2 years but within 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
At 31 March 2015					
Bank borrowings	1,062	1,062	2,395	200	4,719
At 31 March 2016					
Bank borrowings	1,064	1,064	1,538	–	3,666
At 31 March 2017					
Bank borrowings	4,930	2,352	473	–	7,755
At 30 September 2017					
Bank borrowings	5,831	1,770	1,815	–	9,416

30.4 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Group's interest rate risk arises primarily from interest-bearing bank borrowings and finance lease arrangement. Borrowings bearing variable rates expose the Group to cash flow interest rate risk. As at 31 March 2015, 2016 and 2017 and 30 September 2017, the exposure to interest rates for the Group's bank borrowings is considered immaterial.

30.5 Foreign currency risk

The Group operates mainly in Hong Kong and majority of the transactions are denominated and settled in its functional currency, HK\$, except for certain overseas purchases, bank balances, bank borrowings which are denominated in USD.

Foreign currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The following table details the Group's material exposure at the reporting dates to foreign currency risk arising from recognised assets and liabilities denominated in a currency other than the functional currency of the Group:

	2015 USD'000	As at 31 March 2016 USD'000	2017 USD'000	As at 30 September 2017 USD'000
Cash surrender value of life insurance	191	199	207	211
Trade and other receivables	271	165	169	121
Bank balances and cash	17	15	60	32
Trade and other payables	–	–	–	(20)
Interest-bearing borrowings	(144)	(121)	(98)	(86)
Overall net exposure	335	258	338	258

The Group does not hedge its foreign currency risks with USD as Hong Kong dollar is pegged to USD and thus foreign exchange exposure is considered as minimal. As at 31 March 2015, 2016 and 2017 and 30 September 2017, the Group did not have significant foreign currency risk from its operation.

30.6 Fair value measurements recognised in the consolidated statements of financial position

The following table presents financial assets measured at fair value in the consolidated statements of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets measured at fair value in the consolidated statements of financial position on a recurring basis are grouped into the fair value hierarchy as follows:

	2015 Level 2 HK\$'000	As at 31 March 2016 Level 2 HK\$'000	2017 Level 2 HK\$'000	As at 30 September 2017 Level 2 HK\$'000
Financial assets				
Financial assets designated at fair value through profit or loss				
– Cash surrender value of life insurance	1,485	1,544	1,609	1,652

The fair value of the cash surrender value of life insurance was determined based on the valuation provided by the counterparty financial institution by reference to the quoted price of the underlying units held.

During the Track Record Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

31. CAPITAL MANAGEMENT

The objectives of the Group when managing capital are to safeguard the ability of the Group in continuing as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

The Group monitors capital by regularly reviewing the capital structure. As part of this review, the directors of the Group consider the cost of capital and the risk associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debts.

32. SUBSEQUENT EVENTS

Save as disclosed elsewhere in this report, the following significant events took place subsequent to 30 September 2017:

- (i) Pursuant to a shareholders resolution dated 5 January 2018, and conditional upon the share premium account of the Company being credited as a result of the issue of the new shares pursuant to the Share Offer, the directors are authorised to allot and issue a total of 1,187,999,900 shares credited as fully paid at par to the holders of the shares on the register of members of the Company at the close of business on 12 January 2018 (or as they may direct) in proportion to their respective shareholdings (save that no shareholder shall be entitled to be allotted or issued any fraction of a share) by way of capitalisation of the sum of approximately HK\$11,880,000 standing to credit of the share premium account of the Company.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 September 2017. Save as disclosed in this report, no dividend or distribution has been declared or paid by the Company or any of the companies now comprising of the Group in respect of any period subsequent to 30 September 2017.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following information does not form part of the Accountant's Report from the Company's reporting accountant, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" of this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 7.31 of the GEM Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Share Offer on the net tangible assets of the Group attributable to equity holders of the Company as at 30 September 2017 as if the Share Offer had taken place on that date.

The unaudited pro forma statement of adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 30 September 2017 or at any future date. The unaudited pro forma statement of adjusted net tangible assets of the Group is prepared based on the audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 30 September 2017 as set out in the Accountant's Report of the Company, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

	Audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 30 September 2017 HK\$'000 (Note 1)	Estimated net proceeds from the Share Offer HK\$'000 (Note 2)	Unaudited pro forma adjusted net tangible assets of the Group attributable to equity holders of the Company HK\$'000	Unaudited pro forma adjusted net tangible assets per Share HK\$ (Note 3)
Based on the Offer Price of HK\$0.13 per Share	10,245	31,522	41,767	0.03
Based on the Offer Price of HK\$0.17 per Share	10,245	45,248	55,493	0.04

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 30 September 2017 is extracted from the Accountant's Report of the Company as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to equity holders of the Company as at 30 September 2017 of HK\$10,585,000 with an adjustment for the intangible assets as at 30 September 2017 of HK\$340,000.
- (2) The estimated net proceeds from the Share Offer are based on 396,000,000 Offer Shares at the Offer Price of HK\$0.13 and HK\$0.17 per Share after deduction of the estimated underwriting fees and other estimated listing-related expenses expected to be incurred by the Group subsequent to 30 September 2017. The calculation of such estimated net proceeds does not take into account of any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company under the general mandates granted to the Directors.
- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived on the basis of 1,584,000,000 Shares (being the number of ordinary shares expected to be in issue immediately after completion of the Capitalisation Issue and the Share Offer). No account has been taken of any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company under the general mandates granted to the Directors.
- (4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 September 2017.

**B. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO
FORMA FINANCIAL INFORMATION**

The following is the text of a report received from Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF TREE HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Tree Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 30 September 2017, and related notes (the “Unaudited Pro Forma Financial Information”) as set out on pages II-1 to II-2 of the Company’s prospectus dated 12 January 2018, in connection with the proposed placing and public offer of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on page II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed placing and public offer of the shares of the Company on the Group’s financial position as at 30 September 2017 as if the proposed placing and public offer of the shares of the Company had taken place at 30 September 2017. As part of this process, information about the Group’s financial position has been extracted by the directors from the Group’s financial information for the period ended 30 September 2017, on which an accountant’s report has been published.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant’s Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus”, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed placing and public offer of the shares of the Company at 30 September 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the Listing Rules.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12
28 Hennessy Road
Wanchai
Hong Kong

12 January 2018

Lin Ching Yee Daniel
Practising Certificate No.: P02771

**SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS
COMPANIES LAW**

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 9 March 2016 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association ("**Memorandum**") and its Amended and Restated Articles of Association ("**Articles**").

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 5 January 2018. A summary of certain provisions of the Articles is set out below.

(a) Shares**(i) Classes of shares**

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares

of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(iv) Transfer of shares

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors*(i) Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(c) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(d) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(e) Meetings of member***(i) Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise

the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(f) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(h) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(k) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 9 March 2016 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Cayman Companies Law;

- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2016 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company;
 - or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 7 June 2016.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2016 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the section headed "Appendix V – Documents available for inspection" in this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands on 9 March 2016 as an exempted company with limited liability under the Companies Law.

Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 16 May 2016 and its principal place of business in Hong Kong is 28/F, Horizon Plaza, 2 Lee Wing Street, Ap Lei Chau, Hong Kong. In connection with such registration, our Company has appointed Mr. Tsui of Flat D, 17/F, Foong Shan Mansion, Gao Shan Terrace, 23 Taikoo Shing Road, Taikoo Shing, Hong Kong as its authorised representative for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it is subject to the Companies Law and its constitution which comprises the Memorandum and the Articles. A summary of the relevant aspects of the Companies Law and certain provisions of the Articles is set out in Appendix III to this prospectus.

2. Changes in our share capital

- (i) As at the date of incorporation on 9 March 2016, our authorised share capital was HK\$380,000 divided into 38,000,000 Shares with a par value of HK\$0.01 each. On the same day, one subscriber Share with a par value of HK\$0.01 was allotted and issued, nil paid, to the initial subscriber. On the same day, the said one Share was transferred to Tiptop at par value of HK\$0.01. Upon completion, our Company became wholly-owned by Tiptop.
- (ii) On 29 July 2016, Tiptop (as transferor), Tree Investment (as transferee), our Company and Tree Limited entered into a reorganisation agreement pursuant to which Tiptop and Tree Investment executed an instrument of transfer and bought and sold notes for effecting the transfer of two ordinary shares in Tree Limited, representing the entire issued share capital of Tree Limited, from Tiptop to Tree Investment. In consideration of the transfer, our Company allotted and issued 99 Shares in our Company, credited as fully paid, to Tiptop on 29 July 2016.
- (iii) On 10 August 2016, pursuant to the Incentive Shares Deed, Tiptop (as transferor) and Rothley (as transferee nominated by Ms. Babington) executed an instrument of transfer for effecting the transfer of five Shares, being 5% of the then issued share capital of the Company, from Tiptop to Rothley at a consideration of HK\$1. In addition, on the same day, Ms. Haslock, pursuant to the Call Option Deed, exercised the Call Option to procure Savvy to purchase 2% of the issued share capital of our Company from Tiptop at a consideration of HK\$1,300,000. On the same day, Tiptop (as transferor) and Savvy (as transferee) executed an instrument of transfer for effecting the transfer of two shares, being 2% of the then issued share capital of the Company. Upon completion of the transfers, the Company was owned as to 93%, 5% and 2% by Tiptop, Rothley and Savvy respectively.

- (iv) On 5 January 2018, our authorised share capital was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$50,000,000 divided into 5,000,000,000 Shares by the creation of an additional of 4,962,000,000 Shares.

- (v) Immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any of our Shares that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme), our authorised share capital will be HK\$50,000,000 divided into 5,000,000,000 Shares, of which 1,584,000,000 Shares will be allotted and issued as fully paid or credited as fully paid, and 3,416,000,000 Shares will remain unissued.

Other than pursuant to the general mandate to allot and issue Shares as referred to in the paragraphs headed “5. Written resolutions of the Shareholders passed on 5 January 2018” and “6. Repurchase of our Shares” below and the exercise of any option which may be granted under the Share Option Scheme, our Directors do not have any present intention to allot and issue any of our authorised but unissued share capital and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this prospectus, there has been no alteration to our Company’s share capital since its incorporation.

3. Reorganisation

Our Group underwent the Reorganisation in preparation for the Listing. Further details are set out in the section headed “History, development and reorganisation – Reorganisation” in this prospectus.

4. Changes in share capital of the subsidiaries

Our subsidiaries are listed in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the section headed “History, development and reorganisation – Reorganisation” in this prospectus, there has been no alteration to the share capital of any of our subsidiaries within the two years immediately preceding the date in this prospectus.

5. Written resolutions of the Shareholders passed on 5 January 2018

Written resolutions of the Shareholders were passed on 5 January 2018 approving, among others, the following:

- (i) the Memorandum and the Articles were adopted as our memorandum of association and articles of association;

- (ii) our authorised share capital was increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$50,000,000 divided into 5,000,000,000 Shares of HK\$0.01 each by the creation of additional 4,962,000,000 Shares, all of which shall rank pari passu in all respects with the existing Shares as at 12 January 2018; and
- (iii) conditional on (a) the Stock Exchange granting the listing of, and permission to deal in, our Shares in issue and Shares to be allotted and issued as mentioned in this prospectus; (b) the Offer Price having been duly determined and the execution and delivery of the Underwriting Agreement on the date as specified in this prospectus; and (c) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including the waiver of any condition(s) by the Joint Global Coordinators (also in its capacity as the Underwriters) and not being terminated in accordance with the terms of such agreement (or any conditions as specified in this prospectus), in each case on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived before such dates and times) and in any event not later than the date falling 30 days after the date in this prospectus:
 - (a) the Share Offer by our Company was approved and our Directors were authorised to (aa) allot and issue the Offer Shares pursuant to the Share Offer; (bb) implement the Share Offer and Listing; and (cc) do all things and execute all documents in connection with or incidental to the Share Offer and Listing with such amendments or modifications (if any) as our Directors may consider necessary or appropriate;
 - (b) conditional upon our share premium account being credited as a result of the Share Offer, our Directors were authorised to (aa) allot and issue a total of 1,187,999,900 Shares to the Shareholders whose names were on the register of members of our Company as at the close of business on 12 January 2018 (or such date as they may direct) in proportion to their then respective shareholding in our Company (as nearly as possible without involving fractions); and (bb) pay up in full at par the one subscriber Share, by way of capitalisation of the sum of HK\$11,879,999.01 standing to the credit of our share premium account and our Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the then existing issued Shares;
 - (c) the rules of the Share Option Scheme were approved and adopted and the Board (or any committee thereof established by the Board) was authorised, at its sole discretion, to (aa) administer the Share Option Scheme; (bb) grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any option(s) granted thereunder; and (cc) take all such actions as it considers necessary or desirable to implement or give effect to the Share Option Scheme;

- (d) a general unconditional mandate was given to our Directors to exercise all our powers to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles, or upon the exercise of any option which may be granted under the Share Option Scheme or under the Share Offer or the Capitalisation Issue, Shares with an aggregate number not exceeding 20% of the aggregate number of Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any of our Shares that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme) until the conclusion of our next annual general meeting, or the date by which the next annual general meeting is required by the Articles or any applicable laws to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first;
- (e) a general unconditional mandate was given to our Directors to exercise all our powers to repurchase on the Stock Exchange and/or on any other stock exchange on which our securities may be listed and which is recognised by the SFC and the Stock Exchange for this purpose in accordance with applicable laws and requirements of the GEM Listing Rules (or of such other stock exchange), Shares of an aggregate number not exceeding 10% of the aggregate number of Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any of our Shares that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme), until the conclusion of our next annual general meeting, or the date by which the next annual general meeting is required by the Articles or any applicable laws to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first; and
- (f) a general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the aggregate number of Shares which may be allotted or agreed (conditionally or unconditionally) to be allotted or issued by our Directors pursuant to such general mandate of an amount representing the aggregate number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares as referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the aggregate number of Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any of our Shares that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme).

6. Repurchase of our Shares

This paragraph sets out information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our securities.

(i) *Provisions of the GEM Listing Rules*

The GEM Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(a) *Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions of the Shareholders passed on 5 January 2018, a general unconditional mandate to repurchase our Company's securities (the "**Repurchase Mandate**") was given to our Directors, the details of which are set out in the paragraph headed "5. Written resolutions of the Shareholders passed on 5 January 2018" above in this appendix.

(b) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum, the Articles, the Companies Law and the GEM Listing Rules. A listed company must not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, any repurchase by our Company may be made out of our profits, out of share premium, or out of the proceeds of a fresh issue of shares made for the purpose of the repurchase or, subject to the Companies Law, out of capital. Any amount of premium payable on the repurchase over the par value of the shares to be repurchased must be out of our profits, out of our share premium account before or at the time our Shares are repurchased, or, subject to the Companies Law, out of capital.

(c) *Trading restrictions*

A company is authorised to repurchase on the Stock Exchange or on any other stock exchange recognised by the SFC and the Stock Exchange the total number of shares which represent up to a maximum of 10% of the aggregate nominal value of the existing issued share capital of that company or warrants to subscribe for shares in that company representing up to 10% of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate.

A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on the Stock Exchange or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange.

In addition, a company is prohibited from making securities repurchase on GEM if the result of the repurchase would be that the number of the listed securities in hands of the public would be below the relevant prescribed minimum percentage for that company as required and determined by the Stock Exchange.

A company shall not repurchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

(d) Status of repurchased shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

Under the Companies Law, a company's repurchased shares may be treated as cancelled and, if so cancelled, the amount of that company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(e) Suspension of repurchase

A listed company may not make any repurchase of securities after inside information has come to its knowledge until the inside information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (aa) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and (bb) the deadline for publication of an announcement of a listed company's results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the GEM Listing Rules.

(f) Reporting requirements

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 9:00 a.m. on the following Business Day. In addition, a company's annual report and accounts are required to include a monthly breakdown of securities repurchases made during the financial year under review, showing the number of securities repurchased each month (whether on GEM or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the total prices paid. The directors' report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases. The company shall make arrangements with its broker who effects the purchase to provide the company in a timely fashion the necessary information in relation to the purchase made on behalf of the company to enable the company to report to the Stock Exchange.

(g) Connected parties

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core connected person which includes a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell his securities to the company.

(ii) Reasons for repurchase

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(iii) Share capital

Exercise in full of the Repurchase Mandate, on the basis of 1,584,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any of our Shares that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme), could accordingly result in up to 158,400,000 Shares being repurchased by our Company during the course of the period prior to the date on which such Repurchase Mandate expires or terminates as mentioned in the paragraph headed "A. Further information about our Company – 5. Written resolutions of the Shareholders passed on 5 January 2018" in this appendix.

(iv) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company or our subsidiaries. Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Articles and the applicable laws of the Cayman Islands.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in our Company's voting rights increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequence which would arise under the Takeovers Code as a result of any repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules).

Our Company has not made any repurchase of our own securities since our incorporation.

No core connected person has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP**1. Summary of material contracts**













The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by our Company or any of the members of our Group within the two years immediately preceding the date in this prospectus and are or may be material:

- (i) the Incentive Shares Deed;
- (ii) the North America Licence Agreement;
- (iii) the deed of memorandum of novation dated 3 December 2015 entered into among Ms. Haslock, Tiptop and Tree Limited, under which the parties confirmed that on 30 March 2015, Tiptop took up the repayment obligation of Ms. Haslock in relation to a debt of HK\$6,402,690 to Tree Limited for a consideration of HK\$1 and the transfer of the entire issued share capital of Tree Limited from Ms. Haslock to Tiptop;
- (iv) the deed of memorandum of novation dated 3 December 2015 entered into among American Tree, Tiptop and Tree Limited, under which the parties confirmed that on 30 March 2015, Tiptop took up the repayment obligation of American Tree in relation to a debt of HK\$2,011,382 to Tree Limited for a consideration of HK\$1 and the transfer of the entire issued share capital of Tree Limited from Ms. Haslock to Tiptop;
- (v) the Supplemental Incentive Shares Deed;
- (vi) the reorganisation agreement dated 29 July 2016 entered into among Tiptop, Tree Investment, Tree Limited and our Company, under which Tiptop agreed to sell and Tree Investment agreed to purchase two ordinary shares in Tree Limited, being the entire issued share capital of Tree Limited, in consideration of our Company allotting and issuing 99 Shares in our Company, credited as fully paid, to Tiptop;
- (vii) the Second Supplemental Incentive Shares Deed;
- (viii) the Supplemental North America Licence Deed;
- (ix) Ms. Haslock's Deed of Non-Competition;
- (x) the Deed of Non-Competition;
- (xi) the Deed of Indemnity; and
- (xii) the Public Offer Underwriting Agreement.

2. Intellectual property rights






(i) Trademarks

- (a) As at the Latest Practicable Date, our Group had registered the following trademarks which, in the opinion of our Directors, are material to the business of our Group:

Trademark	Place of registration	Class	Registration number	Expiry date
^A  (Black) ^B  (Brown)	Hong Kong	20, 24, 27	301318860	2 April 2019
^A  (Black) ^B  (Brown)	Hong Kong	35, 37, 42	302686212	25 July 2023
^A  (Black) ^B  (Brown)	Hong Kong	20, 24, 27	301319724	5 April 2019
^A  (Black) ^B  (Brown)	Hong Kong	35, 37, 42	302686203	25 July 2023
^A TREE (Black) ^B TREE (Brown)	Hong Kong	20, 24, 27, 35, 37, 42	302686221	25 July 2023
^A  (Black) ^B  (Brown)	Hong Kong	20, 24, 27, 35, 37, 42	302686230	25 July 2023
^A TREEkids _® (Black) ^B TREEkids _® (Brown and Light Blue)	Hong Kong	20	302088847	16 November 2021
^A  (Black) ^B  (Blue)	Hong Kong	20, 24, 25	301645713	21 June 2020

Trademark	Place of registration	Class	Registration number	Expiry date
A.  B. 	Hong Kong	43	303962584	14 November 2026
A.  TREEtake awaycafé	Hong Kong	43	304141836	16 May 2027
B.  TREEtake awaycafé				
	PRC	20	12923416	13 December 2024
	PRC	24	12923415	13 December 2024
	PRC	27	12923414	13 December 2024
	PRC	35	12923413	20 December 2024
	PRC	37	12923412	13 December 2024
	PRC	42	12923411	13 December 2024
TREE 	PRC	24	12923427	27 March 2025
	PRC	42	12923423	27 March 2025
	PRC	20	12923422	13 January 2025
	PRC	24	12923421	13 January 2025
	PRC	37	12923418	13 December 2024
	PRC	42	12923417	13 December 2024

- (b) As at the Latest Practicable Date, our Group had applied for the registration of the following trademarks which, in the opinion of our Directors, are material to the business of our Group:

Trademark	Place of registration	Class	Application number	Application date
^A TREE 	Hong Kong	20, 24, 27, 35, 37, 42	304203675	12 July 2017
^B TREE 				
TREE	U.S.	20, 35	87234161	11 November 2016
	U.S.	20, 35	87234253	11 November 2016
	U.S.	20, 35	87234176	11 November 2016
TREE	Canada	20, 35	1810255	18 November 2016
	Canada	20, 35	1810254	18 November 2016
	Canada	20, 35	1810256	18 November 2016
TREE  gallery and café	PRC	20	23218778	20 March 2017
	PRC	24	23219237	20 March 2017
	PRC	27	23218025	20 March 2017
	PRC	35	23218620	20 March 2017
	PRC	37	23218737	20 March 2017
	PRC	42	23219312	20 March 2017
	PRC	43	23218877	20 March 2017

(ii) Domain names

As at the Latest Practicable Date, our Company had registered the following domain names, and the following domain names are, in the opinion of our Directors, material to our business:

Domain name	Registered owner	Expiry date
tree.com.hk	Tree Limited	16 March 2019
treeholdings.com	Tree Limited	26 July 2021
tree.com.cn	Tree Limited	16 January 2018

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

(i) Interests and short positions of our Directors in our Shares, underlying Shares and debentures and our Company's associated corporations after completion of the Capitalisation Issue and the Share Offer

Immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any of our Shares that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme), the interests or short positions of our Directors in our Shares, underlying Shares or debentures which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the "required standard of dealings" as contained in Chapter 5 of the GEM Listing Rules, will be as follows:

Name of Director	Capacity/nature of interest	Number of Shares (Note 1)	Approximate percentage of shareholding
Mr. Tong	Interest in a controlled corporation (Note 2)	1,104,840,000 Shares (L)	69.8%
Ms. Babington	Interest in a controlled corporation (Note 3)	59,400,000 Shares (L)	3.7%
Ms. Haslock	Interest in a controlled corporation (Note 4)	23,760,000 Shares (L)	1.5%

Notes:

1. The letter “L” denotes a person’s “long position” (as defined under Part XV of the SFO) in such Shares.
2. Our Company will be owned as to 69.8% by Tiptop immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any of our Shares that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme). Tiptop is wholly-owned by Mr. Tong. Under the SFO, Mr. Tong is deemed to be interested in the same number of Shares held by Tiptop.
3. Our Company will be owned as to 3.7% by Rothley immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any of our Shares that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme). Rothley is wholly-owned by Ms. Babington. Under the SFO, Ms. Babington is deemed to be interested in the same number of Shares held by Rothley.
4. Our Company will be owned as to 1.5% by Savvy immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any of our Shares that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme). Savvy is wholly-owned by Ms. Haslock. Under the SFO, Ms. Haslock is deemed to be interested in the same number of Shares held by Savvy.

(ii) Interests and short positions of substantial shareholders in our Shares, underlying Shares and debentures and our Company’s associated corporations after completion of the Capitalisation Issue and the Share Offer

Immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any of our Shares that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme), so far as our Directors are aware, the following persons (not being our Directors or our chief executive) will have an interest or short position in our Shares or underlying Shares which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the issued voting shares of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

Name	Capacity/nature of interest	Number of our Shares (<i>Note 1</i>)	Approximate percentage of shareholding
Tiptop	Beneficial owner (<i>Note 2</i>)	1,104,840,000 Shares (L)	69.8%
Ms. Shum Yuet Wah Anna	Interest of spouse (<i>Note 3</i>)	1,104,840,000 Shares (L)	69.8%

Notes:

1. The letter “L” denotes a person’s “long position” (as defined under Part XV of the SFO) in such Shares.
2. Our Company will be owned as to 69.8% by Tiptop immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any of our Shares that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme).
3. Tiptop is wholly-owned by Mr. Tong, our chairman, one of our non-executive Directors and Controlling Shareholders. Under the SFO, Mr. Tong is deemed to be interested in the same number of Shares held by Tiptop. Ms. Shum Yuet Wah Anna is the spouse of Mr. Tong. Under the SFO, Ms. Shum Yuet Wah Anna is deemed to be interested in all our Shares in which Mr. Tong is interested.

(iii) Negative statement regarding interests in securities

None of our Directors will immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any of our Shares that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme), have any discloseable interests (as referred to in (i) above) other than as disclosed at (i) above.

Our Directors are not aware of any persons who will immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any of our Shares that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme), have a notifiable interest (for the purposes of the SFO) in our Shares or, having such a notifiable interest, have any short positions (within the meaning of the SFO) in our Shares, other than as disclosed at (ii) above.

2. Particulars of Director’s service agreements and letters of appointment*(i) Executive Directors*

Each of our executive Directors has entered into a service agreement with our Company for an initial fixed term of three years commencing from the Listing Date. The appointments of our executive Directors are subject to the provision of retirement by rotation of our Directors under the Articles.

(ii) Non-executive Directors and independent non-executive Directors

Each of our non-executive Directors and independent non-executive Directors has entered into a letter of appointment with our Company for an initial fixed term of three years commencing from the Listing Date. The appointments of our non-executive Directors and our independent non-executive Directors are subject to the provision of retirement by rotation of our Directors under the Articles.

Save as disclosed in this prospectus, none of our Directors has or is proposed to have entered into any service agreement or letter of appointment with any member of our Group (excluding agreements expiring or determinable by any member of our Group within one year without the payment of compensation other than statutory compensation).

3. Remuneration of our Directors

For the three years ended 31 March 2017 and the six months ended 30 September 2017, the aggregate of directors' fees, basic salaries and allowances, retirement benefit contribution and share-based compensation paid or payable by our Group to our Directors were approximately HK\$1.5 million, HK\$4.7 million, HK\$4.7 million and HK\$1.9 million, respectively.

For the three years ended 31 March 2017 and the six months ended 30 September 2017, the aggregate of contributions to retirement benefit schemes for our Directors were approximately HK\$18,000, HK\$18,000, HK\$18,000 and HK\$9,000, respectively.

For the three years ended 31 March 2017 and the six months ended 30 September 2017, no bonus was paid to or receivable by our Directors.

None of our Directors or any past director(s) of any member of our Group has been paid any sum of money for the three years ended 31 March 2017 and the six months ended 30 September 2017 (i) as an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any emolument for the three years ended 31 March 2017 and the six months ended 30 September 2017.

Under the arrangements currently proposed, conditional upon Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefit or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

	<i>HK\$</i>
Executive Directors	
Ms. Mary Kathleen BABINGTON, alias Mary Kathleen Kate Babington	1,920,000
Mr. TSUI Wing Tak (徐穎德先生)	120,000
Non-executive Directors	
Mr. TONG Tang Joseph (唐登先生)	120,000
Ms. Nicole Lucy HASLOCK	120,000
Independent non-executive Directors	
Mr. YEUNG Man Chung Charles (楊文忠先生)	144,000
Mr. TSANG Wai Yin (曾偉賢先生)	144,000
Mr. SIT Hoi Wah Kenneth (薛海華先生)	144,000

Each of our executive Directors is entitled to reimbursement of all necessary and reasonable out-of-pocket expenses properly incurred in relation to all business and affairs carried out by our Group from time to time or for providing services to our Group or executing their functions in relation to our Group's business and operations.

Save as disclosed in this prospectus, no other emoluments have been paid or are payable, in the three years ended 31 March 2017 and the six months ended 30 September 2017 by our Group to our Directors.

4. Related party transactions

Details of the related party transactions are set out under note 28 to the Accountants' Report set out in Appendix I to this prospectus.

5. Disclaimers

Save as disclosed in this prospectus:

- (i) none of our Directors or chief executive has any interest or short position in any of our Shares, underlying Shares or debentures or any of its associated corporation (within the meaning of Part XV of the SFO), immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any of our Shares that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the "required standard of dealings" as contained in Chapter 5 of the GEM Listing Rules, in each case once our Shares are listed;
- (ii) our Directors are not aware of any person (other than our Directors or our chief executive) who will, immediately after the completion of the Capitalisation Issue and the Share Offer (without taking into account any of our Shares that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme), have an interest or short position in our Shares or underlying Shares which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

- (iii) none of our Directors or the experts under the paragraph headed “E. Other information – 7. Qualifications of experts” in this appendix below has been directly or indirectly interested in the promotion of, or in any asset(s) which has or have been, within the two years immediately preceding the date in this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (iv) none of our Directors nor the experts named under the paragraph headed “E. Other information – 7. Qualifications of experts” in this appendix below is materially interested in any contract or arrangement subsisting at the date in this prospectus which is significant in relation to our Group’s business; and
- (v) none of the experts named under the paragraph headed “E. Other information – 7. Qualifications of experts” in this appendix below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

D. SHARE OPTION SCHEME

1. Summary of terms of the Share Option Scheme

(i) *Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to enable our Group to grant options to the eligible participants as incentives or rewards for their contribution to our Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to our Group or any entity in which any member of our Group holds any equity interest (the “**Invested Entity**”). As at the Latest Practical Date, there was no Invested Entity other than members of our Group, and our Group has not identified any potential Invested Entity for investment.

(ii) *Who may join*

Our Directors shall, in accordance with the provisions of the Share Option Scheme and the GEM Listing Rules, be entitled but shall not be bound at any time within a period of 10 years commencing from the date of the adoption of the Share Option Scheme to make an offer for the grant of an option to any person belonging to the following classes:

- (a) any employee (whether full time or part time, including the directors (including any non-executive Director and independent non-executive Director)) of our Company, any of our subsidiaries (within the meaning of Companies Ordinance) or any Invested Entity (an “**eligible employee**”);
- (b) any supplier of goods or services to any member of our Group or any Invested Entity;

- (c) any customer of any member of our Group or any Invested Entity;
- (d) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;
- (e) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
- (f) any adviser (professional or otherwise), consultant, individual or equity who in the opinion of our Directors has contributed or will contribute to the growth and development of our Group; and
- (g) any other groups or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group,

and, for the purpose of the Share Option Scheme, the offer for the grant of an option may be made to any company wholly-owned by one or more eligible participants.

For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of eligible participants shall not, by itself, unless our Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the eligible participants to an offer under the Share Option Scheme shall be determined by our Directors from time to time on the basis of our Directors' opinion as to such eligible participant's contribution to the development and growth of our Group.

(iii) Maximum number of Shares

- (a) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by our Group shall not exceed 30% of our share capital in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes adopted by our Group if the grant of such options will result in the limit referred herein being exceeded.
- (b) The total number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Group) to be granted under the Share Option Scheme and any other share option schemes of our Group shall not in aggregate exceed 10% of our share capital in issue as at the date on which dealings in our Shares first commence on the Stock Exchange, being 158,400,000 Shares (“**General Scheme Limit**”).

- (c) Subject to (a) above and without prejudice to (d) below, our Company may seek approval of our Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Group shall not exceed 10% of our share capital in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option schemes of our Group) previously granted under the Share Option Scheme and any other share option schemes of our Group will not be counted.
- (d) Subject to (a) above and without prejudice to (c) above, our Company may seek separate Shareholders' approval in general meeting to grant options under the Share Option Scheme beyond the General Scheme Limit or, if applicable, the extended limit referred to in (c) above to eligible participants specifically identified by our Company before such approval is sought.

(iv) Maximum entitlement of each eligible participant

Subject to (v) below, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Group (including both exercised or outstanding options) to each eligible participant who accepts the offer for the grant of an option under the Share Option Scheme (a "grantee") in any 12-month period shall not exceed 1% of our issued share capital for the time being. Where any further grant of options under the Share Option Scheme to a grantee would result in our Shares issued and to be issued upon exercise of all options granted and proposed to be granted to such person (including exercised, cancelled and outstanding options) under the Share Option Scheme and any other share option schemes of our Group in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of our share capital in issue, such further grant shall be separately approved by our Shareholders in general meeting with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting.

(v) Grant of options to core connected persons

- (a) Without prejudice to (b) below, the making of an offer under the Share Option Scheme to any of our Director, chief executive or substantial shareholder, or any of their respective associates shall be approved by our independent non-executive Directors (excluding any independent non-executive Director who or whose close associate is the proposed grantee of an option under the Share Option Scheme).

(b) Without prejudice to (a) above, where any grant of options under the Share Option Scheme to a substantial shareholder or our independent non-executive Director or any of their respective associates, would result in our Shares issued and to be issued upon exercise of all options under the Share Option Scheme already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (1) representing in aggregate over 0.1% of our share capital in issue; and
- (2) having an aggregate value, based on the closing price of our Shares at the offer date of each offer, in excess of HK\$5 million;

such further grant of options shall be approved by our Shareholders in general meeting. The proposed grantee, his associates and all our core connected persons shall abstain from voting in favour at such general meeting.

For the purpose of seeking the approval of our Shareholders under paragraphs (iii), (iv) and (v) above, our Company shall send a circular to our Shareholders containing the information required under the GEM Listing Rules and where the GEM Listing Rules shall so require, the vote at the Shareholders' meeting convened to obtain the requisite approval shall be taken on a poll with those persons required under the GEM Listing Rules abstaining from voting.

(vi) Time of acceptance and exercise of an option

An offer under the Share Option Scheme shall remain open for acceptance by the eligible participant concerned (and by no other person) for a period of up to 21 days from the date, which shall be a business day, on which the offer is made to the eligible participant.

An offer shall have been accepted by an eligible participant in respect of all Shares which are offered to such eligible participant when the duplicate letter comprising acceptance of the offer duly signed by the eligible participant together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable.

Any offer may be accepted by an eligible participant in respect of less than the number of Shares which are offered provided that it is accepted in respect of a board lot for dealings in our Shares on GEM or an integral multiple thereof and such number is clearly stated in the duplicate letter comprising acceptance of the offer duly signed by such eligible participant and received by our Company together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to the grantee thereof (provided always that such period shall not be more than 10 years from the offer date of that option), and in the absence of such determination, from the date of the grant of such option to the earlier of (aa) the date on which such option lapses under the relevant provisions of the Share Option Scheme; and (bb) the date falling 10 years from the offer date of that option.

(vii) Performance targets

Unless otherwise determined by our Directors and stated in the offer to a grantee, a grantee is not required to hold an option for any minimum period nor achieve any performance targets before the exercise of an option granted to him.

(viii) Subscription price for Shares

The subscription price in respect of any option shall, subject to any adjustments made pursuant to paragraph (xx) below, be at the discretion of our Directors, provided that it shall not be less than the highest of:

- (a) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of our Shares on the offer date;
- (b) the average closing price of our Shares as stated in the Stock Exchange's daily quotations sheets for trade in one or more board lots of our Shares for the five Business Days immediately preceding the offer date; and
- (c) the nominal value of a Share.

For the purpose of calculating the subscription price where our Company has been listed for less than five business days, the Offer Price shall be used as the closing price for any business day falling within the period before the Listing Date.

(ix) Ranking of Shares

Shares to be issued upon the exercise of an option will be subject to all the provisions of our articles of association for the time being in force and will rank pari passu in all respects with the then existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(x) Restrictions on the time of grant of options

For so long as our Shares are listed on the Stock Exchange, an offer may not be made after inside information has come to our Company's knowledge until we have announced the information. In particular, during the period commencing one month immediately preceding the earlier of (aa) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half-year, quarter-year period or any other interim period (whether or not required under the GEM Listing Rules); and (bb) the deadline for our Company to announce our results for any year, half-year or quarter-year period under Rules 18.49, 18.78 or 18.79 of the GEM Listing Rules or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement, no offer for the grant of an option may be made.

Our Directors may not make any offer to an eligible participant who is a Director during the periods or times in which our Directors are prohibited from dealing in Shares under such circumstances as prescribed by the GEM Listing Rules or any corresponding codes or securities dealing restrictions adopted by our Company.

(xi) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(xii) Rights of ceasing employment

If the grantee is an eligible employee and in the event of his ceasing to be an eligible employee for any reason other than his death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds specified in paragraph (xiv) below before exercising the option in full, the option (to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation or termination. The date of cessation or termination as aforesaid shall be the last day on which the grantee was actually at work with our Company or the relevant subsidiary or the Invested Entity whether salary is paid in lieu of notice or not.

(xiii) Rights on death, ill-health or retirement

If the grantee is an eligible employee and in the event of his ceasing to be an eligible employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s) or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with our Company or the relevant subsidiary or the Invested Entity whether salary is paid in lieu of notice or not.

(xiv) Rights on dismissal

In respect of a grantee who is an eligible employee, the date on which the grantee ceases to be an eligible employee by reason of termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or our Group into disrepute), such option (to the extent not already exercised) shall lapse automatically and shall not in any event be exercisable on or after the date of cessation to be an eligible employee.

(xv) Rights on breach of contracts

In respect of a grantee other than an eligible employee, the date on which our Directors shall at their absolute discretion determine that (aa) such grantee has committed any breach of any contract entered into between such grantee on the one part and our Group or any Invested Entity on the other part; or (bb) such grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (cc) such grantee could no longer make any contribution to the growth and development of our Group by reason of the cession of its relation with our Group or by any other reason whatsoever, such option shall lapse as a result of any event specified in sub-paragraphs (aa) to (cc) above.

(xvi) Rights on takeover

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of our Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, the Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to the Shareholders, the grantee shall, notwithstanding any other terms on which his option was granted, be entitled to exercise the option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under scheme of arrangement, as the case may be. Subject to the above, an option shall lapse automatically (to the extent not already exercised) on the date on which such offer (or, as the case may be, revised offer) closes.

(xvii) Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall issue to the grantee our Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolution is to be considered and/or passed whereupon he shall accordingly be entitled, in respect of our Shares issued to him in the aforesaid manner, to participate in the distribution of our assets available in liquidation *pari passu* with the holders of our Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(xviii) Rights on compromise or arrangement between our Company and its members or creditors

In the event of a compromise or arrangement between our Company and our members or creditors in connection with a scheme for our reconstruction or amalgamation with any other companies pursuant to the laws of the jurisdiction in which our Company was incorporated, we shall give notice thereof to all grantees on the same date as we give notice of the meeting to our Shareholders or creditors to consider such a scheme or arrangement, and thereupon any grantee (or his personal representative(s)) may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant option (such notice to be received by our Company not later than two business days (excluding any period(s) of closure of our share registers) prior to the proposed meeting) exercise the option (to the extent exercisable as at the date of the notice to the grantee and not exercised) either in full or in part and our Company shall, as soon as possible and in any event no later than the business day (excluding any period(s) of closure of our share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise credited as fully paid and registered the grantee as holder thereof. Upon such compromise or arrangement becoming effective, all options (to the extent not already exercised) shall lapse and determine.

(xix) Grantee being a company wholly-owned by eligible participants

If the grantee is a company wholly-owned by one or more eligible participants:

- (a) the provisions of paragraphs (xii), (xiii), (xiv) and (xv) above shall apply to the grantee and to the option granted to such grantee, *mutatis mutandis*, as if such option had been granted to the relevant eligible participant, and such option shall accordingly lapse or fall to be exercisable after the event(s) referred to in paragraphs (xii), (xiii), (xiv) and (xv) above shall occur with respect to the relevant eligible participant; and

- (b) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly-owned by the relevant eligible participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xx) Adjustment of the subscription price

In the event of any alteration to our capital structure whilst any option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalisation issue, rights issue, consolidation or sub-division of our Shares, or reduction of our share capital, then, in any such case our Company shall instruct the auditors or an independent financial adviser to certify in writing the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular grantee, to:

- (a) the number or nominal amount of Shares to which the Share Option Scheme or any option(s) relate(s) (insofar as it is/they are unexercised); and/or
- (b) the subscription price of any option; and/or
- (c) (unless the relevant grantee elects to waive such adjustment) the number of Shares comprised in an option or which remain comprised in an option,

and an adjustment as so certified by the auditors or such independent financial adviser shall be made, provided that:

- (a) any such adjustment shall give the grantee the same proportion of our issued share capital (as interpreted in accordance with the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes) for which such grantee would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustment;
- (b) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (c) the issue of Shares or other securities of our Group as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and
- (d) any such adjustment shall be made in compliance with the GEM Listing Rules and any relevant rules, codes and guidance notes issued by the Stock Exchange from time to time.

In respect of any adjustment referred to above, other than any adjustment made on a capitalisation issue, the auditors or such independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the GEM Listing Rules and the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes.

(xxi) Cancellation of options

Subject to the provisions in the Share Option Scheme and the GEM Listing Rules, any option granted but not exercised may not be cancelled except with the prior written consent of the relevant grantee and the approval of our Directors.

Where our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding, for this purpose, the options so cancelled) within the General Scheme Limit or any other limits approved by the Shareholders pursuant to paragraph (iii)(c) or (iii)(d) above.

(xxii) Termination of the Share Option Scheme

Our Company by an ordinary resolution in general meeting may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered or granted but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xxiii) Rights are personal to the grantee

An option shall be personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreement so to do. Any breach of the foregoing by a grantee shall entitle our Company to cancel any option granted to such grantee to the extent not already exercised.

(xxiv) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of (aa) the expiry of the option period in respect of such option; (bb) the expiry of the periods or dates referred to in paragraphs (xii), (xiii), (xiv), (xv), (xvi), (xvii), (xviii) and (xix) above; or (cc) the date on which our Directors exercise our Company's right to cancel the option by reason of a breach of paragraph (xxiii) above.

(xxv) Others

- (a) The Share Option Scheme is conditional upon:
 - (aa) the Stock Exchange granting the listing of and permission to deal in such number of Shares representing the General Scheme Limit to be allotted and issued by our Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme; and
 - (bb) the passing of the necessary resolution to approve and adopt the Share Option Scheme in general meeting or by way of written resolution of the Shareholders.
- (b) The provisions of the Share Option Scheme relating to the matters governed by Rule 23.03 of the GEM Listing Rules shall not be altered to the advantage of grantees or prospective grantees except with the prior sanction of our resolution in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of the holders of our Shares under our articles of association for the time being for a variation of the rights attached to our Shares.
- (c) any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted shall be approved by the Shareholders except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (d) The terms of the Share Option Scheme and/or any options amended must comply with the applicable requirements of the GEM Listing Rules.
- (e) Any change to the authority of our Directors or the administrators of the Share Option Scheme in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

2. Present status of the Share Option Scheme

Application has been made to the Stock Exchange for the listing of, and permission to deal in, our Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

As at the date in this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION**1. Tax and other indemnities**

The Controlling Shareholders (collectively, the “**Indemnifiers**”) have, under the Deed of Indemnity, given joint and several indemnities to our Company (for itself and as trustee for and on behalf of its subsidiaries) in connection with, among other things:

- (i) any taxation (including estate duty) falling on any member of our Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the date on which the Share Offer becomes unconditional;
- (ii) any and all costs which any member of our Group may incur, suffer or accrue, directly or indirectly from or on the basis of or in connection with any alleged or actual violation or non-compliance by any member of our Group with any laws, regulations or administrative orders or measures in Hong Kong, the PRC or any applicable jurisdiction on or before the date on which the Share Offer becomes unconditional, if any;
- (iii) any and all costs which any member of our Group may incur, suffer or accrue, directly or indirectly from or on the basis of or in connection with any legal action or proceedings of whatever nature and irrespective of where instituted and whether ongoing or otherwise, in which any member of our Group is involved or to which any member of our Group is a party of whatever capacity (whether as plaintiff or defendant or otherwise) (aa) to the extent that such liabilities are not covered by the relevant insurance policies taken out by any member of our Group; or (bb) to the full extent of such liabilities in the event that no insurance policy has been taken out by the relevant member of our Group to cover such liabilities, provided that such legal action or proceedings are commenced before the date on which the Share Offer becomes unconditional, or the cause of action for any subsequent legal action or proceedings (which may be commenced before or after the date on which the Share Offer becomes unconditional) occurs before the date on which the Share Offer becomes unconditional;
- (iv) any and all costs which any member of our Group may incur, suffer or accrue, directly or indirectly from or on the basis of or in connection with any breach of any lease entered into by any member of our Group in any jurisdiction on or before the date on which the Share Offer becomes unconditional; and

- (v) all losses, claims, actions, demands, liabilities, damages, costs, expenses, proceedings, fines, judgments, charges, or fees suffered or incurred by any member of our Group directly or indirectly as a result of or in connection with any litigation, proceeding, claim, investigation, inquiry, enforcement proceeding or process by any governmental, administrative or regulatory body which (aa) any member of our Group, their respective directors or any of them is/are involved in on or before the date on which the Share Offer becomes unconditional; and/or (bb) arises due to the act or omission of, or transaction voluntarily effected by, any member of our Group (whether alone or in connection with some other act, omission or transaction) on or before the date on which the Share Offer becomes unconditional.

The Indemnifiers will, however, not be liable under the Deed of Indemnity to the extent that, among others:

- in relation to item (i) above, provision has been made for such liability in the audited consolidated accounts of our Company or any member of our Group for the Track Record Period;
- in relation to item (i) above, the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or
- in relation to item (i) above, the taxation liability arises in the ordinary course of business of any member of our Group or in the ordinary course of acquiring and disposing of capital assets after the date on which the Share Offer becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands and BVI is likely to fall on our Group, and the estate duty under the laws of Hong Kong has been abolished.

2. Litigation

To the best knowledge of our Directors, save as disclosed in this prospectus, as at the Latest Practicable Date, neither our Company nor any of its subsidiaries was engaged in any litigation, arbitration or claims of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Group, that would have a material adverse effect on its results of operations or financial condition.

3. Application for listing of Shares

Our Company has applied to the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Capitalisation Issue and the Share Offer as mentioned herein. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

4. Compliance adviser

In accordance with the requirements of the GEM Listing Rules, our Company has appointed Oceanwide Capital as its compliance adviser to provide advisory services to our Company to ensure compliance with the GEM Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date.

5. Preliminary expenses

The estimated preliminary expenses relating to the incorporation of our Company are approximately HK\$33,500 and were paid by our Group.

6. Promoter

Our Company does not have any promoter.

7. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Oceanwide Capital Limited	A licensed corporation under the SFO permitted to carry out type 6 (advising on corporate finance) regulated activity under the SFO
Grant Thornton Hong Kong Limited	Certified Public Accountants
Appleby	Legal advisers to our Company as to Cayman Islands law
Beijing Dentons Law Offices, LLP (Shenzhen)	Legal advisers to our Company as to PRC law
Mr. Chan Chung	Barrister-at-law
Euromonitor International Limited	Industry consultant
RSM Consulting (Hong Kong) Limited	Internal Control Consultant

8. Consents of experts

Each of the experts referred to above has given and has not withdrawn their respective consent to the issue in this prospectus with the inclusion of their reports and/or letter or opinion (as the case may be) and reference to their respective names included in the form and context in which they respectively appears.

9. The Sole Sponsor

Oceanwide Capital as the Sole Sponsor satisfies the independence criteria applicable to the Sole Sponsor as set out in Rule 6A.07 of the GEM Listing Rules. The Sole Sponsor made an application on our behalf to the Stock Exchange for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein. The Sole Sponsor has received or will receive a sponsor fee of approximately HK\$6.9 million in connection with Listing. The sponsor fee relates solely to services provided by the Sole Sponsor in its capacity as a sponsor, and not other services which it (or its associates) may provide, such as (without limitation) book-building, pricing and underwriting.

Save for the advisory and documentation fees to be paid to Oceanwide Capital as the sponsor to the Share Offer, neither Oceanwide Capital nor any of its directors or their close associates has or may have any interest in any class of securities in any members of our Group or any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any members of our Group nor any interest in the Share Offer.

No director or employee of Oceanwide Capital who is involved in providing advice to our Company has or may have, as a result of the Share Offer, any interest in any class of securities of our Company or any of our subsidiaries (including options or rights to subscribe for such securities that may be subscribed for or purchased by any such director or employee pursuant to the Share Offer).

Certain close associates of the Sole Sponsor whose usual and ordinary courses of business involve trading of and dealing in securities may derive commissions from the trading of and dealing in securities of our Company or provide margin financing in connection thereto or purchase or sell securities of our Company or hold securities of our Company for investment purposes after Listing.

No director or employee of Oceanwide Capital has a directorship or substantial shareholding (as defined under the GEM Listing Rules) in our Company or any of our subsidiaries.

10. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

11. Share register

The register of members of our Company will be maintained in the Cayman Islands by Estera Trust (Cayman) Limited and the branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, the branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.

12. Taxation of holders of Shares***(i) Hong Kong***

Dealings in Shares registered on our Company's branch register of members in Hong Kong will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of our Shares being sold or transferred. Profits from dealings in our Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(ii) The Cayman Islands

Under the present Companies Law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty so long as our Company does not hold interests in land in the Cayman Islands.

(iii) Consultation with professional advisers

Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of or dealing in our Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding, disposal of or dealing in Shares or exercising any rights attaching to them.

13. Miscellaneous

Save as disclosed in this prospectus:

- (i) within the two years immediately preceding the date in this prospectus:
 - (a) no share or loan capital of our Company or any of our subsidiaries has been allotted and issued, agree to be allotted and issued or is proposed to be allotted and issued fully or partly paid either for cash or for a consideration other than cash;

- (b) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
 - (c) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Shares; and
 - (d) no founder, management or deferred shares of our Company have been allotted and issued or agreed to be allotted and issued;
- (ii) no share, warrant or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2017 and the six months ended 30 September 2017, being the date on which the latest audited financial information of our Group was reported in the Accountants' Report set out in Appendix I to this prospectus;
 - (iv) our Directors confirm that there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 24 months immediately preceding the date in this prospectus; and
 - (v) there are no arrangements in existence under which future dividends are to be or agreed to be waived.

14. Bilingual prospectus

Pursuant to section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), the English language and Chinese language versions in this prospectus are being published separately.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (i) a copy of each of the **WHITE, YELLOW, GREEN** and **PINK** Application Forms;
- (ii) the written consents referred to in the section headed “Appendix IV – E. Other information – 8. Consents of experts” to this prospectus; and
- (iii) copies of the material contracts referred to in the section headed “Appendix IV – B. Further information about the business of our Group – 1. Summary of material contracts” to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Deacons at 5th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (i) the Memorandum of Association and the Articles of Association;
- (ii) the audited consolidated financial statements of the companies comprising our Group for the three years ended 31 March 2017 and the six months ended 30 September 2017;
- (iii) the accountants’ report of our Group dated 12 January 2018 for the three years ended 31 March 2017 and the six months ended 30 September 2017 prepared by Grant Thornton Hong Kong Limited, the text of which is set out in Appendix I to this prospectus;
- (iv) the report dated 12 January 2018 on unaudited pro forma financial information of our Group prepared by Grant Thornton Hong Kong Limited, the text of which is set out in Section B of Appendix II to this prospectus;
- (v) the letter of advice prepared by Appleby, the legal adviser to our Company as to Cayman Islands law, summarising certain aspects of Companies Law referred to in Appendix III to this prospectus;
- (vi) the Companies Law;
- (vii) the material contracts referred to in the section headed “Appendix IV – B. Further information about the business of our Group – 1. Summary of material contracts” to this prospectus;
- (viii) the service agreements with the executive Directors and the letters of appointment with the non-executive Directors and the independent non-executive Directors referred to in the section headed “Appendix IV – C. Further information about our Directors and substantial Shareholders – 2. Particulars of Directors’ service agreements and letters of appointment” to this prospectus;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR INSPECTION**

- (ix) the written consents referred to in the section headed “Appendix IV – E. Other information – 8. Consents of experts” to this prospectus;

- (x) the rules of the Share Option Scheme; and

- (xi) the independent market research report in respect of the lifestyle furniture and home furniture market in Hong Kong dated 12 January 2018, commissioned by our Company and prepared by Euromonitor International Limited.



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