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PLANETREE INTERNATIONAL DEVELOPMENT LIMITED

梧桐國際發展有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 00613)

2019 INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Planetree International Development Limited (formerly known as “Yugang International Limited”) (the “**Company**”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2019, together with the unaudited comparative figures for the corresponding period in 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

	Notes	Six months ended 30 June 2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
REVENUE	3	38,004	40,105
Other income and gains	3	15,737	22,446
Reversal of impairment losses on loan receivables	9	869	—
Administrative expenses		(15,852)	(11,012)
Finance costs	4	(30)	(325)
Share of profit of an associate		—	11,545
Other expenses	5	(4,800)	—
PROFIT BEFORE TAX	5	33,928	62,759
Income tax expense	6	(1,802)	(1,800)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		32,126	60,959
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic and diluted		HK0.35 cents	HK0.66 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	<u>32,126</u>	<u>60,959</u>
OTHER COMPREHENSIVE LOSS		
<i>Item that may be reclassified subsequently to profit or loss when specific conditions are met:</i>		
Share of other comprehensive loss of an associate	<u>—</u>	<u>(8,669)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	<u>—</u>	<u>(8,669)</u>
TOTAL COMPREHENSIVE INCOME		
FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS		
OF THE COMPANY	<u><u>32,126</u></u>	<u><u>52,290</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

	Notes	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
NON-CURRENT ASSETS			
Equipments		310	1,162
Right-of-use assets		3,792	—
Investment properties		459,200	464,000
Loan receivables	9	43,953	94,084
Debt investments at amortised cost		70,860	66,769
Prepayments and deposits		3,944	3,787
Other assets		—	360
Total non-current assets		582,059	630,162
CURRENT ASSETS			
Listed equity investments at fair value through profit or loss		989,857	818,481
Loan receivables	9	1,000	21,000
Prepayments, deposits and other receivables		59,015	8,319
Time deposits		—	151,028
Cash and bank balances		43,124	17,855
Total current assets		1,092,996	1,016,683
CURRENT LIABILITIES			
Other payables and accruals		1,603	11,094
Lease liabilities		2,037	—
Total current liabilities		3,640	11,094
NET CURRENT ASSETS		1,089,356	1,005,589
TOTAL ASSETS LESS CURRENT LIABILITIES		1,671,415	1,635,751
NON-CURRENT LIABILITIES			
Lease liabilities		1,769	—
Other payables and accruals		2,444	2,477
Deferred tax liabilities		2,697	895
Total non-current liabilities		6,910	3,372
Net assets		1,664,505	1,632,379
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		93,053	93,053
Reserves		1,571,452	1,539,326
Total equity		1,664,505	1,632,379

Notes:

1. Basis of preparation and changes in accounting policies

The unaudited interim condensed consolidated financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2018.

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong, except for the adoption of the following new HKFRSs and amendments to HKFRSs for the first time for the current period’s unaudited interim condensed consolidated financial statements:

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Lease*, the new and revised standards are not relevant to the preparation of the Group’s interim condensed consolidated financial information. The nature and impact of the new HKFRSs are described below:

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives and* HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

(a) *New definition of a lease*

Under HKFRS 16, a contract is, or contains a lease is the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices.

(b) *As a lessee – Leases previously classified as operating leases*

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for office premises. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use asset and lease liabilities for the lease, except for the elective exemptions for leases of short-term leases (elected by class of underlying asset).

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All right-of-use assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to terminate the lease

- (c) *The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:*

HK\$'000

Operating lease commitments as at 31 December 2018	3,059
<i>Less:</i>	
Commitment relating to short-term lease with a renewing lease terms ending on or before 31 December 2019	(3,059)
Lease liabilities as at 1 January 2019	

(d) *Summary of new accounting policies*

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments included fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of the purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short term liabilities

The Group applies the short-term lease recognition exemption to short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

2. Operating segment information

For management purposes, the Group is organised into business units based on their products and services and has three reportable segments as follows:

- (a) The treasury management segment which trades and holds debt and equity securities, earns interest and dividend income from the relevant listed equity investments and generates interest income from the money lending activities.
- (b) The property investment segment consists of investment through Y. T. Realty Group Limited (“**Y. T. Realty**”), an associate of the Group, in properties for rental income and/or capital appreciation potential. In November 2018, the Group completed a distribution in specie of the shares in Y.T. Realty, and following completion of the distribution in specie, Y.T. Realty ceased to be an associate of the Group.
- (c) The property leasing segment which consists of leasing of properties directly owned by the Group for rental income and/or capital appreciation potential.

The management of the Company monitors the operating results of the Group’s business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the unaudited interim condensed consolidated financial statements.

Information regarding the Group's reportable segments is presented below:

For the six months ended 30 June 2019

	Treasury management (Unaudited) HK\$'000	Property leasing (Unaudited) HK\$'000	Reportable segments total (Unaudited) HK\$'000	Adjustments (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue:					
Revenue	31,897	6,107	38,004	—	38,004
Other revenue and gains	15,737	—	15,737	—	15,737
Total revenue and gains	<u>47,634</u>	<u>6,107</u>	<u>53,741</u>	<u>—</u>	<u>53,741</u>
Segment profit for the period	<u>47,451</u>	<u>1,032</u>	<u>48,483</u>	<u>(447)</u>	<u>48,036</u>
Corporate and unallocated expenses, net					<u>(15,910)</u>
Profit for the period					<u>32,126</u>

For the six months ended 30 June 2018

	Treasury management (Unaudited) HK\$'000	Property investment (Note) (Unaudited) HK\$'000	Property leasing (Unaudited) HK\$'000	Reportable segments total (Unaudited) HK\$'000	Adjustments (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue:						
Revenue	34,504	24,245	5,601	64,350	(24,245)	40,105
Other income and gains	8,713	16,280	13,733	38,726	(16,280)	22,446
Total revenue and gains	<u>43,217</u>	<u>40,525</u>	<u>19,334</u>	<u>103,076</u>	<u>(40,525)</u>	<u>62,551</u>
Segment profit for the period	<u>36,356</u>	<u>33,819</u>	<u>15,774</u>	<u>85,949</u>	<u>(22,274)</u>	<u>63,675</u>
Corporate and unallocated expenses, net						<u>(2,716)</u>
Profit for the period						<u>60,959</u>

Note: The activities of the property investment segment were carried on through an associate of the Group which had ceased to be an associate of the Group in November 2018 and therefore, the entire revenue and gains of this reportable segment and its profit for the period not attributable to the Group were not included to arrive at the Group's consolidated revenue and gains and consolidated profit for the period.

The Group's revenue is set out in note 3 below.

The Group's revenue is derived solely from its operations in Hong Kong, and the non-current assets of the Group are located in Hong Kong.

3. Revenue, other income and gains

An analysis of the Group's revenue, other income and gains is as follows:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<u>Revenue from other sources</u>		
Interest income from loan receivables	7,476	9,661
Interest income from debt investments at amortised cost	<u>6,922</u>	<u>—</u>
	14,398	9,661
 <u>Other revenue:</u>		
Gains on disposal of listed equity investments at fair value through profit or loss (<i>Note</i>)	9,356	—
Dividend income from listed equity investments at fair value through profit or loss	8,143	24,843
Gross rental income	<u>6,107</u>	<u>5,601</u>
	23,606	30,444
	38,004	40,105
 <u>Other income and gains</u>		
Interest income on bank deposits	219	65
Fair value gains on listed equity investments at fair value through profit or loss, net	14,478	8,648
Gain on disposal of items of equipment	120	—
Fair value gains on investment properties	—	13,718
Gain on disposal of a subsidiary	385	—
Others	<u>535</u>	<u>15</u>
	15,737	22,446

Note: The gross proceeds from the sale of listed equity investments at fair value through profit or loss for the period were approximately HK\$154,858,000 (six months ended 30 June 2018: Nil).

4. Finance costs

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank borrowings	—	325
Interest on lease liabilities	<u>30</u>	<u>—</u>

5. Profit before tax

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of equipment	77	147
Depreciation of right-of-use assets	344	—
Rental expenses – Short term lease	316	—
Fair value loss on investment properties (<i>Note</i>)	<u>4,800</u>	<u>—</u>

Note: This item was included in “Other expenses” on the face of the consolidated statement of profit or loss.

6. Income tax

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2019 as the Group has available tax losses brought forward from prior years to offset the assessable profits arising in Hong Kong during the period (six months ended 30 June 2018: Nil).

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Deferred tax charge for the period – Hong Kong	<u>1,802</u>	<u>1,800</u>

There were no significant potential deferred tax liabilities for which provision has not been made.

For the period ended 30 June 2018, the share of tax charge attributable to an associate amounted to HK\$511,000 was included in “Share of profit of an associate” in the consolidated statement of profit or loss.

7. Dividend

The board of directors has resolved not to declare an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

8. Earnings per share attributable to ordinary equity holders of the Company

The calculation of basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 June 2019 and 30 June 2018 as the Group had no potentially dilutive ordinary shares in issue during these periods.

The calculations of basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the Company		
used in the basic and diluted earnings per share calculations	32,126	60,959
	Number of shares	
	Six months ended 30 June	
	2019	2018
<u>Shares</u>		
Weighted average number of ordinary shares in issue		
during the period used in the basic and diluted earnings		
per share calculations	9,305,276,756	9,305,276,756

9. Loan receivables

		30 June 2019 <i>HK\$'000</i>	31 December 2018 <i>HK\$'000</i>
	<i>Notes</i>		
Unsecured	(ii)	49,996	120,996
Less:			
Impairment losses on loan receivables		(5,912)	(5,912)
Reversal of impairment losses recognised in prior year		869	—
		<u>44,953</u>	<u>115,084</u>
Current portion		1,000	21,000
Non-current portion		<u>43,953</u>	<u>94,084</u>
		<u>44,953</u>	<u>115,084</u>

Notes:

- (i) Loan receivables represent receivables arising from the Group's money lending business and are stated at amortised cost.
- (ii) As at 30 June 2019, the unsecured loan receivables are related to two (31 December 2018: three) customers. The loan receivables bore interest at rates ranging from approximately 5.125% to 17% per annum (31 December 2018: 5.125% to 17% per annum) and were repayable within two (31 December 2018: three) years.

10. Subsequent event

On 20 May 2019, Planetree Cayman Limited, a wholly-owned subsidiary of the Group, entered into a conditional subscription agreement with Liberty Capital Limited to subscribe for 2,000 subscription shares at the subscription price of HK\$135,000 per share (the “**Proposed Acquisition**”). The aggregate consideration for the subscription was HK\$270,000,000 (excluding transaction costs) and HK\$50,000,000 refundable deposit for the acquisition has been paid by the Group as at 30 June 2019. Upon completion of the subscription, the Group will hold approximately 52.63% of the enlarged share capital of Liberty Capital Limited which will become an indirect non-wholly owned subsidiary of the Group. The acquisition is subject to approval by the Securities and Futures Commission of Hong Kong. Up to the date of this announcement, the Proposed Acquisition has not been completed.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The Group reported an unaudited consolidated profit of approximately HK\$32.1 million attributable to equity holders of the Company (the “**Shareholders**”) for the six months ended 30 June 2019, representing a decrease of HK\$28.8 million or approximately 47% from the corresponding period last year. During the period under review, the revenue of the Group decreased by HK\$2.1 million or 5% to HK\$38.0 million as compared to the corresponding period last year. The drop in revenue of the Group during the period under review was attributable to a drop in the overall dividend income from listed equity investments under Treasury Management Business by HK\$16.7 million and a drop in the interest income on Money Lending Business by HK\$2.2 million, notwithstanding there were increase in the rental income from Property Leasing Business by HK\$0.5 million and gains on disposal of listed equity investments for HK\$9.4 million together with interest income from debt investments at amortised cost for HK\$6.9 million under Treasury Management Business respectively. Apart from the aforesaid decrease in revenue, the year-on-year drop in the Group’s profitability was mainly a result of: (i) no more share of profit of an associate in the reporting period (approximately HK\$11.5 million in the corresponding period last year) after the Company’s distribution of the shares in the associate to the Shareholders in Quarter 4 of 2018; and (ii) no more fair value gain on properties was recorded in the reporting period (a gain of approximately HK\$13.7 million in the corresponding period last year).

INTERIM DIVIDEND

No final dividend in respect of the year ended 31 December 2018 was paid during the six months ended 30 June 2019 (2018: HK\$18,611,000 in respect of the year ended 31 December 2017).

Apart from the aforesaid, the Board has resolved not to declare any interim dividend to the Shareholders for the six months ended 30 June 2019 (2018: Nil).

BUSINESS REVIEW

During the first half of 2019, the return of fluctuation in financial markets and the weakening international trade and investment have slowed the step for global economic recovery. In Hong Kong, the economic growth in Quarter 1 and Quarter 2 this year slowed down to less than 1% over a year earlier, notwithstanding the Hang Seng Index rose by more than 10% during the first half year.

Treasury Management Business

During the period under review, the Hong Kong stock market recovered from the trough at the beginning of the year with Hang Seng Index rising by more than 10% during the first half year.

To capitalize the optimistic stock market sentiment in the first half year, the Group realized gains on disposal of part of its listed equity investments at fair value through profit or loss for HK\$9.4 million (2018: Nil). The listed equity investments of the Group also recorded an overall fair value gain of HK\$14.5 million for the period (2018: HK\$8.6 million). Furthermore, the Group received dividend income of HK\$8.1 million on the listed equity investments at fair value through profit or loss for the period (2018: HK\$24.8 million). The drop in dividend income was primarily a result of the Company's distribution in specie of its interests in Y. T. Realty Group Limited and The Cross-Harbour (Holdings) Ltd to its shareholders in the year 2018.

In order to secure a stable stream of interest income to the Group, the Group has held certain debt investments (senior notes) bearing an annual coupon interest rate ranging from 7.875% to 8.5% issued by two separate local listed issuers. The interest from debt investments at amortised cost contributed a sum of interest income of HK\$6.9 million to the Group for the period under review (2018: Nil).

Under a prudent approach in money lending business in the first half of this financial year, the interest income earned from Money Lending Business segment to HK\$7.5 million for the period, representing a decrease of HK\$2.2 million from the last corresponding period. The balance of loan receivables as at 30 June 2019 was HK\$45.0 million.

Property Leasing Business

The Group carries on Property Leasing Business by directly holding various classes of properties in Hong Kong including commercial, industrial and residential for generation of rental income. The Group could benefit a steady rise in rental rate for lease renewals. The rental income from Property Leasing Business was HK\$6.1 million for the period, representing an increase of 5% from the corresponding figure last year.

As at the end of the reporting period, the carrying amount of investment properties under the Property Leasing Business segment were revalued to HK\$459.2 million by an independent professional valuer with a total fair value loss of HK\$4.8 million for the period (2018: a gain of HK\$13.7 million).

Property Investment Business

Last year, the Group carried on its Property Investment Business through Y. T. Realty Group Limited (“Y. T. Realty”), which was a former associate of the Group. On 23 November 2018, the Company completed the distribution in specie of all its entire interests in Y. T. Realty as an interim dividend to shareholders of the Company. Since then, the Group has consolidated its Property Investment Business with its Property Leasing Business.

PROSPECT

The escalating trade tension between U.S. and China continue to dampen production and trading activities in China. In Hong Kong, financial market volatility has increased considerably with growing concerns over the outlook for the world economy and the negative economic impacts arising from a series of local protests commencing from mid-June 2019 triggered by the Extradition Bill.

The recent uncertainties in the local property market and securities market have created risks and opportunities. The Group will keep a close watch on market changes and make appropriate strategic adjustments to the Group’s assets portfolio with business diversification in order to maximize the returns to shareholders of the Company. The Group is keeping its current business strategy plan for identifying high yield investments and at the same time evaluating and balancing the risk and return for each potential investment. As the Group’s portfolio of properties continues to maintain high occupancy rates, it is expected that the Group’s rental income will remain stable in the foreseeable future.

Meanwhile, the Group strives to expand its business by way of acquisition of quality assets. As announced on 20 May 2019, the Group is in the process of acquiring a majority stake (approximately 52.63% shareholding) in Liberty Capital Limited, which through its subsidiaries principally engages in the business of investment holding, property investment and provision of financial services with licenses to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). Moreover, Liberty Capital Limited is preparing an application for a licence to carry out Type 7 (providing automated trading services) regulated activities. Upon completion of this proposed acquisition (subject to the approval by the Securities and Futures Commission), Liberty Capital Limited will form the financial services arm of the Group bringing in a new business segment of providing asset management, securities trading and other financial services to clients. The Group also intends to leverage the expertise of Liberty Capital Limited in the securities market and its clientele to enhance the Group’s own treasury management activities and proprietary trading of securities investments as well as to expand the Group’s loan financing (inclusive of margin loan financing) business.

Having changed the company name from “Yugang International Limited” to “Planetree International Development Limited”, the Company intends to establish a new image and is poised to formulate long-term business plans and strategy of the Company and explore business opportunities aiming at enhancing the long-term growth potential of the Group.

FINANCIAL REVIEW

Revenue

The revenue of the Group for the six months ended 30 June 2019 was HK\$38.0 million, representing a decrease of HK\$2.1 million from the corresponding period last year. The Group disposed of certain listed equity investments for a sum of gains for HK\$9.4 million during the period under review (2018: Nil). Dividend income from listed equity investment decreased to HK\$8.1 million (2018: HK\$24.8 million). Interest income from the Money Lending Business of the Group decreased to HK\$7.5 million (2018: HK\$9.7 million) while interest income from debt investments at amortised cost contributed an amount of revenue for HK\$6.9 million to the Group during the period (2018: Nil). Rental income of the Group for the period increased to HK\$6.1 million (2018: HK\$5.6 million) due to a steady rise in rental rate for lease renewals.

Other Comprehensive Income

The Group recorded no other comprehensive gain or loss for the six months ended 30 June 2019 (2018: a loss of HK\$8.7 million).

Net Asset Value

The unaudited consolidated net asset value of the Group as at 30 June 2019 was HK\$1,664.5 million, representing an increase of HK\$32.1 million from the end of last financial year. The unaudited consolidated net asset value per share as at 30 June 2019 was HK\$0.18.

Capital Structure

The Group's capital expenditure and investments were mainly funded from cash on hand, internally-generated funds and bank borrowings.

The Group persistently adopts conservative treasury policies in cash and financial management. Cash is generally placed in short-term deposits mostly denominated in Hong Kong dollars. The Group does not use any financial instruments for hedging purpose.

Liquidity and Financial Resources

As at 30 June 2019, the Group's cash and bank balances and time deposits were HK\$43.1 million whilst the cash and cash equivalents and the listed equity investments in aggregate were HK\$989.9 million. The Group maintained a high current ratio at 300.3 (31 December 2018: 91.6) and the net current assets of the Group was HK\$1,089.4 million (31 December 2018: HK\$1,016.7 million) which indicated a strong and healthy financial position of the Group.

As at 30 June 2019, the Group did not have any bank borrowings (31 December 2018: Nil) and banking facilities (31 December 2018: approximately HK\$150.0 million)

Exposure to Fluctuation in Exchange Rates and Related Hedges

As the Group's major source of income, expenses, major assets and bank deposits were denominated in Hong Kong dollars and U.S. dollars, the Group's exposure to fluctuation in foreign exchange rates was minimal due to the pegged exchange rate to the U.S. Dollars. The Group did not have any related hedging instruments.

Gearing Ratio

As at 30 June 2019, the gearing ratio of the Group, as measured by dividing the net debt to shareholders' equity, was inapplicable as it became negative when cash and cash equivalents could entirely cover the total debt (31 December 2018: inapplicable). Net debt includes bank borrowing, other payables and accruals, net of cash and cash equivalents.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 June 2019.

Charge on Group Assets

As at 30 June 2019, the Group did not pledge its investment properties with an aggregate carrying (31 December 2018: HK\$130.3 million) as securities for general banking facilities granted to the Group.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets

As at 30 June 2019, the Group maintained a diversified portfolio of certain fixed income debt investments (senior notes) with a carrying value of HK\$70.9 million (31 December 2018: HK\$66.8 million) and 22 listed equity investments at fair value through profit or loss with a carrying value of HK\$989.9 million, representing an increase of HK\$175.8 million from the end of last financial year. The increase was mainly attributable to acquisition of additional listed equity investments during the period under review.

The Group's significant investments during the period under review were:

1. C C Land Holdings Limited (“C C Land”) (stock code: 1224)

C C Land principally engages in property development and investment and treasury investments. The carrying value of C C Land was stated at fair value of HK\$528.9 million as at 30 June 2019 (31 December 2018: HK\$552.2 million) and a fair value loss of HK\$23.4 million was recognized in the consolidated statement of profit or loss during the period. The Group received a dividend income of HK\$5.8 million from C C Land during the period (2018: Nil).

2. China Dili Group (“China Dili”) (stock code: 1387)

China Dili is one of the leading operators of agricultural produce wholesale markets in China. The carrying value of China Dili was stated at fair value of approximately HK\$208.0 million as at 30 June 2019 and a fair value gain of approximately HK\$6.8 million was recognized during the period.

3. Newton Resources Limited (“Newton Res”) (stock code: 1231)

Newton Res principally engages the trading business of iron ore, other commodities and construction materials and the mining businesses. The carrying value of Newton Res was stated at fair value of HK\$130.2 million as at 30 June 2019 and a fair value loss of approximately HK\$0.3 million was recognized during the period.

4. Shengjing Bank Co., Ltd (“Shengjing Bank”) (stock code: 2066)

Shengjing Bank principally engages in banking and financing services in China. The carrying value of Shengjing Bank was stated at fair value of HK\$58.5 million as at 30 June 2019 and fair value gain of HK\$24.4 million was recognized during the period. The Group received a dividend income of approximately HK\$1.3 million from Shengjing Bank during the period.

5. Senior notes (debt investments)

The Group has held certain senior notes bearing an annual coupon interest rate ranging from 7.875% to 8.5% issued by two separate local listed issuers (namely, Kaisa Group Holdings Ltd. with stock code: 1638 and Fantasia Holdings Group Co., Limited with stock code: 1777, both of which principally engage in property development and related services in China) with a sum of carrying value of HK\$70.9 million as at 30 June 2019. The Group recorded a sum of interest income of HK\$6.9 million from the senior notes at amortised cost during the period.

6. China Resources Pharmaceutical Group Limited (“CR Pharm”) (stock code: 3320)

CR Pharm principally engages in pharmaceutical and other healthcare products. During the period, the Group sold all its shares in CR Pharm with a carrying value of HK\$145.5 million as at 31 December 2018 to realise a sum of gains for HK\$9.4 million.

On 20 May 2019, the Group announced its proposed acquisition of approximately 52.63% shareholding in Liberty Capital Limited by way of subscribing new shares in Liberty Capital Limited at a total consideration for HK\$270,000,000 (excluding transaction costs). Up to the date of this announcement, this proposed acquisition has not been completed.

Save as disclosed above, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries, associates or joint ventures during the period under review. There was no present plan authorized by the Board for material investments or acquisition of material capital assets as at the date of this announcement.

Review of Accounts

The audit committee of the Company has reviewed the interim results and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2019. In addition, the audit committee has also reviewed the accounting principles and practices adopted by the Group and discussed financial reporting matters.

Significant Events since the End of the Reporting Period

On 20 May 2019, Planetree Cayman Limited, a wholly-owned subsidiary of the Company, entered into a conditional subscription agreement with Liberty Capital Limited to subscribe for 2,000 subscription shares at the subscription price of HK\$135,000 per share. The aggregate consideration for the subscription is HK\$270,000,000 (excluding transaction costs). Upon completion, the Group will hold approximately 52.63% of the enlarged share capital of Liberty Capital Limited which will become an indirect non-wholly owned subsidiary of the Group. The acquisition is subject to approval by the Securities and Futures Commission in Hong Kong. Up to the date of this announcement, this proposed acquisition has not been completed.

OPERATION REVIEW

Human Resources Practices

The Group's remuneration policy is to ensure fair and competitive packages based on business needs and industry practice. The Company aims to provide incentives to Directors, senior management and employees to perform at their highest level as well as to attract, retain and motivate the very best people. Remuneration will be determined by taking into consideration factors such as market and economic situation, inflation, employment conditions elsewhere in the Group and salaries paid by comparable companies. In addition, performance-based assessment such as individual's potential and contribution to the Group, time commitment and responsibilities undertaken will all be considered.

There are effectively 10 work forces working for the Group as at 30 June 2019. The Group also provides other staff benefits including MPF, medical insurance and discretionary training subsidy. The Company also operates a discretionary share option scheme to motivate the performance of employees.

ADDITIONAL INFORMATION

Compliance with Corporate Governance Code

The Company is committed to achieving and maintaining high standards of corporate governance practice. Throughout the six months ended 30 June 2019, the Company complied with all code provisions of Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange, except for deviation from code provisions A.2 and D.1.4. For code provision A.2, the positions of “chairman” and “chief executive officer” have been left vacant by the Company since the change of composition of the Board on 30 April 2019. The Board requires additional time to identify a suitable candidate to act as the chairman of the Board and the Group’s chief executive officer respectively. As a transitional arrangement, the Directors elect one of them to act as chairman of the meetings of the Company by rotation and Ms. Cheung Ka Yee has served the role of chief executive officer of the Group. For code provision D.1.4, the Company does not have formal letter of appointment for Directors setting out key terms and conditions of their appointment. The Company is of the view that the current arrangement is more appropriate and flexible, particularly in light of the current business activities and operational structure of the Company. All Directors have a clear understanding of terms and conditions of their appointment already exists between the Company and Directors. Additionally, each Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years pursuant to bye-laws of the Company. The Board will review these arrangements in light of the evolving development of the Group’s business activities.

The Company will continually review its corporate governance framework to ensure best corporate governance practices. Save as disclosed above, there were no significant changes in the Company’s corporate governance practice or from the information disclosed in the Corporate Governance Report in the latest published annual report.

Compliance with Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by Directors and relevant employees. Following specific enquiry by the Company, each Director confirmed that throughout the six months ended 30 June 2019, they have complied with the required standards set out in the Model Code.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2019.

Publication of Interim Results Announcement and Interim Report

This results announcement is published on the website of the Company (www.planetreeintl.com) and the designated issuer website of the Stock Exchange (www.hkexnews.hk). The 2019 Interim Report will be despatched to Shareholders and made available on the above websites in September 2019.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank Mr. Cheung Chung Kiu, Mr. Yuen Wing Shing, Mr. Zhang Qing Xin, Mr. Lee Ka Sze, Carmelo. Mr. Luk Yu King, James, Mr. Leung Yu Ming, Steven and Mr. Ng Kwok Fu for their contributions to the Board until their resignation as directors of the Company on 30 April 2019. I would also like to extend our gratitude and sincere appreciation to management and all staff for their diligence and dedication to the Group throughout the period.

By order of the Board
Planetree International Development Limited
Cheung Ka Yee
Executive Director

Hong Kong, 28 August 2019

As at the date of this announcement, the Board comprises the following directors:

Executive Directors:

Mr. Lam Hiu Lo
Mr. Liang Kang
Ms. Cheung Ka Yee
Ms. Tsang Wing Man

Independent Non-Executive Directors:

Mr. Chan Sze Hung
Mr. Ha Kee Choy, Eugene
Mr. Kwong Kai Sing, Benny