

2022

Interim Report



Planetree
INTERNATIONAL
梧桐國際

(Incorporated in Bermuda with limited liability)
Stock code: 00613

梧桐國際發展有限公司
Planetree International Development Limited

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors

Mr. Cheung Ting Kee
(appointed on 27 June 2022)
Ms. Cheung Ka Yee
Mr. Lam Hiu Lo
Mr. Man Wai Chuen (resigned on 1 April 2022)
Dr. Leung Wing Cheung, William
(resigned on 30 June 2022)

Independent non-executive directors

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

COMMITTEES

Audit Committee

Ms. Liu Yan (*Chairman*)
Mr. Chan Sze Hung
Mr. Chung Kwok Pan

Nomination Committee

Mr. Chan Sze Hung (*Chairman*)
Mr. Chung Kwok Pan
Ms. Liu Yan

Remuneration Committee

Ms. Liu Yan (*Chairman*)
Ms. Cheung Ka Yee
Mr. Chung Kwok Pan

AUTHORISED REPRESENTATIVES

Ms. Cheung Ka Yee
Mr. Chow Chi Wah, Vincent
(appointed on 1 April 2022)
Mr. Man Wai Chuen (resigned on 1 April 2022)

COMPANY SECRETARY

Mr. Chow Chi Wah, Vincent
(appointed on 1 April 2022)
Mr. Man Wai Chuen (resigned on 1 April 2022)

EXTERNAL AUDITORS

Mazars CPA Limited

PRINCIPAL BANKERS

Morgan Stanley Bank Asia Limited
The Hongkong and Shanghai Banking
Corporation Limited
Standard Chartered Bank (Hong Kong) Limited

LEGAL ADVISERS

Conyers Dill & Pearman

REGISTERED OFFICE

Clarendon House, 2 Church Street,
Hamilton HM 11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Tel: 3198 0238
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th Floor North Cedar House,
41 Cedar Avenue
Hamilton HM 12, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
17/F, Far East Finance Centre,
16 Harcourt Road, Hong Kong
(with effect from 15 August 2022)

WEBSITE

<http://www.planetreeintl.com>

HKEX STOCK CODE

00613

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 HK0.31 cents and HK0.31 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

MANAGEMENT DISCUSSION AND ANALYSIS

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).

MANAGEMENT DISCUSSION AND ANALYSIS

(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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 report, 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 report.

Significant events since the end of the reporting period

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

MANAGEMENT DISCUSSION AND ANALYSIS

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.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30 June 2022, none of the Directors or chief executive of the Company and their respective associates had or was deemed to have any interests or short positions in the shares of the Company (the “**Shares**”), underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 21 May 2015 (the “**Share Option Scheme**”) which has a term of 10 years and will be expired on 20 May 2025. The purpose of the Share Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the directors and employees and to serve such other purposes as the Board may approve from time to time. During the period under review, no share options were granted under the Share Option Scheme and there were no share options with respect to the Share Option Scheme and any other schemes of the Company outstanding at the beginning and at the end of the period under review.

SHARE AWARD SCHEME

The Company adopted a share award scheme on 8 May 2020 (the “**Share Award Scheme**”) which has a term of 10 years and will expire on 8 May 2030. The purpose of the Share Award Scheme is to reward those selected grantees who have made or will make contributions to the Group, and to enhance the Group's competitiveness in attracting talented human resources for the growth and development of the Group, particularly the financial services business. During the period under review, no share award was granted under the Share Award Scheme to any directors of the Company or other grantees.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed “Directors' and Chief Executive's Interests”, “Share Option Scheme” and “Share Award Scheme” above, at no time during the period under review was, the Company or any of its subsidiaries or its holding company, a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of Directors, or any of their associates, had any interests in or was granted any rights to subscribe for Shares, or had exercised any such rights.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2022, the following persons (other than a Director and the chief executive of the Company) who had interests or short positions in the Shares or underlying Shares, which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO; or as otherwise notified to the Company and the Stock Exchange:

OTHER INFORMATION

Long positions in the Shares of the Company:

Name	Note	Capacity and Nature of Interest	Number of Ordinary Shares Held	Approximate percentage of total number of issued Share Capital (Note 1)
Ms. Lo Ki Yan Karen	2	Interest of controlled corporation Beneficial Owner	628,263,640	66.45%
			5,271,800	0.56%
			<u>633,535,440</u>	<u>67.01%</u>
Future Capital Group Limited	2	Beneficial Owner	<u>628,263,640</u>	<u>66.45%</u>

Notes:

- (1) Based on 945,527,675 Shares of the Company issued as at 30 June 2022.
- (2) Future Capital Group Limited is 100% beneficially owned by Ms. Lo Ki Yan Karen.

Save as disclosed above, as at 30 June 2022, the Company has not been notified of any other relevant interests or short positions in the Shares or underlying Shares that were recorded in the register required to be kept by the Company under section 336 of the SFO; or as otherwise notified to the Company and the Stock Exchange.

CHANGES IN INFORMATION OF DIRECTORS

During the period under review and up to the date of this report, there were changes in the composition of the Board as follows:

- Mr. Chan Sze Hung has been appointed as the chairman of the nomination committee of the Company with effect from 1 January 2022.
- Mr. Man Wai Chuen resigned as the executive director and company secretary of the Company with effect from 1 April 2022.
- Mr. Cheung Ting Kee has been appointed the executive director and acting chairman of the Company with effect from 27 June 2022 and 30 June 2022 respectively.
- Dr. Leung Wing Cheung, William resigned as the executive director and executive chairman of the Company with effect from 30 June 2022.

Save for the above, there is no other change in Directors' information since publication of the annual report of the Company for the year ended 31 December 2021, which are required to be disclosed pursuant to Rule 13.51B of the Listing Rules.

OTHER INFORMATION

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
Mr. Cheung Ting Kee
Acting Chairman

Hong Kong, 26 August 2022

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

mazars

MAZARS CPA LIMITED

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To the board of directors of

Planetree International Development Limited

(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 13 to 32, which comprises the condensed consolidated statement of financial position of Planetree International Development Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) as at 30 June 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months period then ended and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“**HKAS**”) 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34.

Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF 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 Hong Kong Institute of Certified Public Accountants. A review of interim financial information 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.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Mazars CPA Limited

Certified Public Accountants

Hong Kong, 26 August 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Notes			
Revenue			
		84	1,287
		2,586	12,176
		8,195	7,368
		3,785	3,162
		(1,221)	–
		55,307	71,702
		7	–
		4,448	4,774
		73,191	100,469
		5,338	1,215
		4,519	(4,937)
		7,044	–
		(231)	(500)
		(36,441)	(40,350)
	5	(8,280)	(4,517)
	6	(2,776)	(2,292)
		(32,852)	(27,862)
		9,512	21,226
	8	(8)	(7,663)
		9,504	13,563
Profit for the period attributable to:			
		2,937	11,893
		6,567	1,670
		9,504	13,563
Total comprehensive income attributable to:			
		2,937	11,893
		6,567	1,670
		9,504	13,563
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
	10	0.31	1.26
		0.31	1.26

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Notes	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Non-current assets			
Property and equipment	11	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	12	1,554	1,822
Other assets		3,205	3,205
		667,238	707,447
Current assets			
Trade, loan and other receivables	12	1,391,886	977,912
Financial assets at FVPL	13	126,777	125,933
Bank balances – trust and segregated accounts		3,234	3,307
Bank balances and cash		279,580	431,073
		1,801,477	1,538,225
Current liabilities			
Trade and other payables	14	75,013	27,586
Lease liabilities – current portion		3,886	3,848
Interest-bearing borrowings	15	258,973	265,390
Income tax payable		6,267	6,442
		344,139	303,266
Net current assets		1,457,338	1,234,959
Total assets less current liabilities		2,124,576	1,942,406
Non-current liabilities			
Other payables	14	1,562	1,562
Lease liabilities – non-current portion		1,972	3,924
Deferred taxation		836	836
		4,370	6,322
NET ASSETS		2,120,206	1,936,084
Capital and reserves			
Share capital	16	94,553	94,253
Reserves		1,656,271	1,651,324
Equity attributable to owners of the Company		1,750,824	1,745,577
Non-controlling interests		369,382	190,507
TOTAL EQUITY		2,120,206	1,936,084

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company								
	Reserves						Total	Non-controlling interests	Total
	Share capital	Share premium	Contribution surplus	Share award reserve	Retained earnings	Total reserves			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note 17)	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2022 (Audited)	94,253	916,940	44,641	-	689,743	1,651,324	1,745,577	190,507	1,936,084
Profit and total comprehensive income for the period	-	-	-	-	2,937	2,937	2,937	6,567	9,504
Transactions with owners:									
<i>Contribution and distribution</i>									
Recognition of equity-settled share-based payments	-	-	-	2,310	-	2,310	2,310	-	2,310
Share vested under the share award scheme	300	2,010	-	(2,310)	-	(300)	-	-	-
Dividend declared to non-controlling interests	-	-	-	-	-	-	-	(2,692)	(2,692)
Changes in non-controlling interests arising from right issues (Note)	-	-	-	-	-	-	-	125,000	125,000
	300	2,010	-	-	-	2,010	2,310	122,308	124,618
<i>Change in ownership interests</i>									
Changes in ownership interests in subsidiaries that do not result in a loss of control (Note 18)	-	-	-	-	-	-	-	50,000	50,000
	-	-	-	-	-	-	-	50,000	50,000
At 30 June 2022 (Unaudited)	94,553	918,950	44,641	-	692,680	1,656,271	1,750,824	369,382	2,120,206

Note:

On 8 February 2022, Maxlord Enterprise Limited (“**Maxlord**”), a subsidiary in which the Group owns 66.67% equity interest, issued 30,000 right shares to the existing shareholders on the basis of one right share for every one ordinary share at HK\$12,500 per right share. The sum of fund raised from the right issue before expenses was HK\$375,000,000, which would strengthen the cash position and facilitate business growth of Maxlord. The right issue was completed on 24 February 2022 and no change in the Group’s shareholding in Maxlord.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company						Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Reserves								
	Share capital HK\$'000	Share premium HK\$'000	Contribution surplus HK\$'000	Share award reserve HK\$'000	Retained earnings HK\$'000	Total reserves HK\$'000 (Note 17)			
At 1 January 2021 (Audited)	93,953	914,930	44,641	-	711,896	1,671,467	1,765,420	78,309	1,843,729
Profit and total comprehensive income for the period	-	-	-	-	11,893	11,893	11,893	1,670	13,563
Transactions with owners:									
<i>Contribution and distribution</i>									
Recognition of equity-settled share-based payments	-	-	-	2,310	-	2,310	2,310	-	2,310
Shares vested under the share award scheme	300	2,010	-	(2,310)	-	(300)	-	-	-
	300	2,010	-	-	-	2,010	2,310	-	2,310
<i>Change in ownership interests</i>									
Changes in ownership interests in subsidiaries that do not result in a loss of control	-	-	-	-	-	-	-	100,000	100,000
	-	-	-	-	-	-	-	100,000	100,000
At 30 June 2021 (Unaudited)	94,253	916,940	44,641	-	723,789	1,685,370	1,779,623	179,979	1,959,602

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
Note		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
NET CASH USED IN OPERATING ACTIVITIES		(362,869)	(261,488)
INVESTING ACTIVITIES			
	Dividend received	7	–
	Interest received	45,914	50,824
	Purchases of property and equipment	(92)	(117)
	Net cash inflow arising from disposal of a subsidiary	4,000	–
	Net cash inflow arising from partial disposal of a subsidiary	50,000	100,000
	18		
NET CASH FROM INVESTING ACTIVITIES		99,829	150,707
FINANCING ACTIVITIES			
	Net cash inflow arising from right issue of a subsidiary	125,000	–
	Repayment of interest-bearing borrowings	(6,417)	(3,857)
	Principal portion of lease payments	(1,914)	(1,877)
	Interest paid	(2,430)	(2,292)
	Dividend paid to non-controlling interests of a non-wholly owned subsidiary	(2,692)	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES		111,547	(8,026)
Net decrease in cash and cash equivalents		(151,493)	(118,807)
Cash and cash equivalents at beginning of the reporting period		431,073	250,579
Cash and cash equivalents at end of the reporting period, represented by cash and bank balances		279,580	131,772

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. CORPORATE AND GROUP INFORMATION

The Company is a public limited company incorporated in Bermuda as an exempted company and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of the registered office and principal place of business of the Company are disclosed in the corporate information section of the interim report.

The Company and its subsidiaries (together the “**Group**”) principally engage in (i) financial services with operations under the Securities and Futures Ordinance (“**SFO**”) licences, (ii) credit and lending services with operations under Money Lenders Ordinance (the “**MLO**”) licences, (iii) other financial services, (iv) property investment and leasing and (v) tactical and strategic investment.

2. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

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. 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.

3. 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;

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

3. SEGMENT INFORMATION *(continued)*

- (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 HK\$'000	Credit and lending services – operations under MLO licences HK\$'000	Other financial services HK\$'000	Property investment and leasing HK\$'000	Tactical and strategic investment HK\$'000	Consolidated HK\$'000
Revenue						
Fee and commission income	84	–	–	–	–	84
Assets management service income	2,586	–	–	–	–	2,586
Corporate advisory service income	–	–	8,195	–	–	8,195
Financial advisory service income	3,785	–	–	–	–	3,785
Dividend income from financial assets at FVPL	–	–	–	–	7	7
Net loss on disposal of financial assets at FVPL	–	–	–	–	(1,221)	(1,221)
Interest income from margin clients, loan receivables and debt investments at amortised	30,212	25,095	–	–	–	55,307
Gross rental income	–	–	–	4,448	–	4,448
Total 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>	<u>29,765</u>
Unallocated other income and gains						4,111
Corporate and unallocated expenses, net						(24,372)
Profit for the period						<u>9,504</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

3. SEGMENT INFORMATION (continued) Segment revenue and results (continued) For the six months ended 30 June 2021 (Unaudited)

	Financial services – operations under SFO licences HK\$'000	Credit and lending services – operations under MLO licences HK\$'000	Other financial services HK\$'000	Property investment and leasing HK\$'000	Tactical and strategic investment HK\$'000	Consolidated HK\$'000
Revenue						
Fee and commission income	1,287	–	–	–	–	1,287
Assets management service income	12,176	–	–	–	–	12,176
Corporate advisory service income	–	–	7,368	–	–	7,368
Financial advisory service income	3,162	–	–	–	–	3,162
Interest income from margin clients, loan receivables and debt investments at amortised	44,896	26,484	–	–	322	71,702
Gross rental income	–	–	–	4,774	–	4,774
Total 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>	<u>38,305</u>
Unallocated other income and gains						522
Corporate and unallocated expenses, net						(25,264)
Profit for the period						<u>13,563</u>

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

3. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

At 30 June 2022 (Unaudited)

	Financial services – operations under SFO licences HK\$'000	Credit and lending services – operations under MLO licences HK\$'000	Other financial services HK\$'000	Property investment and leasing HK\$'000	Tactical and strategic investment HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Assets	758,186	812,517	29,105	352,806	225,189	290,912	2,468,715
Liabilities	(8,013)	(3,683)	(2,181)	(139,723)	(44,336)	(150,573)	(348,509)

At 31 December 2021 (Audited)

	Financial services – operations under SFO licences HK\$'000	Credit and lending services – operations under MLO licences HK\$'000	Other financial services HK\$'000	Property investment and leasing HK\$'000	Tactical and strategic investment HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Assets	793,433	586,810	26,933	351,909	252,638	233,949	2,245,672
Liabilities	(8,343)	(3,747)	(2,503)	(143,500)	(51,321)	(100,174)	(309,588)

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reportable segments other than certain property and equipment, certain intangible assets, certain other receivables and bank balances and cash.
- all liabilities are allocated to operating and reportable segments other than certain other payables, lease liabilities, interest-bearing borrowings, certain income tax payable and certain deferred taxation.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

4. REVENUE, OTHER INCOME AND GAINS

		Six months ended 30 June	
Notes		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue from contracts with customer within HKFRS15			
		84	1,287
		3,785	3,162
		<u>3,869</u>	<u>4,449</u>
		2,586	12,176
		8,195	7,368
		<u>10,781</u>	<u>19,544</u>
		<u>14,650</u>	<u>23,993</u>
Revenue from other sources			
	(a)	(1,221)	–
		30,212	44,896
		25,095	26,484
		–	322
		<u>55,307</u>	<u>71,702</u>
		7	–
		4,448	4,774
		<u>58,541</u>	<u>76,476</u>
		<u>73,191</u>	<u>100,469</u>
Other income and gains			
		1	15
		3,999	–
		224	–
	(b)	1,114	1,200
		<u>5,337</u>	<u>1,200</u>
		<u>5,338</u>	<u>1,215</u>
		<u>78,529</u>	<u>101,684</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

4. REVENUE, OTHER INCOME AND GAINS (continued)

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.

5. OTHER LOSSES

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (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
	8,280	4,517

6. FINANCE COSTS

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

7. PROFIT BEFORE TAXATION

This is stated after charging:

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (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
	18,071	18,273
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
	18,071	18,273

8. 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 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 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Current tax		
Hong Kong Profits Tax	8	7,663
	8	7,663

9. DIVIDEND

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

10. 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 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Profit for the period attributable to owners of the Company, for the purpose of basic and diluted earnings per share	2,937	11,893

	Six months ended 30 June	
	2022 No. of shares (Unaudited)	2021 No. of shares (Unaudited)
Issued ordinary shares at 1 January	942,527,675	939,527,675
Shares vested under the share award scheme	795,580	795,581
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	–	485,342
Weighted average number of ordinary shares in issue during the period, for the purpose of diluted earnings per share	943,323,255	940,808,598

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.

11. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2022, the Group had acquired property and equipment of approximately HK\$92,000 (six months ended 30 June 2021: HK\$117,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

12. TRADE, LOAN AND OTHER RECEIVABLES

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

12. TRADE, LOAN AND OTHER RECEIVABLES (continued)

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.

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

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Not yet past due	768,454	297,131
1 to 3 months past due	–	148
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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

13. FINANCIAL ASSETS AT FVPL

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Equity securities – listed in Hong Kong	126,777	125,933

14. TRADE AND OTHER PAYABLES

	Notes	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Trade payables			
Trade payables arising from the business of securities brokerage	(a)		
– cash clients		1,326	1,367
– margin clients		1,700	2,076
– HKSCC		266	1
Trade payables arising from the business of options broking	(a)	209	209
Trade payables arising from the business of dealing in futures contracts	(b)	1,323	1,256
Secured margin loans from securities broker	(c)	10,049	16,513
		14,873	21,422
Other payables			
Other payables and accrued charges		5,166	6,164
Rental deposits received		1,562	1,562
Due to an associate	(d)	54,974	–
		61,702	7,726
Less: Non-current portion Other payables		(1,562)	(1,562)
Current portion		75,013	27,586

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

14. TRADE AND OTHER PAYABLES (continued)

Notes: (continued)

- (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.

15. INTEREST-BEARING BORROWINGS

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Secured bank loans repayable on demand	258,973	265,390

The ranges of interest rates on the Group's interest-bearing borrowings are as follows:

	30 June 2022	31 December 2021
Interest rates 1 month HIBOR*	Plus 1.5% to 1.7% per annum	Plus 1.5% to 1.7% per annum

* Hong Kong Interbank Offer Rate

At the end of the reporting period, bank loans with a clause in their terms that gives the banks an overriding right to demand for repayment are classified as current liabilities even though the directors do not expect that the banks would exercise their right to demand repayment. The bank loans are denominated in Hong Kong dollars and secured by the Group's investment properties and right-of-use assets – land and buildings with carrying value of approximately HK\$294,300,000 and HK\$160,703,000 (31 December 2021: HK\$294,300,000 and HK\$162,782,000) respectively and corporate guarantee of HK\$282,300,000 (31 December 2021: HK\$282,300,000) provided by the Company.

The maturity terms of the bank loans based on repayment schedule pursuant to the loan facility letters (ignoring the effect of any repayment on demand clause) are as follows:

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Within one year	12,835	12,835
In the second year	12,835	12,835
In the third to fifth years inclusive	233,303	239,720
	258,973	265,390

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

16. 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	5,000,000,000	500,000
	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	3,000,000	300
At 31 December 2021	942,527,675	94,253
Shares vested under the share award scheme	3,000,000	300
At 30 June 2022	945,527,675	94,553

17. SHARE AWARD SCHEME

On 8 May 2020, the Board approved the adoption of a share award scheme (the “**Share Award Scheme**”) under which shares of the Company (the “**Awarded Shares**”) may be awarded to selected employees in accordance with the provisions of the Share Award Scheme and the nominal value of the shares awarded under the Share Award Scheme shall not exceed 10% of the issued share capital of the Company from time to time, with an annual limit equal to 3% of the Company’s issued share capital as at the adoption date, i.e. 8 May 2020, as the maximum number of Awarded Shares which can be issued under the Share Award Scheme from the adoption date up to the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by its bye-laws or any applicable law to be held; and (iii) the revocation or variation of the approval by members of the Company in general meeting subject to refreshment annually.

Unless terminated earlier by the Board in accordance with the rules of the Share Award Scheme, the Share Award Scheme will be valid and effective for a term of 10 years starting from 8 May 2020.

When a selected grantee has satisfied all vesting conditions, which might include service and/or performance conditions, specified by the Board at the time of making the award and become entitled to the shares of the Company forming the subject of the award, the Company shall transfer the relevant Awarded Shares to that employee at no cost. The selected grantee however is not entitled to receive any income or distribution, such as dividend derived from the unvested Awarded Shares allocated to him/her.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

17. SHARE AWARD SCHEME (continued)

On 14 May 2020, the Company granted 9,000,000 Awarded Shares to an employee of the Group who is not a director, chief executive nor substantial shareholder of the Company nor any of their respective associates. Among the aforesaid 9,000,000 Awarded Shares, 3,000,000 Awarded Shares each were vested on 14 May 2020, 14 May 2021 and 14 May 2022 respectively. Details of movements of the Awarded Shares during the six months ended 30 June 2022 are set out below:

Category of grantee	Date of grant	Average fair value per Awarded Share (HK\$)	Number of Awarded Shares					Unvested and exercisable at 30 June 2022	Vesting dates
			Outstanding as at 1 January 2022	Granted during the period	Vested during the period	Lapsed/Cancelled during the period			
Employee (Total no.: 1)	14 May 2020	0.77	3,000,000	-	(3,000,000)	-	-	N/A	
			3,000,000	-	(3,000,000)	-	-		

The average fair value of the Awarded Shares on the grant date is determined by reference to the closing market price of the Company's shares at HK\$0.77 on the grant date.

The Group recognised share award expenses of HK\$2,310,000 during the six months ended 30 June 2022 (six months ended 30 June 2021: HK\$2,310,000) in respect of 3,000,000 shares vested during the six months ended 30 June 2022 (six months ended 30 June 2021: 3,000,000).

18. CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES THAT DO NOT RESULT IN A LOSS OF CONTROL

On 6 June 2022, Planetree Securities Limited ("PSL"), a wholly owned subsidiary of the Company, entered into a subscription agreement (the "**Subscription Agreement**") with an independent third party (the "**Subscriber**"). Pursuant to the Subscription Agreement, PSL agreed to allot and issue and the Subscriber agreed to subscribe 45,508,328 shares of PSL, representing approximately 8.48% of the enlarged share capital of PSL, at a cash consideration of HK\$50,000,000 (the "**Subscription**"). The Subscription was completed on the same date and the net book value of the 8.48% equity interest of PSL swapped was approximately HK\$50,000,000 on the completion date.

Upon completion of the Subscription, the Group's equity interest in PSL decreased from 100% to 91.52% as a result of the change in ownership interests in a subsidiary without loss of control. PSL continued to be a subsidiary of the Company at the date of this report.

Accordingly, the increase in carrying amount of the non-controlling interests in PSL of HK\$50,000,000 was recognised directly in the equity of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

19. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances set out elsewhere in the Interim Financial Statements, during the period, the Group had the following transactions with related parties:

(a) Transactions

Related party relationship	Nature of transaction	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Associate	Asset management income	887	1,244
	Interest income from margin client	3,684	–
		<u> </u>	<u> </u>

(b) Key management personnel

The key management personnel are the directors of the Company. During the six months ended 30 June 2022, the emoluments of key management personnel were HK\$3,184,000 (six months ended 30 June 2021: HK\$4,436,000).

20. FAIR VALUE MEASUREMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in the Interim Financial Statements on a recurring basis across the three levels of the fair value hierarchy defined in HKFRS 13, *Fair Value Measurement*, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

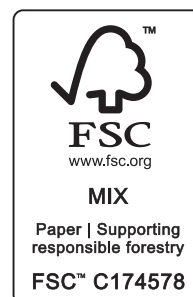
(a) Fair value of the Group's financial assets that are measured at fair value

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	30 June 2022 (Unaudited)	31 December 2021 (Audited)		
Investments in listed equity securities classified as financial assets at FVPL	Listed equity securities in: – Hong Kong HK\$126,777,000	Listed equity securities in: – Hong Kong HK\$125,933,000	Level 1	Quoted bid prices in an active market

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements in current period. The details of the financial assets at FVPL are set out in note 13 to the condensed consolidated financial statements.

(b) Fair value of the Group's financial assets and financial liabilities carried at other than fair value

The management of the Group estimates the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis. The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.



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