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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)**

### **DISCLOSEABLE TRANSACTION — DISPOSAL OF A SUBSIDIARY**

#### **INTRODUCTION**

On 11 December 2020 (after trading hours), the Vendor, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which, the Vendor sold and the Purchaser purchased the Sale Shares at the Consideration of HK\$240 million.

#### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal are more than 5% but all applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is therefore subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

#### **INTRODUCTION**

The board of directors of Planetree International Development Limited is pleased to announce that on 11 December 2020 (after trading hours), the Vendor, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which, the Vendor sold and the Purchaser purchased the Sale Shares at the Consideration of HK\$240 million.

## **THE SALE AND PURCHASE AGREEMENT**

The principal terms of the Sale and Purchase Agreement are set out as follows:

### **Date**

11 December 2020 (after trading hours)

### **Parties**

- (i) the Purchaser; and
- (ii) the Vendor

To the best knowledge, information and belief of the Directors and after making all reasonable enquiries, the Purchaser (who is the ultimate beneficial owner) is a third party independent of and not connected with the Company and its connected persons (as defined in the Listing Rules). The Purchaser and Ms. Lo Ki Yan Karen, the Company's existing substantial shareholder, have known each other for many years.

### **Assets disposed of**

The Sale Shares, representing 60% of the issued share capital of the Target Company.

### **Consideration**

The Consideration of HK\$240 million has been satisfied by cheque paid by the Purchaser to the Vendor's solicitors upon Completion, which has taken place immediately after signing the Sale and Purchase Agreement by the Vendor and the Purchaser.

### **Basis for the Consideration**

The Consideration was arrived at based on normal commercial terms after arm's length negotiations between the Purchaser and the Vendor. The Consideration was determined with reference to, among others:

- (i) the current market value of the Target Company's net assets of HK\$337 million (consisting of the Investment Portfolio amounted to approximately HK\$312 million and cash of HK\$25 million) as at the date of the Sale and Purchase Agreement; and
- (ii) the premium for transferring the controlling equity interest in the Target Company

The Consideration of HK\$240 million represents 60% of the implied valuation of the entire equity interest of the Target Company after arm's length negotiations between the Vendor and the Purchaser at HK\$400 million. The said implied valuation represents a premium of approximately HK\$63 million or 18.7% to the latest market value of net assets of approximately HK\$337 million. Upon Completion, the Group would provide asset management service to the Target Company aiming at generating capital appreciation of its Investment Portfolio for the next three years. The Vendor and the Purchaser hold an optimistic outlook of the stock market and the Target Company's expected financial performance after engaging the professional asset management service to be provided by Planetree Asset Management Limited as explained in the section headed "Provision of Asset Management Service by Planetree Asset Management Limited" below.

In view of the above, the Directors consider that the Consideration is fair and reasonable.

### **Provision of Asset Management Service by Planetree Asset Management Limited**

Under the Sale and Purchase Agreement, the Vendor undertakes to procure Planetree Asset Management Limited (an indirect wholly-owned subsidiary of the Company holding a Type 9 licence under the SFO to carry on asset management business since 20 September 2012) to manage the Investment Portfolio kept at the Designated Securities Account for the Target Company for three years with fees chargeable as follows :

- (i) a management fee at 0.5% per annum on the net asset value of the Investment Portfolio being managed; and
- (ii) an annual performance fee at 15% of the appreciation in the net asset value of the Investment Portfolio being managed.

The investment team of Planetree Asset Management Limited is to identify the individual client's goals and objectives, income or saving, maintain or increase the value of assets or returns on assets, assess client's level of acceptable risk, ensure there is reasonable levels of liquidity, flexibility and maximization of after-tax returns within the appropriate risk levels. The investment team of Planetree Asset Management Limited consists of professionals with in-depth knowledge of and solid experience in dealing of securities and asset management.

After discussion about the outlook of the stock market and the analysis of the impacts on investments that may be brought about by the development of China-U.S. relations, the Purchaser has expressed her confidence in the investment strategy and the capability of Planetree Asset Management Limited in managing the assets of the Target Company.

### **Board of directors of the Target Company**

Pursuant to the Sale and Purchase Agreement, the Purchaser is entitled to nominating two candidates to be appointed as directors of the Target Company while the Vendor is entitled to appoint one candidate to be appointed as a director of the Target Company upon Completion.

## **Completion**

The Disposal has been completed by the Purchaser and the Vendor immediately after signing the Sale and Purchase Agreement and the satisfaction of payment of the Consideration on the date of the Sale and Purchase Agreement, which is also the date of this announcement.

## **INFORMATION OF THE TARGET COMPANY**

The Target Company is a company incorporated in the Marshall Islands with limited liability and is engaged in investment holding business. The Target Company is a newly established special purpose vehicle to hold the Investment Portfolio (which consists of equity securities issued by five companies listed on the Stock Exchange) re-allocated within the Group and a cash balance of HK\$25 million for its working capital and future investments.

## **FINANCIAL INFORMATION OF THE TARGET COMPANY**

Set out below is the financial information of the Target Company for the period from 23 November 2020 (the date of incorporation) to 30 November 2020:

	<b>For the period from 23 November 2020 (the date of incorporation) to 30 November 2020 (unaudited) <i>HK\$'000</i></b>
Profit before taxation	1,431
Profit after taxation	1,431

Based on the unaudited financial information of the Target Company, the unaudited net asset value of the Target Company as at the date of the Sale and Purchase Agreement was approximately HK\$337 million and it did not have any debt on the same date.

## **FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS**

Upon Completion, the Target Company has ceased to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated into the consolidated financial statements of the Group commencing from the date of Completion. The Target Company has then become an associate of the Company whereby the Company will recognize its 40% share of profit or loss of the Target Company.

For illustrative purpose, upon Completion, it is estimated that the Group will realise an unaudited gain on the Disposal of approximately HK\$37.8 million, being the difference between the amount of the Consideration of HK\$240 million and 60% of the unaudited net asset value of the Target Company at approximately HK\$202.2 million on the date of Completion, based on the latest market value of the Investment Portfolio, ignoring the expenses attributable to the Disposal which are insignificant. The actual amount of gain on the Disposal to be recorded by the Group on the date of Completion will be subject to review by the auditors of the Company and adjustments may be made.

The Group intends to utilise the proceeds from the Disposal in the sum of HK\$240 million for pursuing further development of the Group's financial services business. It is anticipated that the Group's revenue and operating profit under the financial services segment can thereby grow substantially in the coming year.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Investment Portfolio is part of the investing activities of the Group and has been conducted in its ordinary and usual course of business. About 98% (in terms of the latest market value of the underlying listed equity securities) of the Investment Portfolio was previously acquired by the Group before 30 June 2019.

As at the date of this announcement, the principal activities of the Group are classified into the following segments:

- (a) Financial services — operations under SFO licences segment, which engages in the provision of dealing in securities, margin financing services, dealing in futures contracts, advising on corporate finance and asset management services with Type 1, Type 2, Type 6 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) Tactical and strategic investment segment, which trades and holds debt and equity securities, earns interest and dividend income from the relevant securities investments; and
- (d) Property investment and leasing segment, which consists of the leasing of properties directly owned by the Group for rental income and/or capital appreciation potential.

From mid-2019 onwards, the Group has focused on the development of financial services business. As disclosed in the interim report of the Company for the six months ended 30 June 2020, it has been the business objective of the Group to reduce the scale of the Group's portfolio of listed equity investment so as to allocate more resources for the development of financial services business. The Group considers that the Disposal is in line with the development strategy of the Group, the Disposal represents an attractive opportunity for the Group to cash out the Investment Portfolio. In addition, the proceeds from the Disposal enable the Group to further develop its financial services business in order to generate more income therefrom.

Apart from selling the 60% equity interest in the Target Company, the Directors have considered alternative option of directly selling part of the Investment Portfolio for cash. The Directors believe that if the Group sells part of the Investment Portfolio on the market through brokers on the date of the Sale and Purchase Agreement, the amount of the consideration receivable might not be higher. The amount of and the timeframe for the receipt of sale proceeds would be uncertain, which would be dependent on the trading price and volume of the respective securities. In contrast, as mentioned in the section headed "Basis for the Consideration", the implied valuation related to the Consideration for the Disposal represents a premium of approximately 18.7% to the latest market value of net assets of the Target Company. The Disposal at such a premium is therefore considered by the Directors as the best option open to the Group when compared to directly selling part of the Investment Portfolio. Hence, the Directors consider that the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and Shareholders as a whole.

In view of the risk of COVID-19 pandemic, the Directors believe that the Disposal allows the Group to unlock and realize the underlying value of the Investment Portfolio; and bring in additional source of capital for the Group's business development strategy.

In addition, the Group is pleased to warrant the Purchaser's high confidence in its asset management team by entering into a 3-year portfolio management agreement with the Target Company after Completion. By entering into the portfolio management agreement, the Group will obtain additional investment management revenue as well as performance fee on appreciated net assets of the Target Company.

Having considered the terms of the Disposals, the Directors believe that such terms are fair and reasonable, and the Disposal is in the interests of the Company and the Shareholders as a whole.

The Directors are aware of the amended Listing Rules effective since 1 October 2019: "Under Rule 13.24(1) of the Listing Rules, *an issuer shall carry out, directly or indirectly, a business with a sufficient level of operations and assets of sufficient value to support its operations to warrant the continued listing of the issuer's securities.* Under Rule 13.24(2), *proprietary trading and/or investment in securities by an issuer and its subsidiaries (other than an issuer which is an investment company listed under Chapter 21) are normally excluded when considering whether the issuer can meet rule 13.24 (1).*"

The Disposal is a step conscientiously taken by the Group to minimize the Group's own proprietary investment activities so as to focus on further development of the Group's sustainable financial services business. As at the date of this announcement, the Group holds tactical and strategic investments (other than the Investment Portfolio) with market value of approximately HK\$28.8 million.

## **IMPLICATIONS UNDER THE LISTING RULES**

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal are more than 5% but all applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is therefore subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or days on which a typhoon signal 8 or above or black rainstorm signal is hoisted in Hong Kong at 10:00 a.m.) on which banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands
“Company”	Planetree International Development Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange (stock code: 00613)
“Completion”	completion of the Disposal
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the Disposal, being HK\$240 million
“Designated Securities Account”	the securities account in the name of the Target Company opened with a broker for holding the Investment Portfolio pursuant to the Sale and Purchase Agreement
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sales Share by the Vendor to the Purchaser pursuant to the terms and conditions of the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Investment Portfolio”	the investment portfolio which consists of certain listed equity securities held by the Target Company from time to time under the Designated Securities Account
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MLO”	the Money Lenders Ordinance (Chapter 163 of the laws of Hong Kong)
“Purchaser”	Ms. Yu Man Fung Alice, an individual
“Sale and Purchase Agreement”	the sale and purchase agreement dated 11 December 2020 entered into between the Vendor and the Purchaser in relation to the Disposal
“Sale Shares”	60 issued shares in the share capital of the Target Company, representing 60% of its issued share capital
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Green River Associates Limited, a company incorporated in the Marshall Islands with limited liability, which is wholly-owned by the Vendor as at the date of this announcement and immediately prior to the Completion
“Vendor”	Planetree International Limited, a direct wholly-owned subsidiary of the Company and a company incorporated in the Marshall Islands with limited liability
“%”	per cent.

By order of the Board  
**Planetree International Development Limited**  
**Man Wai Chuen**  
*Executive Director*

Hong Kong, 11 December 2020



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

*Executive Directors:*

Dr. Leung Wing Cheung, William  
(*Executive Chairman*)

Mr. Lam Hiu Lo

Mr. Liang Kang

Ms. Cheung Ka Yee

Ms. Wong Sheun Fun, Estella

Mr. Man Wai Chuen

*Non-Executive Director:*

Mr. Kwong Kai Sing, Benny

*Independent Non-Executive Directors:*

Mr. Chan Sze Hung

Mr. Zhang Shuang

Mr. Chung Kwok Pan

Ms. Liu Yan