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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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2021, the Group's revenue amounted to a total of approximately HK\$25.0 million, representing a decrease of approximately 21% compared to approximately HK\$31.8 million in 2020. The decrease was mainly driven by the decrease of income generated from the placing and underwriting services. Commission income from the securities brokerage services decreased to HK\$0.5 million in 2021, compared to HK\$1.4 million as at 31 December 2020. Income generated from securities-backed lending services increased to HK\$24.2 million, representing an increase of approximately 3% from approximately HK\$23.6 million in 2020. The Group recorded an income of approximately HK\$83,000 from placing and underwriting services as compared to an income of approximately HK\$6.8 million in 2020.
- For the year ended 31 December 2021, loss before income tax decreased to HK\$5.1 million, compared to a loss before income tax of approximately HK\$19.3 million in 2020. Net loss for the year ended 31 December 2021 was HK\$4.9 million, compared to a net loss of HK\$18.8 million in 2020. The loss was mostly attributable to an impairment loss of approximately HK\$12.5 million in respect of trade and loans receivables made related to securities-backed lending services during the year 2021.
- If excluding the impairment loss of approximately HK\$12.5 million, the Group would have recorded a net profit of approximately of HK\$7.4 million for the year ended 31 December 2021.
- Basic loss per share was HK0.11 cents for the year ended 31 December 2021, compared to basic loss per share of HK0.42 cents for the year ended 31 December 2020.
- The Directors do not recommend the payment of final dividend for the year ended 31 December 2021.

CONSOLIDATED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The board of directors (the “**Board**”) of Pinestone Capital Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred as the “**Group**”) for the year ended 31 December 2021 together with the comparative figures for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	5	24,973	31,808
Other income		44	60
Commission and fee expenses		–	(6,084)
Employee benefit expenses		(9,309)	(6,820)
Depreciation	6	(1,953)	(2,036)
Impairment losses on trade and loans receivables, net	<i>10&11</i>	(12,499)	(31,314)
Other operating expenses		(6,295)	(4,808)
Finance costs		(67)	(117)
Loss before income tax	6	(5,106)	(19,311)
Income tax credit	7	173	483
Loss for the year		(4,933)	(18,828)
Other comprehensive income for the year		–	–
Total comprehensive income for the year		(4,933)	(18,828)
		<i>HK cents</i>	<i>HK cents</i>
Loss per share			
Basic and diluted	9	(0.11)	(0.42)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		2,925	1,740
Intangible asset		500	500
Statutory deposits placed with stock exchange and clearing house		205	1,205
Deferred tax assets		3,905	3,741
		<u>7,535</u>	<u>7,186</u>
Current assets			
Trade receivables	<i>10</i>	91,007	96,581
Loans receivable	<i>11</i>	51,321	50,609
Other receivables, deposits and prepayments		598	1,200
Tax recoverable		661	1,689
Trust bank balances held on behalf of customers		2,598	4,169
Cash and bank balances		45,580	66,868
		<u>191,765</u>	<u>221,116</u>
Current liabilities			
Trade payables	<i>12</i>	2,851	28,311
Other payables and accruals		2,215	1,077
Lease liabilities		924	1,745
Tax payable		–	513
		<u>5,990</u>	<u>31,646</u>
Net current assets		<u>185,775</u>	<u>189,470</u>
Total assets less current liabilities		<u>193,310</u>	<u>196,656</u>
Non-current liabilities			
Lease liabilities		1,587	–
		<u>1,587</u>	<u>–</u>
Net assets		<u>191,723</u>	<u>196,656</u>
CAPITAL AND RESERVES			
Share capital	<i>13</i>	4,512	4,512
Reserves		187,211	192,144
Total equity		<u>191,723</u>	<u>196,656</u>

NOTES TO THE 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 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 Room 1807, 18/F., China Resources Building, 26 Harbour Road, Wanchai, 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 (“**BVI**”). In the opinion of the directors, HCC & Co is also the ultimate parent of the Company.

The financial statements for the year ended 31 December 2021 were approved and authorised for issue by the directors on 28 March 2022.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with all Hong Kong Financial Reporting Standards (“**HKFRS**”) which collective term includes individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The financial statements have been prepared under the historical cost basis.

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

All values are rounded to the nearest thousand except otherwise indicated.

3. ADOPTION OF NEW OR REVISED HKFRS

(a) Adoption of new or revised HKFRS – effective 1 January 2021

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2021:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – IBOR 'phase 2'
Amendment to HKFRS 16	Covid-19-Related Rent Concessions

These new or amended HKFRSs, that are effective from 1 January 2021 did not have any significant impact on the Group's accounting policies.

(b) New or revised HKFRS that have been issued but are not yet effective

The following new or revised HKFRS potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group:

Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ¹
Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	Annual Improvements to HKFRSs 2018-2020 ¹
Amendments to HKFRS 3	References to Conceptual Framework ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction ²
HK Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for annual periods beginning on or after 1 January 2023.

The directors of the Company anticipate that all of the relevant pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Amendments to HKAS 16 Property, Plant and Equipment: Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

Annual Improvements to HKFRSs 2018-2020

The amounts issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include the followings:

Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standard

Amendments to HKFRS 1 permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRS.

Amendments to HKFRS 9 Financial Instruments

Amendments to HKFRS 9 clarify the fees included in the '10 percent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

Amendments to HKFRS 16 Leases

Amendments to HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

The above new or revised HKFRS that have been issued but not yet effective are unlikely to have material impact on the Group's results and financial position upon application.

Amendments to HKFRS 3 Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies ("HK (IFRIC)- Int 21"), the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Interpretation 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Interpretation 5 (2020) updates the wordings in the interpretation to align with the amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies

The amendments require entities to disclose their material rather than their significant accounting policies. The amendments define what “material accounting policy information” is and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IFRS Practice Statement 2 Making Materiality Judgements is also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments to HKAS 8 – Definition of Accounting Estimates

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Amendments to HKAS 12 – Deferred Tax Related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of HKAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The above new or revised HKFRS that have been issued but not yet effective are unlikely to have material impact on the Group’s results and financial position upon application.

4. SEGMENT INFORMATION

(a) Operating segment information

The information reported to the executive directors of the Company, who are the chief operating decision makers of the Group for the purposes of resources allocation and assessment of performance, is the financial information of the Group as a whole as reported under HKFRS. Such information does not contain profit or loss information of particular product or service line or geographical area. Therefore, the executive directors have determined that the Group has only one single operating segment which is provision of securities brokerage services, securities-backed lending services as well as placing and underwriting services. The executive directors allocate resources and assess performance of the business of the Group 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 revenues from external 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:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer I	4,638	N/A
Customer II	4,600	N/A
Customer III	3,345	N/A
Customer IV	3,022	N/A

N/A: not applicable as revenue from this customer was less than 10% of the Group's revenue for the year.

5. 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 derived from the Group's principal activities comprises of the following:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
– Commission income from securities brokerage services	525	1,410
– Fee income from sub-underwriting services*	–	6,810
– Fee income from placing and underwriting services	83	–
– Handling fee income	184	23
	<u>792</u>	<u>8,243</u>
Revenue from other sources		
– Interest income from margin financing services	15,633	15,277
– Interest from money lending services	8,548	8,288
	<u>24,973</u>	<u>31,808</u>

Revenue from contracts with customers derived by the Group for the year ended 31 December 2021 amounting to HK\$792,000 (2020: HK\$8,243,000) are recognised at a point in time.

* In relation to the sub-underwriting undertaken by the Group, sub-underwriting fees of nil (2020: HK\$ 6,084,000) were incurred during the year ended 31 December 2021 and presented as “commission and fee expenses” in the consolidated statement of comprehensive income.

6. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Depreciation charge		
Owned property, plant and equipment	26	4
Right-of-use assets included in property, plant and equipment	1,927	2,032
Auditor's remuneration	647	607
Legal and professional fee	3,617	2,743
	<u>3,617</u>	<u>2,743</u>

7. INCOME TAX CREDIT

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
– tax for the year	–	660
– over-provision in respect of prior years	<u>(9)</u>	<u>(49)</u>
	<u>(9)</u>	<u>611</u>
Deferred tax		
– current year	(240)	(1,017)
– attributable to change in applicable tax rate	<u>76</u>	<u>(77)</u>
	<u>(164)</u>	<u>(1,094)</u>
Income tax credit	<u>(173)</u>	<u>(483)</u>

The Group is subject to Hong Kong Profits Tax.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying entities will be taxed at 8.25% whereas profits above HK\$2 million will be taxed at 16.5%. The profits of entities not qualifying for the two-tiered profit tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime is applicable to a nominated qualifying entity in the Group for its annual reporting periods beginning on or after 1 January 2018.

8. DIVIDENDS

The directors of the Company do not recommend the payment of final dividend in respect of the year ended 31 December 2021 (2020: nil).

9. LOSS PER SHARE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss		
Loss for the year attributable to owners of the Company	<u>(4,933)</u>	<u>(18,828)</u>
	2021	2020
	Number of	Number of
	Shares	Shares
	'000	'000
Weighted average number of ordinary shares		
Weighted average number of ordinary shares in issue during the year	<u>4,511,890</u>	<u>4,519,686</u>

The weighted average number of ordinary shares for the purposes of calculating the basic earnings per share for the year ended 31 December 2021 is based on the weighted average number of shares in issue during the year and adjusted for the treasury shares held by the Company as set out in note 13.

Diluted loss per share is same as the basic loss per share as there have been no dilutive potential ordinary shares in existence during the year or prior year.

10. TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables arising from securities dealing and margin financing (<i>note (a)</i>)		
– Margin clients (<i>note (b)</i>)	100,732	97,213
– Clearing house (<i>note (c)</i>)	245	1,895
Trade receivables arising from placing and underwriting services (<i>note (d)</i>)	–	250
	100,977	99,358
Less: Loss allowance (<i>note (e)</i>)	(9,970)	(2,777)
	91,007	96,581

Notes:

- (a) The settlement term 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 and repayable on demand for those margin clients subject to margin calls. Except for those disclosed below, 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 proportion to the outstanding balance due from the margin client (“**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 into repayment schedule for a period of normally less than one year with margin clients for settling their outstanding balances by monthly instalment by depositing cash or securities in equivalent market value.

As at 31 December 2021, gross carrying amount of trade receivables due from margin clients amounting to HK\$96,290,000 (2020: HK\$88,325,000) were current and HK\$4,442,000 (2020: HK\$8,888,000) were repayable on demand. These margin loans were interest bearing at fixed rates ranging from 8% to 24% (2020: 8% to 24%) per annum.

None of the trade receivables due from margin clients as at 31 December 2021 and 2020 were considered as credit impaired.

The Group had written off balances due from margin clients of nil (2020: HK\$24,090,000) on the basis that those margin clients were in severe financial difficulties and there was no realistic prospect of recovery.

Subject to certain conditions, the Group is allowed to repledge collateral from margin clients. There was no repledge of collateral from margin clients as at 31 December 2021 (2020: nil).

- (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.
- (d) As at 31 December 2020, trade receivables arising from placing and underwriting services was past due within 30 days and interest free.
- (e) The movements in the loss allowance for trade receivables arising from securities dealing and margin financing is as follows:

	2021	2020
	HK\$’000	HK\$’000
At 1 January	2,777	14,628
Impairment losses	7,193	12,239
Amounts written off as uncollectible	–	(24,090)
	<u> </u>	<u> </u>
At 31 December	9,970	2,777

11. LOANS RECEIVABLE

	2021	2020
	HK\$’000	HK\$’000
Loans receivable arising from money lending (<i>notes (a) & (b)</i>)	67,774	70,572
Less: Loss allowance (<i>note (c)</i>)	(16,453)	(19,963)
	<u> </u>	<u> </u>
	51,321	50,609

Notes:

- (a) The borrowers, which are margin clients of the Group’s securities dealing business, either (i) 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 (ii) had undertaken to maintain a net assets value at a specified amount in term of market value of securities held or cash in the designated margin account maintained by the borrower.
- (b) The loans receivable as at 31 December 2021 were interest-bearing at ranging from 12.0% to 15.0% (2020: 15.0%) fixed rate per annum, of which HK\$37,447,000 (2020: HK\$13,374,000) were current and HK\$30,327,000 were past due more than one year but less than two years (2020: HK\$15,749,000 past due within one year).

None of the gross carrying amount of loans receivables as at 31 December 2021 and 2020 were considered as credit impaired.

During the year ended 31 December 2021, the Group entered into debt assignment arrangements, as the assignor, with third parties as assignees for credit risk management purposes. Pursuant to the debt assignment arrangements, the Group agreed to sell and assignee agreed to purchase, all of the right, title and interest of the remaining balance of certain loans receivable at a discounted consideration of HK\$35,263,000 in total.

Based on the assessment performed by the Group, the debt assignments for loans receivable due from borrowers are regarded as derecognition of financial assets. The gross carrying amount of those loans receivables before debt assignment were HK\$44,079,000 and loss allowance on those loans receivables of HK\$18,671,000 were recognised in profit or loss in prior years. Upon the debt assignments being effective, the Group had written off the remaining loss allowances on loans receivables of HK\$8,816,000 against the balances due from relevant borrowers during the year ended 31 December 2021 as no further cash flows were expected to be realised from the relevant receivables.

During the year ended 31 December 2020, the Group had written off loans receivable balance amounting to HK\$2,292,000 as the borrower was in severe financial difficulties and there was no realistic prospect of recovery.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 January	19,963	3,180
Impairment losses charged to profit or loss	5,306	19,075
Amounts written off as uncollectible	(8,816)	(2,292)
	<hr/>	<hr/>
At 31 December	16,453	19,963
	<hr/>	<hr/>

12. TRADE PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables arising from securities dealing		
– Cash clients	639	1,371
– Margin clients	2,212	2,798
– Clearing house	–	24,142
	<hr/>	<hr/>
	2,851	28,311
	<hr/>	<hr/>

The settlement term of trade payables arising from the business of securities dealing is “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. No ageing analysis is disclosed for trade payables arising from securities dealing as in the opinion of the directors, ageing analysis does not give additional value in view of the business nature.

13. SHARE CAPITAL

Authorised and issued shares

	Par value <i>HK\$</i>	Number of shares	Amount <i>HK\$'000</i>
Authorised:			
At 1 January 2020, 31 December 2020 and 31 December 2021	<u>0.001</u>	<u>500,000,000,000</u>	<u>500,000</u>
Issued and fully paid:			
At 1 January 2020	0.001	4,710,490,000	4,710
Cancellation of shares repurchased (<i>note</i>)	<u>0.001</u>	<u>(198,600,000)</u>	<u>(198)</u>
At 31 December 2020 and 1 January 2021 and 31 December 2021	<u>0.001</u>	<u>4,511,890,000</u>	<u>4,512</u>

Treasury shares

	Number of shares	Amount <i>HK\$'000</i>
At 1 January 2020	13,000,000	1,959
Repurchase of shares (<i>note</i>)	185,600,000	25,841
Cancellation of shares repurchased (<i>note</i>)	<u>(198,600,000)</u>	<u>(27,800)</u>
At 31 December 2020, 1 January 2021 and 31 December 2021	<u>–</u>	<u>–</u>

Note:

During the year ended 31 December 2020, the Company repurchased an aggregate of 185,600,000 of its own shares on the Stock Exchange at total consideration plus transaction costs of HK\$25,841,000. Together with 13,000,000 shares repurchased during 2019, 198,600,000 shares in total were cancelled during the year ended 31 December 2020 at a cost of HK\$27,800,000, an amount of HK\$198,000 representing the par value of cancelled shares was deducted from share capital whereas the remaining amount of HK\$27,602,000 was deducted from share premium.

Upon cancellation of the 198,600,000 repurchased shares during 2020, the number of issued ordinary shares of the Company was reduced from 4,710,490,000 to 4,511,890,000.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

2021 was another challenging year as the global pandemic of COVID-19 continued to disrupt all types of activities. Amid major economies gradually resumed economic activities due to the roll out of various vaccination programs, the global economy was still affected by the new COVID-19 variants, heightened geo-political tension and global supply chain mismatches due to the pandemic. The Hong Kong economy has remained vulnerable as economic recovery was uneven in different sectors, stringent measures of quarantine for travelers continues and global economy recover remains uncertain. The Hang Seng Index recorded a loss of 3,841 points or approximately 14% on a year-on-year basis to close at 23,397 points as at 31 December 2021. Fluctuation and volatility of the market continue to increase as investors' confidence hinge on the pace of the global economic recovery.

BUSINESS REVIEW

Securities Brokerage Services

Commission income of the securities brokerage services is highly correlated to the overall market sentiment and the demand from our customers. In 2021, our securities brokerage services for the year ended 31 December 2021 marked a decrease in total transaction value to HK\$247.6 million in 2021, compared to HK\$624.4 million in 2020. Commission income from securities brokerage services for the year ended 31 December 2021 decreased to HK\$0.5 million from HK\$1.4 million for the year ended 31 December 2020.

Securities-backed lending Services

In 2021, securities-backed lending services remained as our core-profit generator for the Group. Interest income from securities-backed lending services for the year ended 31 December 2021 increased by approximately 3% to HK\$24.2 million, compared to approximately HK\$23.6 million in 2020.

(A) *Margin Financing*

Interest income from margin financing services increased to approximately HK\$15.6 million in 2021, representing an increase of approximately 2% from approximately HK\$15.3 million in 2020. As at 31 December 2021, the Group recorded a total loan balance of approximately HK\$100.7 million, representing an increase of approximately 4% from a total loan balance of approximately HK\$97.2 million as at 31 December 2020.

(B) *Money Lending*

The Group recognised interest income of approximately HK\$8.5 million from money lending service in 2021, representing an increase of approximately 2% as compared to HK\$8.3 million in 2020.

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 business of this service depends on the demand or requests from our customers. The Group generated income of approximately HK\$83,000 from placing and underwriting services in 2021, compared to an income of approximately HK\$6.8 million was derived in 2020.

Major Customers

During the year, the Group's five largest customers accounted for approximately 72% (2020: 36%) of the total revenue of the Group and the largest customer of the Group accounted for approximately 19% (2020: 9%) of the total revenue. None of the Directors or any of its close associates, or any shareholder (which to the knowledge of the Directors own 5% or more of the Company's issued share capital) had any beneficial interest in the Group's five largest customers. The Group's principal activities are securities brokerage services, securities-backed lending services and placing and underwriting services. In the Board's opinion, the Group has no major suppliers due to the nature of the Group's principal activities.

Total Assets

Unit (HK\$'million)/Year	2021	2020
Total Assets (HK\$'million)	199.3	228.3
Trust Bank Balances (HK\$'million)	2.6	4.2
Cash and Bank Balances (HK\$'million)	45.6	66.9
Trade Receivables (HK\$'million)	91.0	96.6
Loans Receivable (HK\$'million)	51.3	50.6
Trade Payables (HK\$'million)	(2.9)	(28.3)
Net Assets (HK\$'million)	191.7	196.7

As at 31 December 2021, total assets of the Group decreased to approximately HK\$199.3 million, representing a decrease of approximately 13% from approximately HK\$228.3 million as at 31 December 2020. The decrease was mainly attributable to a decrease of cash and bank balances of HK\$21.3 million, representing a decrease of approximately 32% to HK\$45.6 million at 31 December 2021 compared to HK\$66.9 million as at 31 December 2020. As at 31 December 2021, the amount of trade payables amounted to HK\$2.9 million, representing a decrease of approximately 90% compared to HK\$28.3 million on a year-on-year basis of 2020. As at 31 December 2021, loans receivable increased to approximately HK\$51.3 million, representing an increase of approximately 1% from HK\$50.6 million in 2020. Trade receivables decreased by approximately 6% to HK\$91.0 million as at 31 December 2021 from approximately HK\$96.6 million on a year-on-year basis in 2020. As at 31 December 2021, net assets of the Group decreased by approximately 3% to HK\$191.7 million from HK\$196.7 million in 2020.

Net Loss for the Year

The Group's consolidated net loss for the year was approximately HK\$4.9 million when compared to a net loss of HK\$18.8 million in 2020. Such loss is primarily attributable to the recognition of impairment losses of approximately HK\$12.5 million in respect of trade and loans receivables relating to securities-backed lending services for the year ended 31 December 2021, representing a decrease of approximately HK\$18.8 million or approximately 60.1% decrease compared to an impairment losses on trade and loans receivables of approximately HK\$31.3 million for the year ended 31 December 2020. If excluding this impairment loss of approximately HK\$12.5 million, the Group would have recorded a net profit of approximately HK\$7.4 million for the year ended 31 December 2021.

OUTLOOK

2021 continues to be clouded with uncertainties with the on-going pandemic and the stringent measures of quarantine slowing down business activities and weakening investors sentiment. The heightening of geo-political tension also adds to the challenges faced globally. The Group has maintained a prudent approach in our overall strategy and maintained a healthy financial position amidst the uncertain environment. The solid financial position of our Group allows us to weather these uncertain times, maintain stable business development, and position ourselves well for any opportunities arise in the future. We will continue to manage our position prudently, strengthen our market position and broaden our business reach to grow the Group's business for the long term.

FINANCIAL REVIEW

Revenue

Total revenue in 2021 amounted to HK\$25.0 million, representing a decrease of approximately 21% from HK\$31.8 million in 2020. The decrease was mostly attributable to the decrease in placing and underwriting services. Commission income from securities brokerage services decreased to HK0.5 million in 2021, compared to HK\$1.4 million in 2020. Interest income from securities-backed lending services increased to HK\$24.2 million in 2021, representing an increase of approximately 3% from HK\$23.6 million in 2020. For the placing and underwriting services, the Group generated income of HK\$83,000 as compared to an income of HK\$6.8 million in 2020.

Employee Benefit Expenses

Employee benefit expenses accounted for approximately 31% (2020: 13%) out of the total expenses in 2021, which is a major expense item for the Group. Employee benefit expenses include staff salaries, allowances, benefits, directors' emoluments and contribution to defined contribution retirement scheme. Employees benefit expenses recorded an increase of approximately 36% from approximately HK\$6.8 million in 2020 to approximately HK\$9.3 million in 2021. The increase was mostly attributable to general increases for staff salaries and directors' emoluments.

Other Operating Expenses

Unit: (HK\$'million)/Year	2021	2020
Other operating expenses (<i>note a</i>)	6.3	4.8
Impairment losses on trade and loans receivables, net (<i>note b</i>)	12.5	31.3
Total other operating expenses	18.8	36.1

Note a: Other operating expenses in 2021 amounted to HK\$6.3 million, compared to HK\$4.8 million in 2020 (excluding charge for impairment losses on trade and loans receivables) which accounted for about 40% (2020: 41%) of the total expenses (which only included employee benefit expenses and other operating expenses). The increase was mostly attributable to the increase in compliance, professional and administrative expenses incurred during the year.

Note b: For the year ended 31 December 2021, net impairment losses of HK\$12.5 million were recognised under expected credit loss model required under HKFRS 9, of which HK\$7.2 million were attributable to trade receivables from margin clients whereas the remaining HK\$5.3 million were attributable to loans receivables.

For the year ended 31 December 2020, net impairment losses of HK\$31.3 million were recognised, of which HK\$12.2 million were attributable to trade receivables from margin clients whereas the remaining HK\$19.1 million were attributable to loans receivables.

Income Tax Credit

The income tax credit for 2021 was approximately HK\$173,000 (2020: HK\$483,000) and such charges was consistent with an increase in adjusted losses under Hong Kong Profits Tax.

Loss for the Year

For the year ended 31 December 2021, the Group recorded loss before income tax of approximately HK\$5.1 million and a net loss of approximately HK\$4.9 million, as compared to a loss before income tax of approximately HK\$19.3 million and a net loss of approximately HK\$18.8 million in 2020. The loss was mostly attributable to impairment losses of HK\$12.5 million made in respect of trade and loans receivables relating to the securities-backed lending services, in which HK\$7.2 million were attributable to trade receivables from margin clients and the remaining HK\$5.3 million were attributable to loans receivables for the year ended 31 December 2021. Such impairment losses of HK\$12.5 million represented a decrease of approximately HK\$18.8 million or 60.1% of impairment losses on trade and loans receivables of approximately HK\$31.3 million for the year ended 31 December 2020.

Dividend

Directors did not recommend the payment of final dividend for the year ended 31 December 2021 (2020: nil). Total dividend payout by the Company for the year ended 31 December 2021 were nil (2020: nil).

Capital Structure

As at 31 December 2021, the Group did not have any bank borrowings. As at 31 December 2021, other payables and accruals plus lease liabilities was HK\$3.1 million compared to HK\$2.8 million in 2020. The Group maintained a healthy cash position with total cash and bank balances amounted to HK\$45.6 million as at 31 December 2021 (2020: HK\$66.9 million). As at 31 December 2021, the Group had total amount of non-current lease liabilities of HK\$1.6 million (2020: nil) and did not have capital commitments. The Group's long term debt to equity ratio has remained low at 1% in 2021.

During 2021, the Group's operations, capital expenditure and other capital requirements were funded by cash generated from operations and working capital.

The Directors are of the view that at the date hereof, the Group's financial resources are sufficient to support its business and operations. Notwithstanding this, the Group may consider other financing activities when appropriate business opportunities arise under favourable market conditions.

Liquidity and Financial Resources

	As at 31 December 2021 HK\$'000	As at 31 December 2020 HK\$'000
Current assets	191,765	221,116
Trade receivables	91,007	96,581
Cash and bank balances	45,580	66,868
Current liabilities	5,990	31,646
Trade payables	2,851	28,311
Lease liabilities	924	1,745
Non-current lease liabilities	1,587	–
Current Ratio (times)	32.01	6.99
Gearing Ratio (times) [#]	0.01	0.00

[#] Long-term debts (including non-current lease liabilities) over total equity

Foreign Currency Exposure

The Company's functional and presentation currency is Hong Kong dollar ("HK\$"). During the years ended 31 December 2021 and 2020, the Group's transactions were denominated in HK\$. The Group had no material exposure to foreign currency risk. The Group has not used any derivatives to hedge against its exposure to foreign exchange risks.

Contingent Liabilities

As at 31 December 2021 and 31 December 2020, the Group did not have any material contingent liabilities.

Significant Investments

The Group did not acquire or hold any significant investment during the year 2021 (2020: nil).

Pledge of Assets

As at 31 December 2021, the Group did not pledge any of its assets (31 December 2020: nil).

Capital Commitments

As at 31 December 2021, the Group did not have any significant capital commitments (31 December 2020: nil).

Employees and Remuneration Policy

The remuneration of the executive directors is subject to review by the Remuneration Committee and their remuneration is determined with reference to the Directors' qualifications, experience, duties, responsibilities and performance and results of the Company. The Group's remuneration policies are in line with prevailing market practice. The Group's employees are remunerated according to their performance, working experience and market conditions. In 2021, the Group has hired a new employee without any employees leaving. As at 31 December 2021, the Group had 13 employees, (31 December 2020: 12 employees). Apart from basic salaries, other staff benefits include discretionary bonus, provident funds and medical scheme.

Sufficiency of Public float

Based on the information that is publicly available and within the knowledge of the Directors of the Company, the Company has maintained sufficient public float of 25% issued shares which worth more than HK\$30 million under the Listing Rules 17.38A as at the latest practicable date and prior to the issue of this announcement.

Events after the reporting period

The Directors are not aware of any significant event requiring disclosure that have been taken place subsequent to 31 December 2021 and up to the date of this announcement.

Corporate Governance Code

Good corporate governance practices improve transparency of the Company, optimize the Company's performance, and help to enhance stakeholders' confidence and support. The board of directors (the "**Board**") of the Company is committed to achieve good corporate governance practices and procedures. During the year under review, the Company has complied with the code provisions prescribed in the establishment and implementation of the Corporate Governance Code ("**CG Code**"), set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), to ensure the decision making processes and business operations are regulated in a proper manner. The Company will continuously to review its corporate governance practices as to enhance its corporate governance standards, comply with the increasingly complicated regulatory requirements, and meet with the rising expectations of the shareholders and prospective investors. CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be assigned for the same person. In the Company, Mr. Cheung Yan Leung Henry has acted as chairman and Mr. Cheung Jonathan has acted as chief executive. Mr. Cheung Yan Leung Henry is the father of Mr. Cheung Jonathan. The Board currently consists of five members including two executive Directors (being the chairman of the Board and the chief executive officer of the Company) and three independent non-executive Directors. The independent non-executive Directors, all of whom are independent of the Group's businesses, are highly experienced professionals with substantial experience in areas such as management, accounting and finance. The management of the Company is of the view that the membership of the Board represents rich and diversified background and industry expertise to oversee, advise and safeguard the interests of various stakeholders of the Company.

Review of this Final Results Announcement

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

Annual General Meeting

The annual general meeting ("AGM") for the financial year 2021 of the Company will be held on Friday, 24 June 2022 and a notice of AGM will be published and despatched in due course.

Closure of Register of Members to Ascertain Shareholders' Entitlement to Attend and Vote at the Annual General Meeting

The register of members of the Company for the annual general meeting will be closed from Tuesday, 21 June 2022 to Friday, 24 June 2022, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attendance at the annual general meeting to be held on Friday, 24 June 2022, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 20 June 2022.

Competing Interest

The Directors are not aware of any business that they themselves are currently conducting or is being conducted by connected or related parties during the year.

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

During the year ended 31 December 2021, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the listed shares of the Company.

Annual Results

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 has reviewed the annual results and the consolidated accounts of the Group for the year ended 31 December 2021 and confirmed that the preparation of such complied with applicable accounting principles and practices adopted by the Company and the requirements of the Stock Exchange, and adequate disclosure had been made.

Publication of Final Results and Annual Report

A copy of this announcement will be found on Pinestone Capital Limited's website (www.pinestone.com.hk) and the Stock Exchange's website (www.hkexnews.hk). The Annual Report 2021 will be made available on the respective websites of Pinestone Capital Limited and the Stock Exchange in due course.

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

Hong Kong, 28 March 2022

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