

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

PineStone 鼎石

Pinestone Capital Limited

鼎石資本有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 804)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

The Board of Directors (the “**Board**”) of Pinestone Capital Limited (the “**Company**”) is pleased to announce the unaudited results of the Company and its subsidiaries (together referred to as the “**Group**”) for the six months ended 30 June 2020. This announcement, containing the full text of the 2020 interim report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of interim results.

By order of the Board
Pinestone Capital Limited
Cheung Yan Leung Henry
Chairman

Hong Kong, 19 August 2020

As at the date of this announcement, the Board comprises Mr. Cheung Yan Leung Henry and Mr. Cheung Jonathan as executive Directors, Mr. Yeung King Wah, Mr. Lai Tze Leung, George and Mr. So Stephen Hon Cheung as independent non-executive Directors of the Company.

Financial Highlights

- The Group recorded an unaudited revenue of approximately HK\$17.8 million for the six months ended 30 June 2020, representing an increase of approximately HK\$4.5 million or 34% compared to approximately HK\$13.3 million for the six months ended 30 June 2019.
- The Group recorded an unaudited profit attributable to the owners of the Company of approximately HK\$3.7 million for the six months ended 30 June 2020, which was approximately 12% higher than the corresponding period in 2019 (30 June 2019: HK\$3.3 million).
- The basic and diluted earnings per share for the six months ended 30 June 2020 were HK 0.08 cents (30 June 2019: HK 0.07 cents).
- The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2020 (30 June 2019: HK 0.1 cents).

Unaudited Condensed Consolidated Interim Results for the Six Months Ended 30 June 2020

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 2020, together with the comparative unaudited figures for the corresponding period in 2019, as follows:

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
REVENUE	4	17,813	13,284
Other income	6	50	4
Commission and related expenses		(6,099)	(62)
Employee benefit expenses		(3,151)	(3,188)
Depreciation		(1,018)	(1,020)
Other operating expenses		(2,900)	(4,486)
Finance costs	8	(69)	(83)
PROFIT BEFORE INCOME TAX	7	4,626	4,449
Income tax expense	9	(959)	(1,147)
PROFIT FOR THE PERIOD		3,667	3,302
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		–	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		3,667	3,302
		HK cents	HK cents
EARNINGS PER SHARE			
Basic and diluted	11	0.08	0.07

Condensed Consolidated Statement of Financial Position

As at 30 June 2020

		As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		2,718	3,725
Intangible asset		500	500
Statutory deposits placed with stock exchange and clearing house		1,205	1,205
Deferred tax assets		2,647	2,647
		7,070	8,077
Current assets			
Trade receivables	13	123,909	174,626
Loans receivable		66,081	34,229
Other receivables, deposits and prepayments		7,035	1,173
Tax recoverable		–	487
Trust bank balances held on behalf of customers	14	4,532	6,140
Cash and bank balances		29,499	29,212
		231,056	245,867
Current liabilities			
Trade payables	15	7,458	8,193
Other payables and accruals		7,007	581
Lease liabilities		2,065	2,025
Tax payable		1,742	75
		18,272	10,874
Net current assets		212,784	234,993
Total assets less current liabilities		219,854	243,070

Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	<i>Notes</i>	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Non-current liabilities			
Lease liabilities		703	1,745
		703	1,745
Net assets		219,151	241,325
CAPITAL AND RESERVES			
Share capital	16	4,512	4,710
Reserves		214,639	236,615
Total equity		219,151	241,325

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Share Capital HK\$'000	Share Premium* HK\$'000	Treasury Shares* HK\$'000	Capital Reserves* HK\$'000	(Accumulated losses)/ Retained profits* HK\$'000	Total HK\$'000
Six months ended 30 June 2019						
(unaudited)						
At 1 January 2019	4,910	217,210	-	(4,866)	54,075	271,329
Profit for the period	-	-	-	-	3,302	3,302
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	3,302	3,302
Transaction with owners:						
Repurchase of shares	-	-	(1,105)	-	-	1,105
At 30 June 2019	4,910	217,210	(1,105)	(4,866)	57,377	273,526
Six months ended 30 June 2020						
(unaudited)						
At 1 January 2020	4,710	187,031	(1,959)	(4,866)	56,409	241,325
Profit for the period	-	-	-	-	3,667	3,667
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	3,667	3,667
Transaction with owners:						
Repurchase of shares (Note 16)	-	-	(25,841)	-	-	(25,841)
Cancellation of shares purchased (Note 16)	(198)	(27,602)	27,800	-	-	-
At 30 June 2020	4,512	159,429	-	(4,866)	60,076	219,151

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Net cash from operating activities	27,210	3,659
Net cash (used in)/from investing activities	(11)	4
Net cash used in financing activities	(26,912)	(2,169)
Net increase in cash and cash equivalents	287	1,494
Cash and cash equivalents at beginning of period	29,212	22,547
Cash and cash equivalents at end of period	29,499	24,041
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	29,499	24,041

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 PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business is located at Unit 1506, 15th Floor, Wheelock House, 20 Pedder Street, Central, Hong Kong.

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

The Company’s parent is HCC & Co Limited (“**HCC & Co**”), a limited liability company incorporated in the British Virgin Islands. In the opinion of the directors, HCC & Co 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 19 August 2020.

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 2020 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 2019.

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 2019, 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 2019 annual financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

3. Changes in HKFRSs

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 16	Covid-19 – Related Rent Concessions
Conceptual Framework for Financial Reporting (Revised)	

The new or amended HKFRSs that are effective from 1 January 2020 did not have significant impact on the Group's accounting policies.

Amendments to HKFRS 3 Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process". Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions. An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKFRS 7, HKFRS 9 and HKAS 39 Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRSs and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Notes to the Condensed Consolidated Interim Financial Statements

3. Changes in HKFRSs (continued)

Amendments to HKFRS 16 Covid-19 – Related Rent Concessions

Effective 1 June 2020, HKFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

- (a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) The reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) There is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in HKFRS 16 in accounting for the concession. The Group has no rental concessions during the six months ended 30 June 2020.

Conceptual Framework for Financial Reporting (Revised)

The revised Framework is not a Standard nor an Accounting Guideline. It does not override any Standard, any requirement in a Standard or Accounting Guideline. The revised Framework includes: new chapters on measurement and reporting financial performance; new guidance on derecognition of assets and liabilities; updated definitions of asset and liability; and clarifications in the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Notes to the Condensed Consolidated Interim Financial Statements

4. Revenue

The Group is principally engaged in the provision of securities brokerage services, securities-backed 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	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15 (<i>Note</i>)		
– Commission income from securities brokerage services	584	244
– Income from placing and underwriting services	6,558	–
– Handling fee income	212	15
	7,354	259
Revenue from other sources		
– Interest income from securities-backed lending services	10,459	13,025
	17,813	13,284

Note: Revenue from contracts with customers derived by the Group for the six months ended 30 June 2020 amounting to HK\$7,354,000 (six months ended 30 June 2019: HK\$259,000) 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	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Customer I	6,145	N/A
Customer II	N/A	1,568
Customer III	N/A	1,317

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	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Bank interest income	–	4
Others	50	–
	50	4

7. Profit Before Income Tax

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

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Auditor's remuneration	307	296

8. Finance Costs

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Interest on lease liabilities	69	83

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	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Current tax – Hong Kong Profits Tax	959	1,147

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 2020 (30 June 2019: HK 0.1 cents).

11. Earnings Per Share

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

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Earnings		
Profit for the period attributable to owners of the Company	3,667	3,302
	Number of shares (thousands)	
Weighted average number of ordinary shares		
Weighted average number of ordinary shares in issue during the period	4,549,657	4,909,677

Notes to the Condensed Consolidated Interim Financial Statements

11. Earnings Per Share (continued)

The weighted average number of ordinary shares used for the purposes of calculating the basic earnings per share for the six months ended 30 June 2020 is based on the weighted average number of shares in issue during the period.

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.

12. Property, Plant and Equipment

During the six months ended 30 June 2020, the Group incurred around \$11,000 on acquisition of property, plant and equipment (six months ended 30 June 2019: nil).

13. Trade Receivables

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Trade receivables arising from securities dealing and margin financing (note a)	–	–
– Margin clients (note b)	128,557	189,253
– Clearing House (note c)	1,052	1
	129,609	189,254
Less: Loss allowance	(5,700)	(14,628)
	123,909	174,626

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.

Notes to the Condensed Consolidated Interim Financial Statements

13. Trade Receivables (continued)

Notes: (continued)

(b) (continued)

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.

(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.

14. 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.

15. Trade Payables

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Trade payables arising from securities dealing:		
– Cash clients	861	1,181
– Margin clients	3,665	4,648
– Clearing house	2,932	2,364
	7,458	8,193

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 2020 and 31 December 2019 included balances payable to certain related parties. Further details of these balances are set out in note 19.

Notes to the Condensed Consolidated Interim Financial Statements

16. Share Capital

Authorised and issued shares

	Par value HK\$	Number of ordinary shares	Amount HK\$'000
Authorised:			
At 1 January 2019, 31 December 2019 and 30 June 2020	0.001	500,000,000,000	500,000
	Par value HK\$	Number of shares	Amount HK\$'000
Issued and fully paid:			
At 1 January 2019	0.001	4,910,000,000	4,910
Cancellation of shares repurchased	0.001	(199,510,000)	(200)
At 31 December 2019 and 1 January 2020	0.001	4,710,490,000	4,710
Cancellation of shares repurchased	0.001	(198,600,000)	(198)
At 30 June 2020		4,511,890,000	4,512

Treasury shares

		Number of ordinary shares	Amount HK\$'000
At 1 January 2019		–	–
Repurchase of shares		212,510,000	32,338
Cancellation of shares repurchased		(199,510,000)	(30,379)
At 31 December 2019 and 1 January 2020		13,000,000	1,959
Repurchase of shares		185,600,000	25,841
Cancellation of shares repurchased		(198,600,000)	(27,800)
At 30 June 2020		–	–

During the six months ended 30 June 2020, the Company repurchased an aggregate of 185,600,000 (six months ended 30 June 2019: 12,370,000) of its own shares on the Stock Exchange at total consideration plus transaction costs of HK\$25,841,000 (six months ended 30 June 2019: HK\$1,105,000). All of these repurchased shares together with the treasury shares held as at 31 December 2019 were cancelled during the period.

Upon cancellation of the 198,600,000 repurchased shares, the number of issued ordinary shares of the Company was reduced from 4,710,490,000 to 4,511,890,000. Of the repurchase costs amounting to HK\$27,800,000, an amount of HK\$198,000 representing the par value of shares being cancelled.

Notes to the Condensed Consolidated Interim Financial Statements

17. Commitments

Capital commitments

The Group did not have any material capital commitments as at 30 June 2020 (31 December 2019: nil).

18. Contingent Liabilities

As at 30 June 2020, the Group did not have any significant contingent liabilities (31 December 2019: Nil).

19. Related Party Transactions

The Group has the following significant transactions with related parties.

- (a) During the period, the Group entered into the following significant transactions with related parties:

Name of related party	Related party relationship	Type of transaction	Transaction amount	
			Six months ended	
			30 June 2020 HK\$'000	2019 HK\$'000
Mr. Cheung Yan Leung Henry	Director	Brokerage income	3	2
Mr. Wong Wing Shing	Senior Management	Brokerage income	2	1
Snail Capital Limited [#]	Company controlled by a director of the Company	Brokerage income	8	-
HCC & Co Limited [^]	Ultimate holding Company	Brokerage income	8	-

[#] Mr. Cheung Jonathan has equity interest in Snail Capital Limited.

[^] Mr. Cheung Yan Leung Henry has equity interest in HCC & Co Limited.

Notes to the Condensed Consolidated Interim Financial Statements

19. Related Party Transactions (continued)

- (b) At the end of the reporting period, the Group had the following balances with related parties:

Balances due to the directors and person connected with directors arising from securities dealing transactions included in trade payables (note 15).

Name of related party	Related party relationship	As at	As at
		30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Mr. Cheung Yan Leung Henry	Director	157	333
Mr. Cheung Jonathan	Director	313	313

(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	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Salaries, allowances and other benefits	2,441	2,345
Contributions to defined contribution retirement plan	42	43
	2,483	2,388

Management Discussion and Analysis

Business Review

The Group is principally engaged in providing bespoke services encompassing securities brokerage, securities-backed 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 as well as income from placing and underwriting services.

In the first half of 2020, Hong Kong's economy has been adversely affected by the outbreak of the COVID-19 pandemic and the growing tension between China and the U.S.. The Hang Seng Index ("**HSI**") recorded a decrease of 3,762 points or approximately 13% to close at 24,427 points on 30 June 2020 from the close of the HSI 28,189 points on 30 December 2019 and remains volatile in the midst of uncertainties going into the second half of 2020.

Securities Brokerage Services

Commission income from our securities brokerage services was approximately HK\$0.6 million for the six months ended 30 June 2020, representing an increase of approximately 200% from approximately HK\$0.2 million for the six months ended 30 June 2019.

Securities-backed Lending Services

Securities-backed lending services continued to be our main source of income. During the first six months ended 30 June 2020, interest income from securities-backed lending services decreased to approximately HK\$10.5 million, compared to approximately HK\$13.0 million recorded for the corresponding period in 2019.

(a) *Margin Financing Services*

During the six months ended 30 June 2020, interest income from margin financing services decreased to approximately HK\$7.3 million, compared to approximately HK\$11.9 million for the corresponding period in 2019.

(b) *Money Lending Services*

During the six months ended 30 June 2020, the Group recognised revenue of approximately HK\$3.2 million from money lending services, compared to approximately HK\$1.1 million for the corresponding period in 2019.

Management Discussion and Analysis

Business Review (continued)

Placing and Underwriting Services

Our placing and underwriting services are generally offered to listed companies, placing agents and/or the investors of listed companies. The Group recognized revenue of approximately HK\$6.6 million from placing and underwriting services for the six months ended 30 June 2020, whereas no income from placing and underwriting services was derived in the corresponding period of 2019.

Profit for the period

The Group's condensed consolidated profit for the six months ended 30 June 2020 was approximately HK\$3.7 million (six months ended 30 June 2019: HK\$3.3 million), representing approximately 12% increase over the corresponding period in 2019. Such increase was mostly attributable to the increase in revenue and the absence of non-recurrent operating expenses incurred in the corresponding period of 2019.

Outlook

The first half of 2020 has been challenging for the global economy amidst the unprecedented COVID-19 pandemic. Along with the growing tension between China and the U.S., the market has been weak and volatile. The Group has continued to manage our positions prudently and recorded solid growth in our businesses. The Group will continue to prudently grow our business while closely monitoring the underlying risk in this uncertain environment. The Group will strive to expand our current revenue streams, strengthen our market positions, improve our financial positions, and explore strategic opportunities to position the Group for long term sustainable growth in the future.

On behalf of the Directors, I would like to take this opportunity to express my sincere gratitude to the Group's shareholders, business partners, clients, and our management and staff members for their continuous support.

Management Discussion and Analysis

Financial Review

Revenues

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Commission income from securities brokerage services	584	244
Income from placing and underwriting services	6,558	–
Handling fee	212	15
	7,354	259
Revenue from others sources		
Interest income from securities-backed lending services	10,459	13,025
	17,813	13,284

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

Total revenue for the six months ended 30 June 2020 was approximately HK\$17.8 million (30 June 2019: HK\$13.3 million), representing an increase of approximately HK\$4.5 million or approximately 34% compared to the same period in 2019. The growth was mainly attributable to the increase in income from placing and underwriting services. Commission income from securities brokerage services increased to approximately HK\$0.6 million for the six months ended 30 June 2020, representing an increase of approximately 200% from approximately HK\$0.2 million for the six months ended 30 June 2019. Interest income from securities backed lending services declined to approximately HK\$10.5 million, as compared to approximately HK\$13.0 million for the six months ended 30 June 2019. For the placing and underwriting services, the Group generated income of approximately HK\$6.6 million in the six months ended 30 June 2020, whereas no income from placing and underwriting services was generated for the six months ended 30 June 2019.

Management Discussion and Analysis

Financial Review (continued)

Employee benefits expenses

The Group's employee benefits expenses have remained relatively stable. For the six months ended 30 June 2020, the Group recorded approximately HK\$3.2 million employee benefit expenses (30 June 2019: HK\$3.2 million). Employee benefits expenses include staff salaries and allowances and benefits, directors' emoluments and contribution to defined contribution retirement scheme.

Other operating expenses

At approximately HK\$2.9 million, other operating expenses represented approximately 22% of the total expenses during the six months ended 30 June 2020 (30 June 2019: HK\$4.5 million). The decrease in other operating expenses is due to the absence of non-recurring operating expenses of approximately HK\$1.7 million incurred in the corresponding period of 2019.

Income tax expense

Income tax expense has remained relatively stable compared to the corresponding period in the prior year. Income tax expense for the six months ended 30 June 2020 were approximately HK\$1.0 million (six months ended 30 June 2019: HK\$1.1 million).

Profit for the period

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	3,667	3,302
Reconciled profit for the period	3,667	3,302

The Group recorded profit of approximately HK\$3.7 million, which was approximately 12% higher than the corresponding period in 2019 (six months ended 30 June 2019: HK\$3.3 million). Such increase was mostly attributable to an increase in revenue and the absence of non-recurrent operating expenses of approximately HK\$1.7 million incurred in the corresponding period of 2019.

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 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Current assets	231,056	245,867
Current liabilities	18,272	10,874
Current ratio (<i>times</i>) (Note i)	12.6	22.6
Interest Coverage (<i>times</i>) (Note ii)	68.0	54.6
Gearing ratio	1%	2%

Notes:

- (i) Current ratio is calculated as current assets divided by current liabilities.
- (ii) Interest coverage is calculated as profit before interest and taxes divided by interest expense.
- (iii) Gearing ratio is calculated as total debt divided by shareholders' equity x 100%.

The Group recorded a current ratio of approximately 12.6 times as at 30 June 2020 (31 December 2019: 22.6 times).

As at 30 June 2020, the Group's cash and bank balances amounted to approximately HK\$29.5 million (31 December 2019: HK\$29.2 million). The Group carried long-term liabilities of approximately HK\$0.7 million (31 December 2019: HK\$1.7 million).

As at 30 June 2020, overall debt of the Group are approximately HK\$2.8 million (31 December 2019: HK\$3.8 million). With an equity base of HK\$219.2 million, the Group has gearing ratio of approximately 1% (31 December 2019: 2%). Please refer to Note (iii) to the liquidity and financial resources and capital structure above for further information.

Management Discussion and Analysis

Liquidity and Financial Resources and Capital Structure (continued) Liquidity and Financial Resources (continued)

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 this date, 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 2020, 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 2020 and 31 December 2019, the Group did not have any material contingent liabilities.

Events after the Reporting Period

Up to the date of results announcement and interim report issuance, there was no significant event relevant to the business or financial performance of the Group that come to the attention of the Directors after the six months ended 30 June 2020.

Significant Investments

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

Pledge of Assets

As at 30 June 2020 and 31 December 2019, the Group did not pledge any of its assets.

Capital Commitments

As at 30 June 2020 and 31 December 2019, 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 2020, the Directors and chief executives of the Company and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

Long positions in the ordinary shares of the Company:

Name of directors	Number of the shares interested and nature of interest			Approximate percentage of the total issued share capital of the Company (%)
	Personal	Corporate	Total	
Cheung Yan Leung Henry (Note 1)	–	1,572,000,000	1,572,000,000	34.8
Cheung Jonathan (Note 2)	–	802,000,000	802,000,000	17.8

Notes:

1. The interests disclosed includes 1,572,000,000 Shares of the Company beneficially held by HCC & Co. Limited ("HCC"), which is wholly owned by Mr. Cheung Yan Leung Henry.
2. The interests disclosed includes 802,000,000 Shares of the Company beneficially held by Snail Capital Limited ("SCL"), which is wholly owned by Mr. Cheung Jonathan.

Save as disclosed above, as at 30 June 2020, none of the Directors and chief executives of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and debentures of the Company and/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 under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or to the Model Code of the Listing Rules.

Other Information

Directors' Rights to Acquire Shares or Debentures

Save as disclosed under the sections headed "Directors' Interests in shares and underlying shares" above and "Share Option Scheme" below, at no time during the period for the six months ended 30 June 2020 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 2020, 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:

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 (%)
HCC	Directly beneficially owned	1	1,572,000,000	34.8
SCL	Directly beneficially owned	2	802,000,000	17.8

Notes:

- HCC is 100% owned by Mr. Cheung Yan Leung Henry, who is the beneficial owner of 1,572,000,000 shares in the Company. Mr. Cheung Yan Leung Henry owned approximately 34.8% of the issued shares of the Company.
- SCL is 100% owned by Mr. Cheung Jonathan, who is the beneficial owner of 802,000,000 shares in the Company. Mr. Cheung Jonathan owned approximately 17.8% of the issued shares of the Company.

Other Information

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

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 2020, 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 six months ended 30 June 2020, the Company repurchased an aggregate of 185,600,000 (six months ended 30 June 2019: 12,370,000) of its own shares on the Stock Exchange at total consideration plus transaction costs of HK\$25,841,000 (for the six months ended 30 June 2019: HK\$1,105,000). All of these repurchased shares during the period ended 30 June 2020 were cancelled during the period (six months ended 30 June 2019: All repurchased shares were subsequently cancelled in July 2019).

Except as disclosed above, during the period of six months ended 30 June 2020, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

Employees and Remuneration Policy

As at 30 June 2020, the Group had 13 staff (30 June 2019: 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.

Other Information

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 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 10 years from the date of its adoption. No share option has been granted to any eligible participants under the Share Option Scheme since its adoption.

Corporate Governance

Pursuant to Chapter 13 of the Listing Rules, rules 13.13, and 13.14, the Company has complied with and does not have advances to any entity nor advances to affiliated companies. In addition, pursuant to the Listing Rule 13.17, our major shareholders have 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 met by the Company.

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**”).

Having made specific enquiries of all the Directors, each of them have confirmed that they have complied with the Required Standard of Dealings throughout the reporting period and up to the date of this report. The Company has not been notified by any incident of non-compliance during such period.

Competing Interests

As at 30 June 2020, 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.

Other Information

Audit Committee

The Audit Committee has been established with written terms of reference in compliance with Appendix 16 of the Listing Rules and code provision C.3.3 of the Corporate Governance Code. The Audit Committee currently comprises a total of three members, all of whom are independent non-executive Directors. Two members are Certified Public Accountants including the chairman, Mr. Yeung King Wah. The other members are Mr. Lai Tze Leung George and Mr. So Stephen Hon Cheung respectively. The primary duty of the Audit Committee is to review and supervise the Company's financial reporting process, the internal control systems of the Group and the monitoring of continuing connected transactions. 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 2020 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.

Board of Directors

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

Executive Directors:

Mr. Cheung Yan Leung Henry
Mr. Jonathan Cheung

Independent Non-executive Directors:

Mr. Yeung King Wah
Mr. Lai Tze Leung George
Mr. So Stephen Hon Cheung

By Order of the Board of
PINESTONE CAPITAL LIMITED
Cheung Yan Leung Henry
Chairman

Hong Kong, 19 August 2020