

PineStone 鼎石

Pinestone Capital Limited

鼎石資本有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

(Stock Code 股份代號 : 804)

2024

INTERIM REPORT

中期業績報告

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Corporate Information

Board of Directors (The "Board")

Executive Directors

Mr. Zhu Zheping

(Chairman of the Company)

(appointed on 15 September 2023)

Mr. Lee Chun Tung

Mr. Yan Ximao

(appointed on 10 August 2023)

Non-executive Director

Mr. Yau Tung Shing

Independent Non-Executive Directors

Mr. Cheng Man Pan

Mr. Lau Kelly

Mr. Wong Chun Peng Stewart

Audit Committee

Mr. Cheng Man Pan *(Chairman)*

Mr. Lau Kelly

Mr. Wong Chun Peng Stewart

Nomination Committee

Mr. Lau Kelly *(Chairman)*

Mr. Wong Chun Peng Stewart

Mr. Cheng Man Pan

Remuneration Committee

Mr. Cheng Man Pan *(Chairman)*

Mr. Lau Kelly

Mr. Wong Chun Peng Stewart

Company Secretary

Mr. Au Kin Kee Kinson *ACG; HKACG*

Authorised Representatives

Mr. Yau Tung Shing

Mr. Lee Chun Tung

(appointed on 15 September 2023)

Trading Stock Code

804

Registered Office

Windward 3, Regatta Office Park

PO Box 1350

Grand Cayman, KY1-1108

Cayman Islands

Headquarter and Principal Place of Business in Hong Kong

Room 1807 18/F.,

China Resources Building

26 Harbour Road, Wan Chai,

Hong Kong

Hong Kong Branch Share Registrar & Transfer Office

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

Principal Banker

Bank of China (Hong Kong) Limited

2/F, Wing On House

71 Des Voeux Road Central

Hong Kong

Auditor

BDO Limited

Certified Public Accountants

25th Floor Wing On Centre

111 Connaught Road Central

Hong Kong

Company's Website

www.pinestone.com.hk

Financial Highlights

- The Group recorded an unaudited revenue of approximately HK\$10.7 million for the six months ended 30 June 2024, representing an increase of approximately HK\$1.2 million or approximately 13% as compared to approximately HK\$9.5 million for the six months ended 30 June 2023.
- The Group recorded an unaudited net loss of approximately HK\$0.8 million for the six months ended 30 June 2024, as compared to an unaudited net profit of approximately HK\$0.3 million for the corresponding period in 2023. Such decrease was mostly attributable to impairment losses on trade and loan receivables of approximately HK\$4.6 million made during the period of six months ended 30 June 2024.
- The basic and diluted loss per share for the six months ended 30 June 2024 were HK 0.20 cents (30 June 2023: earning per share HK 0.13 cents).
- The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2024 (30 June 2023: nil).

Unaudited Condensed Consolidated Interim Results for the Six Months Ended 30 June 2024

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2024, together with the comparative unaudited figures for the corresponding period in 2023, as follows:

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2024

| | Notes | Six months ended 30 June | |
|--|-------|---------------------------------|---------------------------------|
| | | 2024 (Unaudited) HK\$'000 | 2023 (Unaudited) HK\$'000 |
| REVENUE | 4 | 10,715 | 9,480 |
| Other income | 6 | 52 | 32 |
| Commission and fee expenses | | (510) | (49) |
| Employee benefit expenses | | (3,013) | (5,530) |
| Depreciation | | (487) | (487) |
| Impairment losses on trade and loans receivables, net | | (4,616) | – |
| Other operating expenses | | (2,947) | (2,364) |
| Finance costs | 8 | – | (30) |
| (LOSS)/PROFIT BEFORE INCOME TAX | | (806) | 1,052 |
| Income tax expense | 9 | – | (712) |
| (LOSS)/PROFIT FOR THE PERIOD | | (806) | 340 |
| OTHER COMPREHENSIVE INCOME FOR THE PERIOD | | – | – |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | (806) | 340 |
| | | HK cents | HK cents |
| (LOSS)/EARNINGS PER SHARE | | | |
| Basic and diluted | 11 | (0.20) | 0.13 |

Condensed Consolidated Statement of Financial Position

As at 30 June 2024

| | | As at 30 June 2024 (Unaudited) HK\$'000 | As at 31 December 2023 (Audited) HK\$'000 |
|---|-------|---|---|
| | Notes | | |
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 145 | 631 |
| Intangible asset | | 500 | 500 |
| Statutory deposits placed with stock exchange and clearing house | | 230 | 205 |
| Deferred tax assets | | 12,667 | 12,667 |
| | | 13,542 | 14,003 |
| Current assets | | | |
| Trade receivables | 13 | 86,979 | 97,822 |
| Loans receivable | 14 | 57,400 | 37,121 |
| Other receivables, deposits and prepayments | | 798 | 673 |
| Trust bank balances held on behalf of customers | | 2,944 | 3,001 |
| Cash and bank balances | | 12,656 | 23,394 |
| | | 160,777 | 162,011 |
| Current liabilities | | | |
| Trade payables | 16 | 2,864 | 2,732 |
| Other payables and accruals | | 987 | 1,259 |
| Lease liabilities | | 125 | 622 |
| Tax payable | | 1,111 | 1,363 |
| | | 5,087 | 5,976 |
| Net current assets | | 155,690 | 156,035 |
| Total assets less current liabilities | | 169,232 | 170,038 |

Condensed Consolidated Statement of Financial Position

As at 30 June 2024

| | | As at 30 June 2024 (Unaudited) HK\$'000 | As at 31 December 2023 (Audited) HK\$'000 |
|--------------------------------|-------|---|---|
| | Notes | | |
| Non-current liabilities | | | |
| Lease liabilities | | – | – |
| Net assets | | 169,232 | 170,038 |
| CAPITAL AND RESERVES | | | |
| Share capital | 17 | 8,121 | 8,121 |
| Reserves | | 161,111 | 161,917 |
| Total equity | | 169,232 | 170,038 |

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

| | Share Capital HK\$'000 | Share Premium* HK\$'000 | Capital Reserves* HK\$'000 | Retained profits* HK\$'000 | Total HK\$'000 |
|--|------------------------------|-------------------------------|----------------------------------|----------------------------------|-------------------|
| Six months ended 30 June 2023 (unaudited) | | | | | |
| At 1 January 2023 | 5,414 | 172,750 | (4,866) | (8,822) | 164,476 |
| Profit for the period | - | - | - | 340 | 340 |
| Total comprehensive income for the period | - | - | - | 340 | 340 |
| At 30 June 2023 | 5,414 | 172,750 | (4,866) | (8,482) | 164,816 |
| Six months ended 30 June 2024 (unaudited) | | | | | |
| At 1 January 2024 | 8,121 | 199,993 | (4,866) | (33,210) | 170,038 |
| Transactions with owners: | | | | | |
| Loss for the period | - | - | - | (806) | (806) |
| Total comprehensive income for the period | - | - | - | (806) | (806) |
| At 30 June 2024 | 8,121 | 199,993 | (4,866) | (34,016) | 169,232 |

* The total of these balances at the end of the reporting period represents "Reserves" in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

| | Six months ended 30 June | |
|---|--------------------------|---------------|
| | 2024 | 2023 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Net cash (used in)/from operating activities | (10,268) | 10,760 |
| Net cash from investing activities | 27 | 2 |
| Net cash used in financing activities | (497) | (507) |
| Net (decrease)/increase in cash and cash equivalents | (10,738) | 10,255 |
| Cash and cash equivalents at beginning of period | 23,394 | 30,140 |
| Cash and cash equivalents at end of period | 12,656 | 40,395 |
| Analysis of the balances of cash and cash equivalents: | | |
| Cash and bank balances | 12,656 | 40,395 |

Notes to the Condensed Consolidated Interim Financial Statements

1. Corporate Information

Pinestone Capital Limited (the “**Company**”) was incorporated as an exempted company in the Cayman Islands with limited liability. The shares of the Company were listed on the Main Board (“**Main Board**”) of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The address of its registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands. Its principal place of business is located at Room 1807, 18/F., China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong.

The Group, comprising the Company and its subsidiaries, is principally engaged in provision of securities brokerage services, securities-backed lending services including margin financing and money lending services, other lending services as well as placing and underwriting services.

The Company’s parent is Ultimate Vantage Group Limited (“**Ultimate Vantage**”), a limited liability company incorporated in the British Virgin Islands. In the opinion of the directors, Ultimate Vantage is also the ultimate parent of the Company.

The condensed consolidated financial statements are unaudited, but have been reviewed by the Audit Committee of the Company. The unaudited condensed consolidated statements were approved and authorised for issue by the directors on 15 August 2024.

Notes to the Condensed Consolidated Interim Financial Statements

2. Basis of Preparation and Accounting Policies

The condensed consolidated interim financial statements for the six months ended 30 June 2024 have been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

These condensed consolidated interim financial statements do not include all the information required for annual financial statements and thereby they should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2023.

Save as the adoption of the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) that are first effective for the current accounting period, the accounting policies used in preparing these condensed consolidated interim financial statements are consistent with those of the annual financial statements for the year ended 31 December 2023 as described in those annual financial statements. Details of the changes in accounting policies are set out in note 3.

The unaudited condensed consolidated financial statements are prepared under the historical cost basis.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is same as the functional currency of the Company.

The preparation of these condensed consolidated interim financial statements in compliance with HKAS 34 requires the use of certain judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2023 annual financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

3. Changes in HKFRSs

Amendments to HKFRS 16
Amendments to HKAS 1

Lease Liability in a Sale and Leaseback
Classification of Liabilities as Current or
Non-current and Non-current Liabilities with
Covenants and related amendments to
HK Interpretation 5 (Revised) Presentation
of Financial Statements

Amendments to HKAS 1

Non-current Liabilities with Covenants

The new or amended HKFRSs relevant to the Group that are effective from 1 January 2023 did not have significant impact on the Group's accounting policies.

4. Revenue

The Group is principally engaged in the provision of securities brokerage services, securities-backed lending services, other lending services as well as placing and underwriting services. Revenue from the Group's principal activities recognised during the period is as follows:

| | Six months ended 30 June | |
|---|---------------------------------|-------------|
| | 2024 | 2023 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Revenue from contracts with customers within the scope of HKFRS 15 (Note) | | |
| – Commission income from securities brokerage services | 80 | 169 |
| – Income from placing and underwriting services | 570 | 26 |
| – Handling fee income | 4 | 22 |
| | 654 | 217 |
| Revenue from other sources | | |
| – Interest income from margin financing services | 6,518 | 4,296 |
| – Interest income from money lending services | 3,543 | 4,967 |
| | 10,715 | 9,480 |

Note: Revenue from contracts with customers derived by the Group for the six months ended 30 June 2024 amounting to HK\$654,000 (six months ended 30 June 2023: HK\$217,000) is recognised at a point in time.

Notes to the Condensed Consolidated Interim Financial Statements

5. Segment Information

(a) Operating segment information

The information reported to the executive Directors, who are the chief operating decision makers for the purpose of resource allocation and assessment of performance, is the financial information of the Group as a whole as reported under HKFRSs. Such information does not contain profit or loss information of particular product or service line or geographical area. Therefore, the executive Directors determined that the Group has only one single reportable segment which is the provision of securities brokerage services, the securities-backed lending services as well as the placing and underwriting services. The executive Directors have allocated resources and assess performance on an aggregated basis.

(b) Geographical segment information

The Company is an investment holding company and the principal place of the Group's operations is in Hong Kong. Accordingly, management determines that the Group is domiciled in Hong Kong.

All of the revenue from customers are derived from activities in Hong Kong and all non-current assets of the Group are located in Hong Kong. Accordingly, no geographical information is presented.

(c) Information about major customers

Revenue from major customers, each of them accounted for 10% or more of the Group's revenue, are set out below:

| | Six months ended 30 June | |
|--------------|---------------------------------|---------------------------------|
| | 2024 (Unaudited) HK\$'000 | 2023 (Unaudited) HK\$'000 |
| Customer I | 1,845 | N/A |
| Customer II | 1,481 | N/A |
| Customer III | 1,325 | N/A |
| Customer IV | 1,116 | N/A |
| Customer V | N/A | 1,500 |

Note: N/A – Not applicable as revenue generated from the customer was less than 10% of the Group's revenue for the respective period.

Notes to the Condensed Consolidated Interim Financial Statements

6. Other Income

| | Six months ended 30 June | |
|----------------------|--------------------------|-------------|
| | 2024 | 2023 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Bank interest income | 27 | 2 |
| Custodian income | 25 | 30 |
| | 52 | 32 |

7. Profit Before Income Tax

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

| | Six months ended 30 June | |
|------------------------|--------------------------|-------------|
| | 2024 | 2023 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Auditor's remuneration | 350 | 316 |

8. Finance Costs

| | Six months ended 30 June | |
|-------------------------------|--------------------------|-------------|
| | 2024 | 2023 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Interest on lease liabilities | – | 30 |

Notes to the Condensed Consolidated Interim Financial Statements

9. Income Tax Expense

The amount of income tax expense in the condensed consolidated statement of comprehensive income represents:

| | Six months ended 30 June | |
|-------------------------------------|---------------------------------|-------------|
| | 2024 | 2023 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Current tax – Hong Kong Profits Tax | – | 712 |

The Group is subject to Hong Kong Profits Tax. The profit tax rate for the first HK\$2 million of profits of the nominated qualifying entity in the Group is subject to tax rate of 8.25% whereas profits above HK\$2 million are taxed at 16.5%. The profits of entities not qualifying for the two-tiered profit tax rates regime are taxed at 16.5%.

10. Dividend

The Directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 June 2024 (30 June 2023: nil).

Notes to the Condensed Consolidated Interim Financial Statements

11. Loss Per Share

The calculation of basic earnings per share is based on the following data:

| | Six months ended 30 June | |
|---|---------------------------------|-------------|
| | 2024 | 2023 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Earnings | | |
| (Loss)/profit for the period attributable to owners of the Company | (806) | 340 |
| Number of Shares | | |
| | 2024 | 2023 |
| | Number of | Number of |
| | Shares | Shares |
| | '000 | '000 |
| Weighted average number of ordinary shares | | |
| Weighted average number of ordinary shares in issue during the period | 406,070 | 270,713 |

The weighted average number of ordinary shares used for the purposes of calculating the basic earnings per share for both the six months ended 30 June 2024 and the six months ended 30 June 2023 are based on the weighted average number of shares in issue during the period as set out in Note 17.

Diluted earnings per share is same as the basic earnings per share as there have been no dilutive potential ordinary shares in existence during the current period and prior period.

Notes to the Condensed Consolidated Interim Financial Statements

12. Property, Plant and Equipment

During the six months ended 30 June 2024, the Group did not incur any expenditure on acquisition of property, plant and equipment (six months ended 30 June 2023: nil).

13. Trade Receivables

| | As at 30 June 2024 (Unaudited) HK\$'000 | As at 31 December 2023 (Audited) HK\$'000 |
|---|---|---|
| Trade receivables arising from securities dealing and margin financing (note a) | | |
| – Margin clients (note b) | 132,629 | 156,816 |
| – Clearing House (note c) | 225 | 14 |
| | 132,854 | 156,830 |
| Less: Loss allowance (note d) | (45,875) | (59,008) |
| | 86,979 | 97,822 |

Notes to the Condensed Consolidated Interim Financial Statements

13. Trade Receivables (continued)

Notes:

- (a) The settlement terms of trade receivables arising from the business of securities dealing are two business days after trade date (“**T+2**”).
- (b) Margin clients are required to pledge securities collateral to the Group in order to obtain credit facilities for securities trading. The amount of credit facilities granted to the margin clients is determined with reference to the discounted market value of securities accepted by the Group. Margin loans due from margin clients are either current or repayable on demand for those margin clients subject to margin calls. No ageing analysis is disclosed for trade receivables from margin clients, as in the opinion of the directors, ageing analysis is not meaningful in view of the business nature of securities dealing and margin financing.

To manage the credit risk exposure, when the level of securities collateral in proportional to the outstanding loan due from the margin credit (“**collateral ratio**”) has reached alarming level, the Group will demand the margin clients to deposit additional money or securities to maintain their margin accounts, or to sell their securities collateral to reduce the exposure.

Other than the above, the Group may implement other credit enhancement measures including to enter the repayment schedule for a period of normally less than one year with margin clients for settling their outstanding balances by money instalment, by depositing cash or securities in equivalent market value.

During the period of six months ended 30 June 2024, the Group had written off the trade receivables balance amounting to HK\$18.7 million as a client was in severe financial difficulties and there is no realistic prospect of recovery.

- (c) Trade receivables from clearing house, i.e. Hong Kong Securities Clearing Company Limited (“**HKSCC**”), is current which represents pending trades arising from the business of securities dealing and are normally due on “T+2” day in accordance with the requirements of Hong Kong Exchange and Clearing Limited.

Notes to the Condensed Consolidated Interim Financial Statements

13. Trade Receivables (continued)

Notes: (continued)

- (d) The movements in the loss allowance for trade receivables arising from the business of securities dealing and margin financing are as follows:

| | As at 30 June 2024 (Unaudited) HK\$'000 | As at 31 December 2023 (Audited) HK\$'000 |
|---|---|---|
| At 1 January | 59,008 | 37,615 |
| Impairment losses charged to profit or loss | 148 | 11,980 |
| Unwinding of discount | 5,376 | 9,413 |
| Amounts written off as uncollectible | (18,657) | – |
| Balance | 45,875 | 59,008 |

14. Loans Receivable

| | As at 30 June 2024 (Unaudited) HK\$'000 | As at 31 December 2023 (Audited) HK\$'000 |
|--|---|---|
| Loan Receivable arising from money lending | 104,942 | 100,229 |
| Less: Loan allowance | (47,542) | (63,108) |
| | 57,400 | 37,121 |

Notes to the Condensed Consolidated Interim Financial Statements

14. Loans Receivable (continued)

Notes:

- (i) Loans receivable include certain individual or corporate borrowers with specific terms of the loan and a borrowing period of usually up to a year. As these term loans are normally repaid in lump sum in maturity, they would not be past due during the loan period.
- (ii) Loans receivable include our margin clients of the Group's securities dealing business, either (1) had entered into securities charge agreement with the Group charging certain securities or securities portfolio as collateral which were deposited in the designated custodian account maintained by the borrower; or (2) had undertaken to maintain a net assets value at a specified amount in terms of market value of securities held or cash in the designated margin account maintained by the borrower.

Loans receivable also include clients of our other money lending services who have secured charges or financial resources on other kinds of assets.

During the period of six months ended 30 June 2024, the Group had written off the loans receivable balance amounting to HK\$17.9 million as a borrower was in severe financial difficulties and there was no realistic prospect of recovery.

- (iii) The movements in the loss allowance for loan receivable arising from money lending business are as follows:

| | As at 30 June 2024 (Unaudited) HK\$'000 | As at 31 December 2023 (Audited) HK\$'000 |
|---|--|---|
| At 1 January | 63,108 | 42,449 |
| Impairment losses changed to profit or loss | – | 16,032 |
| Unwinding of discount | 2,366 | 4,577 |
| Amounts written off as uncollectable | (17,932) | – |
| Balance | 47,542 | 63,108 |

Notes to the Condensed Consolidated Interim Financial Statements

15. Trust Bank Balances Held on behalf of Customers

In respect of the Group's business of securities dealing, the Group maintains segregated trust accounts with authorised financial institutions to hold clients' monies. The Group classifies clients' monies separately under current assets in the condensed consolidated statement of financial position and has recognised the corresponding balances due to cash and margin clients separately under trade payables on the grounds that the Group is liable for any loss or misappropriation of clients' monies and does not have a currently enforceable right to offset those payables with the deposits placed.

16. Trade Payables

| | As at 30 June 2024 (Unaudited) HK\$'000 | As at 31 December 2023 (Audited) HK\$'000 |
|---|--|---|
| Trade payables arising from securities dealing: | | |
| – Cash clients | 701 | 673 |
| – Margin clients | 2,163 | 2,059 |
| | 2,864 | 2,732 |

The settlement terms of trade payables arising from the business of securities dealing are two business days after the trade date ("T+2"). Trade payables arising from securities trading during the "T+2" period are current whereas those which are outstanding after the "T+2" period are repayable on demand.

Margin and cash client payables as at 30 June 2024 and 31 December 2023 included balances payable to certain related parties. Further details of these balances are set out in note 20.

Notes to the Condensed Consolidated Interim Financial Statements

17. Share Capital Authorised and issued shares

| | Par value HK\$ | Number of ordinary shares | Amount HK\$'000 |
|--|-------------------|------------------------------|--------------------|
| Authorised: | | | |
| At 1 January 2023, 31 December 2023 and 30 June 2024 | 0.020 | 25,000,000,000 | 500,000 |
| | Par value HK\$ | Number of shares | Amount HK\$'000 |
| Issued and fully paid: | | | |
| At 1 January and 30 June 2023 | 0.002 | 270,713,400 | 5,414 |
| Rights issue (Note (1)) | 0.020 | 135,356,700 | 2,707 |
| At 31 December 2023 | 0.020 | 406,070,100 | 8,121 |
| At 1 January 2024 and 30 June 2024 | 0.020 | 406,070,100 | 8,121 |

Note:

- (1) As announced on 13 April 2023, the Company offered rights issue to the Shareholders on the basis of one (1) rights share for every two (2) existing shares held on the record date (i.e. 14 June 2023) at the subscription price of HK\$0.225 per rights share ("**Rights Issue**"). The subscription price represented a discount of approximately 40.79% to the closing price of HK\$0.38 per Share on 13 April 2023 as quoted on the Stock Exchange, being the last trading day for the shares immediately before the release of the announcement dated 13 April 2023. Details of the Rights Issue were contained in the Company's prospectus dated 15 June 2023, Company's announcements dated 13 April 2023, 24 April 2023, 4 July 2023, 10 July 2023 and 11 July 2023 respectively.

The rights issue was completed on 11 July 2023. As such, 135,356,700 shares, with par value of HK\$0.02 each, were issued and allotted upon the completion of the Rights Issue with net proceeds of approximately HK\$29.95 million, being raised, net of directly attributable transaction costs of HK\$0.51 million. As a result, total number of issued shares had been increased from 270,713,400 shares to 406,070,100 shares.

During the six months ended 30 June 2024, the Company did not repurchase any shares of the Company (six months ended 30 June 2023, nil shares). The number of issued ordinary shares of the Company remained at 406,070,100 shares as of 30 June 2024 (30 June 2023: 270,713,400).

Notes to the Condensed Consolidated Interim Financial Statements

18. Commitments

Capital commitments

The Group did not have any material capital commitments as at 30 June 2024 (31 December 2023: nil).

19. Contingent Liabilities

As at 30 June 2024, the Group did not have any significant contingent liabilities (31 December 2023: nil).

20. Related Party Transactions

The Group has the following significant transactions with related parties.

- (a) During the reporting period of six months ended 30 June 2024, the Group did not record any securities dealing, money or other secured lending business transactions with related parties.
- (b) At the end of the reporting period, the Group did not have any balances due to the directors and persons connected with directors arising from securities dealing transactions included in trade payables (note 16).

(c) Compensation of senior management personnel

The remuneration of directors and other members of senior management during the periods was as follows:

| | Six months ended 30 June | |
|---|---------------------------------|---------------------------------|
| | 2024 (Unaudited) HK\$'000 | 2023 (Unaudited) HK\$'000 |
| Salaries, allowances and other benefits | 2,217 | 4,571 |
| Contributions to defined contribution retirement plan | 43 | 41 |
| | 2,260 | 4,612 |

Management Discussion and Analysis

Business Review

The Group is principally engaged in providing bespoke services encompassing securities brokerage, securities-backed lending services including margin financing and money lending, other secured lending and placing and underwriting services. Since the Company's successful listing by way of placing (the "Placing"), there has been no significant change in the business operations of the Group.

During the period under review, we recognized commission income from our securities brokerage services, interest income from our securities-backed lending services, including margin financing and money lending, and other secured lending services as well as income from placing and underwriting services.

In the first half of 2024, the Hong Kong stock market has remained muted, even if the world economy and most of the global stock markets are recovering. In the first six months ended 30 June 2024, the Hang Seng Index marked an increase of approximately 671 points or approximately 4% from the close of 17,047 points on 29 December 2023 to close at 17,718 points on 28 June 2024. As opposed to the rising trend, the average daily turnover for the first six months of 2024 was HK\$110.4 billion, a decrease of approximately 5% when compared to the HK\$115.5 billion of corresponding period of 2023. The Hong Kong stock market has been battered by geopolitical tensions, interest rates hike, dwindling foreign investments in China, massive regional debt and the plunge of the property market in China. Looking forward, the Company will adopt a cautious strategy for focusing on and leveraging our existing services. We wish to participate in providing other financial services, including but not limited to asset management, to provide synergies for our existing and prospective clients.

Securities Brokerage Services

Commission income from our securities brokerage services for the six months ended 30 June 2024 was approximately HK\$80,000, representing a decrease of approximately 53% from HK\$169,000 for the six months ended 30 June 2023. The sluggish Chinese economy, high interest rates and geographical political tensions caused trading of Hong Kong shares to be mediocre and receive only a lukewarm response, which has persistently perplexed our brokerage services.

Securities-backed Lending Services

Securities-backed lending services continued to be our core profit generator. During the six months ended 30 June 2024, interest income from securities-backed lending services increased to approximately HK\$10.1 million, representing an increase of approximately HK\$0.8 million or approximately 9% from HK\$9.3 million recorded for the corresponding period in 2023. During the reporting period, our margin financing services saw a positive growth, while a slight setback was reported for our money lending and other secured lending services.

Management Discussion and Analysis

Business Review (continued)

Securities-backed Lending Services (continued)

(a) *Margin Financing Services*

During the six months ended 30 June 2024, interest income from margin financing services increased by approximately 52% to approximately HK\$6.5 million, compared to approximately HK\$4.3 million for the corresponding period in 2023. Despite the fact that the Hong Kong stock market performance has remained subdued, our margin financing services have produced satisfactory results. For the six months ended 30 June 2024, an exclusion of approximately HK\$5.4 million from the fee income from the margin financing services on having adopted the expected credit loss (“ECL”) model on assessment of impairment (30 June 2023: HK\$3.8 million).

(b) *Money Lending and Other Secured Lending Services*

During the six months ended 30 June 2024, the Group recognised revenue of approximately HK\$3.5 million from money lending services, representing a decrease of approximately 30% compared to approximately HK\$5.0 million for the corresponding period in 2023. Our money lending services also include other secured lending services with secured charge or guarantees over different types of assets. During the six months ended 30 June 2024, the Group had successfully made three new corporate lending loans with secured charges to third party borrowers. There are two primary causes for the revenue reduction. These loans have not spanned the entire six-month reporting period and have a somewhat shorter reporting term due to the time differences. Furthermore, there are relative drops in the charging interest rates as well as the principal amount. The size of these loans is ranging from approximately HK\$3.5 million to HK\$16.5 million respectively. Each loan carries an interest rate that ranges from approximately 8% to 13% per year with a maximum borrowing period of 12 months. For the six months ended 30 June 2024, an exclusion of approximately HK\$2.4 million had been made for the fee income of money lending services on having adopted the ECL model on assessment of impairment (30 June 2023: HK\$2.1 million).

Placing and Underwriting Services

Our placing and underwriting services are generally offered to listed companies, placing agents, and/or the investors of listed companies on best effort basis for fund-raising activities. During the six months ended 30 June 2024, the Group participated in two underwriting services. The Group acted as a placing agent and completed two placements with total fund raising of approximately HK\$58 million. Revenue of approximately HK\$570,000 was recognized for six months ended 30 June 2024 (30 June 2023: HK\$26,000). The Group would anticipate more underwriting and placing activities as long as the stock market sentiment improves.

Management Discussion and Analysis

Business Review (continued)

Loss for the period

The Group recorded an unaudited net loss of approximately HK\$0.8 million for the six months ended 30 June 2024, as compared to an unaudited net profit of approximately HK\$0.3 million for the corresponding period in 2023. Such decrease was mostly attributable to impairment losses on trade and loan receivables of approximately HK\$4.6 million made during the period of six months ended 30 June 2024.

Outlook

In 2024, the Hong Kong stock market is showing signs of recovery, although uncertainties still linger. Despite this, Hong Kong's market maintains a strong historical foundation, a solid reputation, supportive policies, and a pool of highly skilled industry professionals, solidifying its global position. However, challenges persist, particularly concerning high borrowing costs in margin financing and securities lending that may impact the value of various assets. To counter these challenges, the Group is fortifying its financial position by diversifying revenue streams and expanding its client base across different segments as follows:-

Securities Brokerage Services

The Company is strategically positioned for growth and expansion in the securities brokerage business through various initiatives. First, the Company has initiated and planned to take over another securities brokerage's client base. The target candidate has an enriched client base, including high-net-worth individuals. The Company's client base will grow as a result of the proposed planning. The Company has organized and negotiated for the onboarding of the new clients, and talks are still going on. The projected takeover is planned to be completed in the second half of 2024.

Second, in order to take advantage of the new opportunities in the virtual asset market, a strategic partnership with another securities brokerage is underway. The Company will cooperate and make use of the Type 1 license for virtual asset dealing services held by another securities brokerage. If the strategic alliance comes to pass, the Company is expected to begin offering and referring brokerage services for virtual assets in the second half of 2024.

Securities-backed Lending Services

The Company intends to optimize fund utilization for enhanced lending operations and position itself for sustained growth, with consideration for further expanding margin amounts based on the financial position and cash balance. Under the current favorable market conditions, the Company plans to increase the margin amounts for actively trading clients, aiming to boost interest income through margin financing and money lending services. These facilities enable investors to leverage their investments for potentially higher returns.

Management Discussion and Analysis

Outlook (continued)

Placing and Underwriting Services

The Company is actively seeking opportunities as the underwriter and placing agent for the listed companies. Negotiations are underway for some potential share placements. Anticipating more active market turnover, the Company is optimistic about the share placement market for listed companies in 2024. Additionally, in response to growing demand from professional investors in corporate bonds, including municipal bonds in China, the Company has begun discussions with bond issuers for the bond placements.

Asset Management and Family Office Services

Another key focus lies in expanding the presence in asset management services. The Company is strategically expanding into asset management and family office activities following the Hong Kong government's initiatives outlined in the "Policy Statement on Developing Family Office Businesses in Hong Kong". According to the annual report of the Group in 2023, in order to broaden the business reach in the financial market, the Group is expected to expand into asset management services (Type 9 (Asset Management) licence of the Securities and Future Commission ("SFC")) in early 2024. To facilitate this expansion, a wholly-owned subsidiary, Pinestone Capital Asset Management Limited was established, with a Type 9 regulated activity license application being submitted in January 2024. It is expected that the Company will be granted the regulated license by the third quarter of 2024. The Company plans to offer a range of products and services including securities, private banking products, insurances, bonds, funds, and trust-related services. Revenue is expected from brokerage fees, management fees, and performance fees.

Looking ahead, the Group is poised to leverage its strengths and market opportunities to capitalize on the recovering Hong Kong stock market. By enhancing the asset management services and embracing new business drivers, we aim to not only weather uncertainties but also to position ourselves for sustainable growth and success in the evolving financial landscape.

Management Discussion and Analysis

Financial Review

Revenues

| | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|
| | 2024 (Unaudited) HK\$'000 | 2023 (Unaudited) HK\$'000 |
| Revenue from contracts with customers within the scope of HKFRS 15 | | |
| Commission income from securities brokerage services | 80 | 169 |
| Income from placing and underwriting services | 570 | 26 |
| Handling fee | 4 | 22 |
| | 654 | 217 |
| Revenue from others sources | | |
| – Interest income from margin financing services | 6,518 | 4,296 |
| – Interest income from money lending services | 3,543 | 4,967 |
| | 10,715 | 9,480 |

The Group's revenue is mainly derived from (i) commission income from securities brokerage services, (ii) interest income from securities-backed lending services, other secured lending services and (iii) placing and underwriting services.

Total revenue for the six months ended 30 June 2024 was approximately HK\$10.7 million (30 June 2023: HK\$9.5 million), representing an increase of approximately HK\$1.2 million or approximately 13% as compared to the same period in 2023.

Management Discussion and Analysis

Financial Review (continued)

Revenues (continued)

Such increase was mainly attributable to the increase in interest income from securities-backed lending services. During the reporting period of six months ended 30 June 2024, the Group had made a total exclusion of approximately HK\$7.8 million from the interest income of securities-backed lending services provided for the eight clients (“**Eight Clients**”) of the securities-back lending services who were unable to make their repayments because of severe losses since 2022 (30 June 2023: HK\$5.9 million) (Details of the Eight Clients have been disclosed in the Management Discussion and Analysis section (MD&A) of the Annual Report 2023). Interest income from securities-backed lending services increased by approximately 9% to approximately HK\$10.1 million for the six months ended 30 June 2024, as compared to approximately HK\$9.3 million for the six months ended 30 June 2023. Although interest income from money lending and other secured lending services decreased by HK\$1.4 million, to HK\$3.6 million on 30 June 2024 from HK\$5.0 million on 30 June 2023, this decline was compensated for by an increase in interest income from margin financing, which increased by HK\$2.2 million, to HK\$6.5 million on 30 June 2024 from HK\$4.3 million on 30 June 2023. Commission income from securities brokerage services recorded a decrease to approximately HK\$80,000 for the six months ended 30 June 2024 (30 June 2023: HK\$169,000). For the six months ended 30 June 2024, the Group recorded revenue of HK\$570,000 from the placing and underwriting services, which was contributed by two placements (30 June 2023: HK\$26,000).

Employee Benefits Expenses

For the six months ended 30 June 2024, the Group recorded approximately HK\$3.0 million employee benefit expenses, a decrease of approximately HK\$2.5 million as compared to the corresponding period of 2023 (30 June 2023: HK\$5.5 million). Employee benefits expenses include staff salaries and allowances and benefits, directors’ emoluments and contribution to defined contribution retirement scheme. The decrease was mostly due to a few senior staff and directors who had left the Company in 2023. As at 30 June 2024, the Group had 18 employees (30 June 2023: 14 employees).

Management Discussion and Analysis

Financial Review (continued)

Other Operating Expenses

At approximately HK\$2.9 million, other operating expenses represented approximately 40% of the total expenses during the six months ended 30 June 2024 (six months ended 30 June 2023: HK\$2.4 million accounted for approximately 30%). Total operating expenses for the six months ended 30 June 2024 was approximately HK\$11.6 million, compared to approximately HK\$8.4 million for the six months ended 30 June 2023. The increase in total operating expenses was attributable to the inclusion of approximately HK\$4.6 million impairment losses on trade and loans receivable incurred during the period of six months ended 30 June 2024.

Income Tax Expense

No Income tax expense is provided for the six months ended 30 June 2024 (six months ended 30 June 2023: HK\$0.7 million).

(Loss)/Profit for the period

| | Six months ended 30 June | |
|---|--------------------------|-------------|
| | 2024 | 2023 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| (Loss)/Profit for the period | (806) | 340 |
| Reconciled (Loss)/profit for the period | (806) | 340 |

The Group recorded an unaudited net loss of approximately HK\$0.8 million for the six months ended 30 June 2024, as compared to an unaudited net profit of approximately HK\$0.3 million for the corresponding period in 2023. Such decrease was mostly attributable to impairment losses on trade and loan receivables of approximately HK\$4.6 million made during the period. If excluding this amount of exceptional impairment losses, the Group would have recorded an adjusted net profit of approximately HK\$3.8 million for the six months ended 30 June 2024 compared to a net profit of HK\$340,000 for the six months ended 30 June 2023.

Management Discussion and Analysis

Liquidity and Financial Resources and Capital Structure

The Group financed its operations mostly by cash generated from operations.

Liquidity and Financial Resources

| | As at 30 June 2024 (Unaudited) HK\$'000 | As at 31 December 2023 (Audited) HK\$'000 |
|---|--|---|
| Current assets | 160,777 | 162,011 |
| Current liabilities | 5,087 | 5,976 |
| Current ratio (<i>times</i>) (Note i) | 31.61 | 27.11 |
| Gearing ratio (<i>percentage</i>) (Note ii) | 0.07 | 0.37 |

Notes:

- (i) Current ratio is calculated as current assets divided by current liabilities.
- (ii) Gearing ratio is calculated by lease liabilities (including current and non-current lease liabilities) over total equity x 100%.

The Group recorded a current ratio of approximately 31.6 times as at 30 June 2024 (31 December 2023: 27.1 times).

As of 30 June 2024, the Group maintained a healthy cash and bank balances amounted to approximately HK\$12.7 million (31 December 2023: HK\$23.4 million). The Group carried lease liabilities of approximately HK\$0.1 million (31 December 2023: HK\$0.6 million).

Management Discussion and Analysis

Liquidity and Financial Resources and Capital Structure (continued)

Liquidity and Financial Resources (continued)

As of 30 June 2024, the Group had remained at a low gearing ratio of approximately 0.07% (31 December 2023: 0.37%).

During the period under review, the Group's operations, capital expenditure and other capital requirements were funded by internal operations and general working capital.

The Directors are of the view that as of the date of this report, the Group's financial resources are sufficient to support and sustain its business and operations. Notwithstanding this, the Group may consider other financing activities when appropriate opportunities arise.

Foreign Currency Exposure

The Group's reporting currency is Hong Kong dollar. During the six months ended 30 June 2024, the Group's transactions were denominated in Hong Kong dollars ("HK\$"). The Group had no material exposure to foreign currency risk.

Contingent Liabilities

As at 30 June 2024 and 31 December 2023, the Group did not have any material contingent liabilities.

Events after the Reporting Period

The Directors are not aware of any significant event requiring disclosure that have been taken place subsequent to 30 June 2024 and up to the date of this report.

Significant Investments

The Group did not acquire or hold any significant investment during the period under review.

Pledge of Assets

As at 30 June 2024 and 31 December 2023, the Group did not pledge any of its assets.

Capital Commitments

As at 30 June 2024 and 31 December 2023, the Group did not have any significant capital commitments.

Other Information

Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 30 June 2024, none of the Directors and chief executive of the Company has any interest or short position in the shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company and the Stock Exchange pursuant to the Model Code for securities transactions by Directors of listed issuers.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed under the sections headed "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" above and "Share Option Scheme" below, at no time during the period for the six months ended 30 June 2024 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors and chief executives of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

As at 30 June 2024, substantial shareholders (not being the Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Other Information

Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company (continued)

Long positions in the ordinary shares of the Company:

| Name of shareholders | Capacity and nature of interest | Notes | Total number | Approximate percentage of the total issued share capital of the Company (%) |
|--------------------------------|------------------------------------|-------|--------------|---|
| Ultimate Vantage Group Limited | Directly beneficially owned | 1 | 96,836,250 | 23.85 |
| Mr. Hong Zhaohong | Interest of controlled Corporation | 1 | 96,836,250 | 23.85 |

Note:

1. Ultimate Vantage Group Limited is 100% owned by Mr. Hong Zhaohong, who is the sole beneficial owner of 96,836,250 shares out of the total issued 406,070,100 shares in the Company. Mr. Hong Zhaohong is deemed to own approximately 23.85% of the issued shares of the Company.

Save as disclosed above, the Directors and chief executives of the Company are not aware that there is any party who, as at 30 June 2024, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

Purchase, Sale or Redemption of the Listed Shares of the Company

During the period of six months ended 30 June 2024, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares (six months ended 30 June 2023: nil shares).

Other Information

Employees and Remuneration Policy

As at 30 June 2024, the Group had 18 employees (30 June 2023: 14) in total. The Group's remuneration policy is based on the relevant director or member of senior management's duties, responsibilities, experiences, skills, time commitment, performance of our Group and are made with reference to those paid by comparable companies. Our employees are remunerated with monthly salaries and discretionary bonuses based on individual performance, market performance, our Group's profit as a whole and comparable market levels. Apart from salary payments, other staff benefits include provident fund contributions, medical insurance coverage, other allowances and benefits. The Group has hired four more employees to draw in more business with our current offerings and expand our services.

Share Option Scheme

The Share Option Scheme is a share incentive scheme and is established to (i) motivate the Eligible Participants (including employees, executives, officers and directors of the Group, and any advisors, consultants, agents, customers, and such other persons who, in the sole opinion of the board of directors, will contribute or have contributed to the Group) for the benefit of the Group; and (ii) attract and retain or otherwise, maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group. The Share Option Scheme was adopted by passing a resolution of the shareholders of the Company with effective on 22 May 2015. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of commencing on the listing date, (i.e. 12 June 2015) and ending on the tenth anniversary of the listing date. No share option has been granted to any eligible participants under the Share Option Scheme since its adoption.

Corporate Governance

The Company has complied with Chapter 13 of the Listing Rules, rules 13.13, and rule 13.14, and neither has made any advances to affiliated parties nor to linked entities. In addition, pursuant to the Listing Rule 13.17, our major shareholder has not pledged any of the shares of the Company during the financial period under review.

All the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange of Hong Kong Limited were satisfied by the Company during the financial period under review.

Other Information

Directors' Securities Transactions

The Company has adopted in a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") in Appendix 10 of the Listing Rules (the "**Required Standard of Dealings**").

Each Director has acknowledged that they complied with the Required Standard of Dealings throughout the reporting period and up to the date of this report. During such period, there have been no incidents of non-compliance that have been reported to the Company.

Competing Interests

As at 30 June 2024, none of the Directors, substantial Shareholders and their respective associates (as defined in the Listing Rules) has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Audit Committee

In accordance with Appendix 16 of the Listing Rules and code section C.3.3 of the Corporate Governance Code, the Audit Committee has been formed and its written terms of reference have been established. Currently, the Audit Committee has three members in total, all of whom are independent non-executive Directors. Its chairman, Mr. Cheng Man Pan is a Certified Public Accountant, and a member, Mr. Wong Chun Peng Stewart, is a qualified lawyer. The other participant is Mr. Lau Kelly. The Audit Committee's main responsibilities include oversight of the Company's financials, the audit process, the Company's system of internal controls and compliance with laws and regulation. Pursuant to C.3.3 of the Code on Corporate Governance Practices, the Audit Committee had reviewed the unaudited condensed consolidated results of the Group for the six months ended 30 June 2024 and confirmed that the preparation of such complied with applicable accounting standards and practices adopted by the Company and the requirements of the Stock Exchange, and adequate disclosure had been made.

Other Information

Board of Directors

As of the date of this report, the directors of the Company are:

Executive Directors:

Mr. Zhu Zheping

Mr. Lee Chun Tung

Mr. Yan Ximao

Non-executive Director:

Mr. Yau Tung Shing

Independent Non-executive Directors:

Mr. Lau Kelly

Mr. Wong Chun Peng Stewart

Mr. Cheng Man Pan

By Order of the Board of
PINESTONE CAPITAL LIMITED

Lee Chun Tung
Executive Director

Hong Kong, 15 August 2024

