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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)

2022 INTERIM RESULTS (UNAUDITED)

The board (the “**Board**”) of directors (the “**Directors**”) of Planetree International Development Limited (the “**Company**”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue			
Fee and commission income		84	1,287
Asset management service income		2,586	12,176
Corporate advisory service income		8,195	7,368
Financial advisory service income		3,785	3,162
Net loss on disposal of financial assets at fair value through profit or loss (“ FVPL ”)		(1,221)	—
Interest income from margin clients, loan receivables and debt investments at amortised cost		55,307	71,702
Dividend income from financial assets at FVPL		7	—
Gross rental income		4,448	4,774
Total Revenue	3	73,191	100,469

	<i>Notes</i>	Six months ended 30 June	
		2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Other income and gains	3	5,338	1,215
Reversal of impairment losses (Impairment losses) on loan and interest receivables		4,519	(4,937)
Reversal of impairment losses on margin loan receivables		7,044	–
Impairment losses on trade receivables		(231)	(500)
Administrative expenses		(36,441)	(40,350)
Other losses	4	(8,280)	(4,517)
Finance costs	5	(2,776)	(2,292)
Share of result of an associate		(32,852)	(27,862)
		<u> </u>	<u> </u>
Profit before taxation	6	9,512	21,226
Income tax expense	7	(8)	(7,663)
		<u> </u>	<u> </u>
Profit and total comprehensive income for the period		9,504	13,563
		<u> </u>	<u> </u>
Profit for the period attributable to:			
Owners of the Company		2,937	11,893
Non-controlling interests		6,567	1,670
		<u> </u>	<u> </u>
		9,504	13,563
		<u> </u>	<u> </u>
Total comprehensive income attributable to:			
Owners of the Company		2,937	11,893
Non-controlling interests		6,567	1,670
		<u> </u>	<u> </u>
		9,504	13,563
		<u> </u>	<u> </u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	9		
Basic		0.31	1.26
		<u> </u>	<u> </u>
Diluted		0.31	1.26
		<u> </u>	<u> </u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

		30 June 2022	31 December 2021
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current assets			
Property and equipment		201,338	208,104
Investment properties		349,400	349,300
Intangible assets		12,742	12,767
Goodwill		6,115	6,115
Investment in an associate		92,884	126,134
Other receivables	10	1,554	1,822
Other assets		3,205	3,205
		<u>667,238</u>	<u>707,447</u>
Current assets			
Trade, loan and other receivables	10	1,391,886	977,912
Financial assets at FVPL		126,777	125,933
Bank balances — trust and segregated accounts		3,234	3,307
Bank balances and cash		279,580	431,073
		<u>1,801,477</u>	<u>1,538,225</u>
Current liabilities			
Trade and other payables	11	75,013	27,586
Lease liabilities — current portion		3,886	3,848
Interest-bearing borrowings		258,973	265,390
Income tax payable		6,267	6,442
		<u>344,139</u>	<u>303,266</u>
Net current assets		<u>1,457,338</u>	<u>1,234,959</u>
Total assets less current liabilities		<u>2,124,576</u>	<u>1,942,406</u>
Non-current liabilities			
Other payables	11	1,562	1,562
Lease liabilities — non-current portion		1,972	3,924
Deferred taxation		836	836
		<u>4,370</u>	<u>6,322</u>
NET ASSETS		<u><u>2,120,206</u></u>	<u><u>1,936,084</u></u>

		30 June 2022	31 December 2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Capital and reserves			
Share capital	12	94,553	94,253
Reserves		1,656,271	1,651,324
		<hr/>	<hr/>
Equity attributable to owners of the Company		1,750,824	1,745,577
Non-controlling interests		369,382	190,507
		<hr/>	<hr/>
TOTAL EQUITY		2,120,206	1,936,084
		<hr/> <hr/>	<hr/> <hr/>

Notes:

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

The condensed consolidated financial statements of the Group for the six months ended 30 June 2022 (the “**Interim Financial Statements**”) are 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 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“**Stock Exchange**”). The Interim Financial Statements should be read in conjunction with the 2021 annual financial statements. The accounting policies adopted in preparing the Interim Financial Statements are consistent with those in the preparation of the Group’s annual financial statements for the year ended 31 December 2021, except for the adoption of the new/revised standards of Hong Kong Financial Reporting Standards (“**HKFRSs**”) which are relevant to the Group’s operation and are effective for the Group’s financial year beginning on 1 January 2022 as described below.

Adoption of new/revised HKFRSs

Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 27	Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements to HKFRSs	2018 – 2020 Cycle

The adoption of the new/revised HKFRSs has no material impact on the Group’s results and financial position for the current or prior periods and does not result in any significant change in accounting policies of the Group.

2. OPERATING SEGMENT INFORMATION

The Group determines its operating segment and measurement of segment profit based on the internal reports to executive directors, the Group’s chief operating decision makers, for the purposes of resource allocation and performance assessment.

The Group’s reportable and operating segments are as follows:

- (a) Financial services — operations under SFO licences segment, which engages in the provision of dealing in securities, dealing in futures contracts, advising on corporate finance, providing automated trading services, margin financing services and asset management services with Type 1, Type 2, Type 6, Type 7, Type 8 and Type 9 licences granted under the SFO;
- (b) Credit and lending services — operations under MLO licences segment, which generates interest income from money lending activities with licences granted under the MLO;
- (c) Other financial services — engages in the provision of corporate advisory related services;
- (d) Property investment and leasing — engages in leasing of properties directly owned by the Group for rental income and/or capital appreciation potential; and
- (e) Tactical and strategic investment — trades and holds debt and equity securities, earns interest and dividend income from the relevant securities investments.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments.

For the six months ended 30 June 2022 (Unaudited)

	Financial services – operations under SFO licences <i>HK\$'000</i>	Credit and lending services – operations under MLO licences <i>HK\$'000</i>	Other financial services <i>HK\$'000</i>	Property investment and leasing <i>HK\$'000</i>	Tactical and strategic investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue	36,667	25,095	8,195	4,448	(1,214)	73,191
Other income and gains	459	563	105	100	—	1,227
Segment revenue	<u>37,126</u>	<u>25,658</u>	<u>8,300</u>	<u>4,548</u>	<u>(1,214)</u>	<u>74,418</u>
Segment profit (loss)	<u>37,791</u>	<u>29,907</u>	<u>3,025</u>	<u>2,281</u>	<u>(43,239)</u>	29,765
Unallocated other income and gains						4,111
Corporate and unallocated expenses, net						<u>(24,372)</u>
Profit for the period						<u>9,504</u>

For the six months ended 30 June 2021 (Unaudited)

	Financial services – operations under SFO licences <i>HK\$'000</i>	Credit and lending services – operations under MLO licences <i>HK\$'000</i>	Other financial services <i>HK\$'000</i>	Property investment and leasing <i>HK\$'000</i>	Tactical and strategic investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue	61,521	26,484	7,368	4,774	322	100,469
Other income and gains	45	—	4	—	644	693
Segment revenue	<u>61,566</u>	<u>26,484</u>	<u>7,372</u>	<u>4,774</u>	<u>966</u>	<u>101,162</u>
Segment profit (loss)	<u>46,529</u>	<u>19,167</u>	<u>1,002</u>	<u>2,624</u>	<u>(31,017)</u>	38,305
Unallocated other income and gains						522
Corporate and unallocated expenses, net						<u>(25,264)</u>
Profit for the period						<u>13,563</u>

Note:

Segment revenue includes revenue from tactical and strategic investment, property investment and leasing, other financial services, credit and lending services — operations under MLO licences and financial services — operations under SFO licences.

Segment result represents the profit earned or loss incurred by each segment without allocation of the central corporate expenses. On the other hand, the chief operating decision makers consider share of result of an associate as segment result under tactical and strategic investment segment.

The Group's operations are located in Hong Kong. Accordingly, the Group's revenue from external customers and all non-current assets (excluding certain financial assets) are located in Hong Kong.

3. REVENUE, OTHER INCOME AND GAINS

	Notes	Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue from contracts with customer within HKFRS 15			
Fee and commission income		84	1,287
Financial advisory service income		3,785	3,162
Revenue recognised at point in time		3,869	4,449
Asset management service income		2,586	12,176
Corporate advisory service income		8,195	7,368
Revenue recognised over time		10,781	19,544
		14,650	23,993
Revenue from other sources			
Net loss on disposal of financial assets at FVPL	(a)	(1,221)	—
Interest income from:			
— margin clients		30,212	44,896
— loan receivables		25,095	26,484
— debt investments at amortised cost		—	322
		55,307	71,702
Dividend income from financial assets at FVPL		7	—
Gross rental income		4,448	4,774
		58,541	76,476
Total revenue		73,191	100,469
Other income and gains			
Interest income on:			
— bank deposits		1	15
Gain on disposal of a subsidiary		3,999	—
Government employment subsidy	(b)	224	—
Others		1,114	1,200
		5,337	1,200
Total other income and gains		5,338	1,215
Total revenue, other income and gains		78,529	101,684

Notes:

- (a) During the six months ended 30 June 2022, the amount represented the proceeds from disposal of financial assets at FVPL of HK\$4,136,000 (*six months ended 30 June 2021: Nil*) less relevant costs and carrying value of the investments sold of HK\$5,357,000 (*six months ended 30 June 2021: Nil*).
- (b) During the six months ended 30 June 2022, the Group recognised government subsidies of HK\$224,000 (*six months ended 30 June 2021: Nil*) in respect of Employment Support Scheme under Anti-epidemic Fund of the Hong Kong Special Administrative Region Government due to the COVID-19 pandemic.

4. OTHER LOSSES

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss on deemed disposal of an associate	398	—
Loss on future trading	390	—
Net exchange loss	2	397
Net fair value losses on financial assets at FVPL	7,490	4,120
	<u>8,280</u>	<u>4,517</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on interest-bearing borrowings	2,396	2,189
Interest on margin account	314	—
Imputed interest on lease liabilities	66	103
	<u>2,776</u>	<u>2,292</u>

6. PROFIT BEFORE TAXATION

This is stated after charging:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Employee benefits expenses (including directors' emoluments)		
Salaries and other benefits	15,407	15,624
Retirement benefit scheme contributions	354	339
Share-based compensation expenses — share award to an employee	2,310	2,310
	<u>18,071</u>	<u>18,273</u>
Depreciation of property and equipment	2,871	3,459
Depreciation of right-of-use assets	3,987	3,998
Amortisation of intangible assets	25	25
	<u>2,871</u>	<u>3,459</u>
	<u>3,987</u>	<u>3,998</u>
	<u>25</u>	<u>25</u>

7. INCOME TAX EXPENSE

The profits tax rate for the first HK\$2,000,000 assessable profits arising from Hong Kong of qualifying entities will be taxed at 8.25%, and assessable profits arising from Hong Kong above HK\$2,000,000 will continue to be taxed at the rate of 16.5%. As only one of the subsidiaries in the Group is eligible to elect the two-tiered profits tax rates, profits of the remaining subsidiaries of the Group will continue to be taxed at a flat rate of 16.5%.

For the six months ended 30 June 2022 and 2021, Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime.

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
Hong Kong Profits Tax	8	7,663
	<u>8</u>	<u>7,663</u>

8. DIVIDEND

The board of directors does not recommend payment of an interim dividend for the six months ended 30 June 2022 (*six months ended 30 June 2021: Nil*).

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on profit attributable to the owners of the Company and the weighted average number of ordinary shares in issue during the period as follows:

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company, for the purpose of basic and diluted earnings per share	<u>2,937</u>	<u>11,893</u>
	Six months ended 30 June	
	2022	2021
	<i>No. of shares</i>	<i>No. of shares</i>
	(Unaudited)	(Unaudited)
Issued ordinary shares at 1 January	942,527,675	939,527,675
Shares vested under the share award scheme	<u>795,580</u>	<u>795,581</u>
Weighted average number of ordinary shares in issue during the period, for the purpose of basic earnings per share	943,323,255	940,323,256
Effect of dilutive potential shares from share award scheme	<u>—</u>	<u>485,342</u>
Weighted average number of ordinary shares in issue during the period, for the purpose of diluted earnings per share	<u>943,323,255</u>	<u>940,808,598</u>

Diluted earnings per share is same as the basic earnings per share for the six months ended 30 June 2022 because there were no potential dilutive ordinary share outstanding.

The outstanding share options (if any) and share awards of the Company have been included in the computation of diluted earnings per share as they are dilutive for the six months ended 30 June 2021.

10. TRADE, LOAN AND OTHER RECEIVABLES

	<i>Notes</i>	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Trade receivables			
Trade receivables arising from the business of securities brokerage	<i>(a)</i>		
— margin clients	<i>(b)</i>	604,273	677,610
— Hong Kong Securities Clearing Company Limited (“HKSCC”)	<i>(c)</i>	—	250
Trade receivables from futures clearing house arising from the business of dealing in futures contracts	<i>(a)</i>	3,325	3,643
		607,598	681,503
<i>Less:</i> Loss allowance		(1,272)	(24,113)
		606,326	657,390
Trade receivables from provision of corporate advisory service	<i>(d)</i>	8,813	16,177
Trade receivables from provision of financial advisory service	<i>(d)</i>	1,585	917
Trade receivables from provision of assets management service	<i>(d)</i>		
— from independent third parties		205	235
— from an associate		136	160
		10,739	17,489
<i>Less:</i> Loss allowance		(376)	(145)
		10,363	17,344
Loan and interest receivables			
Loan and interest receivables from independent third parties		769,404	345,720
<i>Less:</i> Loss allowance		(950)	(48,441)
	<i>(e)</i>	768,454	297,279
Other receivables			
Prepayments		1,889	2,250
Deposits		1,261	1,219
Other receivables		5,147	4,227
Due from an associate		—	25
		8,297	7,721
		1,393,440	979,734
<i>Less:</i> Non-current portion			
Other receivables		(1,554)	(1,822)
Current portion		1,391,886	977,912

Notes:

- (a) No ageing analysis by invoice date is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of financial services business.
- (b) Trade receivables from margin clients are repayable on demand and bear interest ranging from 10% to 24% (31 December 2021: 15% to 24%) per annum as at the end of the reporting period. The loans are secured by pledged marketable securities with a total fair value of approximately HK\$2,339,320,000 (31 December 2021: HK\$2,509,866,000). The Group is permitted to sell or repledge the marketable securities if the customers default on the payment when requested by the Group.

As at 30 June 2022, the Group has concentration of credit risk as 31% and 85% (31 December 2021: 29% and 79%) of total loans to margin clients which due from the Group's largest margin client and the five largest margin clients respectively, within the financial services business.

- (c) The settlement terms of trade receivables arising from the financial services business with HKSCC are usually two days after trade date.
- (d) Trade receivables from provision of corporate advisory service, financial advisory service and assets management service are unsecured, interest-free and repayable within 30 days upon presentation of invoices.
- (e) Loan receivables represent receivables arising from the Group's credit and lending business and are stated at amortised cost.

At the end of the reporting period, the loan receivables are related to thirty (31 December 2021: seventeen) customers. Loan receivables include fixed rate loan advances to independent third parties of approximately HK\$15,043,000 (31 December 2021: HK\$15,036,000) which are secured by the pledge of certain collaterals and personal guarantees, bearing interest at 10% (31 December 2021: ranging from 10% to 12%) per annum and have contractual loan period of one year (31 December 2021: 6 months). The remaining balance includes both fixed and variable rate loan advances to independent third parties of approximately HK\$753,411,000 (31 December 2021: HK\$282,243,000) which are unsecured, bearing interest ranging from 5% to 36% (31 December 2021: ranging from 7% to 36%) per annum and not overdue as at the end of reporting period. The contractual loan period for majority of the remaining balance is between 3 and 18 months (31 December 2021: between 1 month and 1 year).

The amount granted to individuals and corporates depends on management's assessment of credit risk of the customers by evaluation on background check (such as their profession, salaries and current working position for individual borrowers and their industry and financial position for corporate borrowers) and repayment abilities. As at 30 June 2022, allowance for impairment loss of approximately HK\$950,000 (31 December 2021: HK\$48,441,000) has been recognised for the loan receivables.

- (e) Ageing analysis of loan receivables (net of loss allowance) prepared based on contractual due date is as follows:

	30 June 2022	31 December 2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Not yet past due	768,454	297,131
1 to 3 months past due	—	148
	<u>768,454</u>	<u>297,279</u>
At the end of the reporting period	<u>768,454</u>	<u>297,279</u>

As at 30 June 2022, the Group has concentration of credit risk as 12% and 39% (31 December 2021: 10% and 42%) of total loan receivables was due from the Group's largest borrower and the five largest borrowers respectively.

11. TRADE AND OTHER PAYABLES

	30 June 2022	31 December 2021
<i>Notes</i>	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade payables		
Trade payables arising from the business of securities brokerage		
	<i>(a)</i>	
— cash clients	1,326	1,367
— margin clients	1,700	2,076
— HKSCC	266	1
Trade payables arising from the business of options broking	<i>(a)</i>	209
Trade payables arising from the business of dealing in futures contracts	<i>(b)</i>	1,256
Secured margin loans from securities broker	<i>(c)</i>	16,513
	<u>14,873</u>	<u>21,422</u>
Other payables		
Other payables and accrued charges	5,166	6,164
Rental deposits received	1,562	1,562
Due to an associate	<i>(d)</i>	—
	<u>61,702</u>	<u>7,726</u>
<i>Less: Non-current portion</i>		
Other payables	<u>(1,562)</u>	<u>(1,562)</u>
Current portion	<u>75,013</u>	<u>27,586</u>

Notes:

- (a) Trade payables to cash, margin and option clients are repayable on demand. The settlement terms of trade payables arising from the provision of financial services business with HKSCC are usually two days after trade date. No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of financial services business.
- (b) Trade payables to clients arising from the business of dealing in futures contracts are margin deposits received from clients for their trading of futures contracts on the Hong Kong Futures Exchange Limited (the “HKFE”). The excesses of the outstanding amounts over the required initial margin deposits stipulated by the HKFE are repayable to clients on demand.
- (c) For secured margin loans provided by the securities broker to the Group, the loans are repayable on demand (except certain balance arising from trades pending settlement or margin deposits) and are interest-bearing at a range from 12% to 20% per annum (31 December 2021: 12% to 20% per annum). The total market value of debt and equity securities pledged as collateral in respect of the loans was approximately HK\$76,555,000 as at 30 June 2022 (31 December 2021: HK\$69,189,000).
- (d) The amount due is unsecured, interest-free and has no fixed repayment term.

12. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	<u>5,000,000,000</u>	<u>500,000</u>
	Number of shares	Share capital HK\$'000
Issued and fully paid:		
At 1 January 2021	939,527,675	93,953
Shares vested under the share award scheme	<u>3,000,000</u>	<u>300</u>
At 31 December 2021	942,527,675	94,253
Shares vested under the share award scheme	<u>3,000,000</u>	<u>300</u>
At 30 June 2022	<u>945,527,675</u>	<u>94,553</u>

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the first six months ended 30 June 2022 (the “**Period**”), the Group’s total revenue of HK\$73.2 million and other income of HK\$5.3 million aggregated to HK\$78.5 million, representing a reduction of HK\$23.2 million or 23% as compared to corresponding period for the six months ended 30 June 2021 (the “**Previous Period**”). The Group recorded a consolidated profit after tax of HK\$9.5 million (2021: profit of HK\$13.6 million). After allocating the profit attributable to non-controlling interests for HK\$6.6 million, the profit attributable to shareholders of the Company for the Period was HK\$2.9 million (2021: profit of HK\$11.9 million). The decline in the Group’s profitability when compared to the Previous Period is mainly attributable to the combined effects of: (i) the decrease in margin loan interest income and assets management income by HK\$24.3 million; (ii) the increase in share of loss for HK\$5.0 million in the Period from an associate principally engaged in holding listed equity investments; (iii) the increase in profit arising from disposal of a subsidiary by HK\$4.0 million; and (iv) the reversal of impairment loss on loan and interest receivables and margin loan receivables by HK\$4.5 million and HK\$7.0 million respectively. To better assess the profitability of the Group’s core businesses, the share of loss from the associate can be excluded to show the Group’s profit before tax for core businesses, which would be HK\$42.4 million for the Period when compared to HK\$49.1 million for the Previous Period. The basic and diluted losses per share for the Period were HK\$0.31 cents and HK\$0.31 cents respectively, whereas the basic and diluted earnings per share of HK1.26 cents and HK1.26 cents respectively were recorded for the Previous Period.

INTERIM DIVIDEND

No final dividend in respect of the year ended 31 December 2021 was paid during the six months ended 30 June 2022 (2021: Nil).

Apart from the aforesaid, the Board has resolved not to declare any interim dividend for the Period (2021: Nil).

BUSINESS REVIEW

At the beginning of 2022, the conflict between Russia and Ukraine has sparked a new spree of fears across the financial markets and has weighted adversely on global economic conditions throughout 2022. The rapid increase in global inflation rate triggered the decline in global economy in the first half of 2022. Moreover, the Federal Reserve’s unprecedented interest rate hikes in order to tame inflation had cast a great shadow over the recovery of the global economy. Besides, the recurrent COVID-19 pandemic remains to be one of the most unstable factors in the course of world economic recovery. These discouraging factors had caused substantial volatility in capital markets and asset prices and had a negative impact on overall investor sentiments.

The principal activities of the Group are classified into the following business segments:

(1) Financial services – operations under SFO licences

The Group has carried on its business activities in the provision of dealing in securities (including the provision of margin loans to clients), dealing in futures contracts and asset management services with Type 1, Type 2 and Type 9 licences granted under the Securities and Futures Ordinance (the “SFO”, Chapter 571 of the laws of Hong Kong). Business of this segment has become more mature after the Group’s dedicated development in this segment for more than one year. The Hong Kong economy and investment atmosphere has continued to be dampened by challenges of the COVID-19 pandemic, geo-political tensions and the slowdown of the global economy. The Group’s asset management fee income (especially the contribution from performance fee income based on the appreciation in the value of clients’ net assets) was inevitably affected by the unspectacular stock market performance. Such asset management fee income dropped to HK\$2.6 million during the Period (2021: HK\$12.2 million). Margin loan interest income dropped to HK\$30.2 million during the Period (2021: HK\$44.9 million). The Group successfully obtained a separate licence granted by the Securities and Futures Commission (“SFC”) to carry on Type 8 regulated activity, i.e. securities margin financing, in 2021. In order to expand the scope of this segment, the Group has engaged in Type 6 regulated activity, i.e. advising on corporate finance, under the SFO since October 2020. The Group’s business network has facilitated the growth of this business unit contributing revenue of HK\$3.8 million to the Group (2021: HK\$3.2 million). The Group has paved way to further develop the business of advising on corporate finance by having successfully procured the SFC’s approval to conduct initial public offering sponsorship business and relevant regulated activities under the SFO since November 2021. During the Period, the segment revenue is HK\$37.1 million, compared with the corresponding figure of HK\$61.6 million during the Previous Period. The segment profit dropped from HK\$46.5 million during the Previous Period to HK\$37.8 million during the Period. Despite the need to face deteriorating economic conditions, this segment is still able to remain as the most profitable core business of the Group.

After the lengthy application period, on 8 June 2022, the Group was granted Type 7 license (providing automated trading services) regulated activity under the SFO. The Group intends to roll out a pre-IPO platform, which will allow its retail and corporate clients to trade new stocks before the official listings in Hong Kong. With an aim to support the business development and grow the client base, the Group will also to expand offering services online. The Group, through its subsidiaries, is licensed by the SFC to engage in a full suite of regulated activities under the SFO, including Type 1, Type 2, Type 6, Type 7, Type 8 and Type 9 regulated activities. The Board expected that a more comprehensive profile of licenses under the SFO will create a synergy effect favourable to the Group’s development of the integrated financial services business.

(2) Credit and lending services – operations under MLO licences

The Group conducts its money lending business with two money lender licences held by the Group under the Money Lenders Ordinance (the “MLO”, Chapter 163 of the laws of Hong Kong). The Group’s clientele primarily consists of niche customers including corporations and high net-worth individuals. These clients mostly have been acquired through business referrals and introductions from the Company’s senior management, business partners or clients. Besides in compliance with all rules and regulations imposed under the MLO, the Group has also formulated internal money lending policy to guide its two money lending subsidiaries in conducting the money lending operations. The loan terms would be arrived at after considering a combination of factors including prevalent market interest rates, the financial strength of the borrower, the collaterals offered as past credit history of the borrower with the Group and adjusted, if necessary, by arms-length negotiations with the borrower. The related internal control procedures are strictly complied with during the Period.

During the Period, segment revenue decreased from HK\$26.5 million in the Previous Period to HK\$25.7 million. A total principal amount and accrued interest of approximately HK\$768 million remain outstanding of which the amount of loans receivable due from the largest borrower and the five largest borrowers in aggregate were approximately 12% and 39% thereof respectively. As reflected by the increase in the gross balance of loan and interest receivables from HK\$346 million as at 31 December 2021 to HK\$769 million as at the end of the Period. The segment profit increased to HK\$29.9 million during the Period when compared to the segment profit of HK\$19.2 million during the Previous Period.

The Company retained an independent professional valuer to conduct impairment assessment on the outstanding loans for each reporting period end date, approximately HK\$1 million impairment allowances were provided on the outstanding loans receivable as at 30 June 2022 (2021: HK\$48 million).

(3) Other financial services

To diversify the Group’s financial services, the Group has also carried on the business of providing corporate advisory related services in Hong Kong since October 2020. By utilising the Group’s integrated platform in financial services and the goodwill of being a member of a listed group, this segment has achieved growth in both revenue and profit. During the Period, segment revenue reached HK\$8.3 million (2021: HK\$7.4 million) and segment profit reached HK\$3.0 million (2021: HK\$1.0 million).

(4) Property investment and leasing

The performance of this segment was stable during the Period with segment revenue of HK\$4.5 million (2021: HK\$4.8 million) and segment profit of HK\$2.3 million (2021: HK\$2.6 million). As at 30 June 2022, the Group held 3 commercial properties in Hong Kong for leasing to independent third-party tenants for rental income with a total fair value at HK\$349.4 million.

(5) Tactical and strategic investment

Since implementing the strategy of scaling down the portfolio of equity and debt investments held by the Group starting from the year of 2020, the amount of resources allocated by the Group to this segment (in the form of financial assets at fair value through profit or loss) remained at a relatively low level around HK\$126.8 million at the Period (2021: HK\$125.9 million). The segment loss was HK\$43.2 million during the Period (2021: HK\$31.0 million) mainly due to share of loss of an associate (which principally engaged in holding listed equity investments) of HK\$32.9 million (2021: HK\$27.9 million).

PROSPECT

The global geopolitical and economic uncertainties brought about by the U. S. interest rate hike and the lingering Russia-Ukraine conflict continue to wreck havoc and send ripple effect through the financial market. The market sentiments in Hong Kong remained volatile in the first half of 2022. Hong Kong was also hit by the fifth wave of COVID-19 epidemic in early 2022, with more stringent anti-pandemic and social distancing measures in response. Nevertheless, the prospect remains optimistic for a gradual resumption of quarantine-free travel with Mainland China and the reopening of the border with the rest of the world.

The management of the Group will continue to review and adjust business strategies on regular basis with a prudent and balanced approach. The management of the Group remains cautiously optimistic about the business development and the overall performance of the Group in the future. The Group will continue to render comprehensive services to our clients in order to maintain our clients' confidence and loyalty.

After expanding the scope of the Group's Type 6 licence to cover initial public offering sponsorship and obtaining a Type 8 (securities margin financing) licence in 2021, the Group was further granted a Type 7 (providing automated trading services) licence in June 2022 by the SFC. Going forward, the Group intends to roll out a pre-IPO trading platform (tentatively named Etreemart) to allow its retail and corporate clients to trade new stocks before the official listings in Hong Kong.

Given our comprehensive profile of financial services, the Group is poised to widen its horizons and scale new heights in the years to come in order to continue maximizing returns and value for our shareholders.

FINANCIAL REVIEW

Revenue

The overall revenue of the Group for the Period was HK\$73.2 million, representing a decrease of HK\$27.3 million from the Previous Period. Financial services income including those from other financial services aggregated to HK\$44.9 million (2021: HK\$68.9 million). Interest income from the Group's money lending business decreased to HK\$25.1 million (2021: HK\$26.5 million). Rental income of the Period remained stable at HK\$4.4 million (2021: HK\$4.8 million). Revenue from tactical and strategic business decreased to negative revenue of HK\$1.2 million (2021: positive revenue of HK\$0.3 million).

Other comprehensive income

The Group did not have other comprehensive gain or loss for the Period (2021: Nil).

Net asset value

The unaudited consolidated net asset value of the Group as at 30 June 2022 was HK\$2,120.2 million, representing an increase of HK\$184.1 million (as a result of an increase in trade, loan and other receivables) from the end of last financial year. The unaudited consolidated net asset value per share as at 30 June 2022 was HK\$2.24.

Capital structure

On 14 May 2022, the Company completed the issue of 3,000,000 awarded shares to an employee granted to him on 14 May 2020 under the Company's share award scheme. Since then, the Company has 945,527,675 shares in issue.

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

The Group's cash and cash equivalents (excluding trust and segregated accounts), being mainly denominated in Hong Kong dollars, was HK\$279.6 million as at 30 June 2022 (31 December 2021: HK\$431.1 million). The cash and cash equivalents and the financial assets at FVPL in aggregate were HK\$406.4 million as at 30 June 2022 (31 December 2021: HK\$557.0 million). The liquidity of the Group was very strong with a current ratio of 5.23 as at 30 June 2022 (31 December 2021: 5.07). The Group had bank borrowings in the sum of HK\$259.0 million as at 30 June 2022 (31 December 2021: HK\$265.4 million). The Group did not have any available short-term revolving banking facilities as at 30 June 2022 (31 December 2021: Nil).

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 2022, the gearing ratio of the Group, as measured by dividing the net debt to shareholders' equity, was 3.2% (31 December 2021: Nil). The increase in gearing ratio was mainly attributable to the reduced cash and cash equivalents as a result of more efficient utilization of the Group's financial resources to finance the expansion in businesses. Net debt was calculated as bank borrowings plus 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 2022 (31 December 2021: Nil).

Charge on Group assets

As at 30 June 2022, the Group pledged its investment properties and right-of-use assets — land and buildings with carrying value of HK\$294.3 million (31 December 2021: HK\$294.3 million) and HK\$160.7 million (31 December 2021: HK\$162.8 million) respectively and corporate guarantee of HK\$282.3 million (31 December 2021: HK\$282.3 million) as security for general banking facilities granted to the Group.

Deemed disposal

On 6 June 2022, Planetree Securities Limited (the “**PSL**”), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company and Polymate Investments Limited (the “**Subscriber**”, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of CST Group Limited, the shares of which are listed on the main board of the Stock Exchange (stock code: 00985)) entered into a subscription agreement (the “**Subscription Agreement**”). Pursuant to the Subscription Agreement, 45,508,328 shares of PSL (representing 8.482% of the enlarged share capital of PSL) were issued and allotted to the Subscriber on 7 June 2022 for a cash consideration of HK\$50 million (the “**Deemed Disposal**”). The proceed of HK\$50 million from the Deemed Disposal had brought in new capital to the PSL to further strengthen its capital base and financial resources for the development of its integrated financial services. Upon completion of the Deemed Disposal, the Company’s shareholding in PSL was diluted from 100% to approximately 91.518% and PSL remain as non-wholly owned subsidiary of the Company. The Deemed Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, details information regarding the Deemed Disposal was disclosed in the Company’s announcement dated 6 June 2022.

Significant investments

The Group treated the equity interest in Green River Associates Limited (“**Green River Marshall**”) incorporated in Marshall Islands as a long-term investment. On 9 June 2022, Green River Marshall allotted additional shares to an independent investor for subscription of shares. The shareholding by the Group is thus diluted from 40% as at 31 December 2021 to 33% as at 30 June 2022. The carrying amount of investment in 33% equity interest in Green River Marshall amounted to HK\$92.9 million (31 December 2021: HK\$126.1 million), which represented approximately 4.4% to the Group’s total assets. During the Period, the Group’s share of loss of Green River Marshall was HK\$32.9 million (2021: HK\$27.9 million), which was mainly a result of Green River Marshall’s fair value loss on its investments. Given the recent downward trend in the local securities market, Green River Marshall’s business of securities investment may still face challenges in the second half of this year.

Save as disclosed above and elsewhere in this announcement, there was no other significant investment held, nor were there any material acquisitions or disposals of subsidiaries, associates or joint ventures during the reporting period under review (2021: Nil). There was no present plan authorised by the Board for material investments or acquisition of material capital assets as at the date of this interim results announcement.

Significant events since the end of the reporting period

There were no significant events affecting the Group since the end of the reporting period.

Review of accounts

The unaudited condensed consolidated financial statements of the Group for the Period have been reviewed by the Company's auditor, Mazars CPA Limited, 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 Hong Kong Institute of Certified Public Accountants. The unaudited condensed consolidated financial statements of the Group for the Period have also been reviewed by the audit committee of the Company. In addition, the audit committee of the Company has also reviewed the accounting principles and practices adopted by the Group and discussed financial reporting matters.

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 were 45 work forces (inclusive of all the Directors) working for the Group as at 30 June 2022. The Group also provides other staff benefits including MPF, medical insurance and discretionary training subsidy. The Company also operates a discretionary share option scheme and a discretionary share award scheme to motivate employees' performance and loyalty.

ADDITIONAL INFORMATION

Compliance with Corporate Governance Code

The Company is committed to achieving and maintaining high standards of corporate governance practice. Throughout the Period, 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.

The Board will continually review the Company's 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 Period, 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 Period.

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 2022 interim report will be dispatched to shareholders of the Company and published on the above websites in September 2022.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank Mr. Man Wai Chuen and Dr. Leung Wing Cheung, William for their contributions to the Board during their tenure of office as directors of the Company. I would also like to extend our gratitude and sincere appreciation to management and all staff for their diligence and dedication to the Company throughout the Period.

By order of the Board
Planetree International Development Limited
Cheung Ting Kee
Acting Chairman and Executive Director

Hong Kong, 26 August 2022

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

Executive Directors:

Mr. Cheung Ting Kee
(Acting Chairman)
Mr. Lam Hiu Lo
Ms. Cheung Ka Yee

Independent Non-Executive Directors:

Mr. Chan Sze Hung
Mr. Zhang Shuang
Mr. Chung Kwok Pan
Ms. Liu Yan