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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)

**SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO
 ANNUAL REPORT FOR THE YEAR ENDED
 31 DECEMBER 2021**

Reference is made to the annual report (the “**Annual Report**”) of Pinestone Capital Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) for the year ended 31 December 2021. Unless the context otherwise requires, capitalised terms used in this announcement have the same meanings as those defined in the Annual Report.

As stated in the Annual Report, the Group is principally engaged in the provision of bespoke financial services including (i) securities brokerage; (ii) securities-backed lending; and (iii) placing and underwriting. The Group’s securities-backed lending business can be further classified into (i) money lending (the “**Money Lending Business**”); and (ii) margin financing. In accordance with note 6 to the financial statements accompanying the Annual Report, revenue of the Money Lending Business was approximately HK\$8.5 million during the year ended 31 December 2021, representing approximately 34.0% of the Group’s total revenue of approximately HK\$25.0 million generated during the year ended 31 December 2021. The board (the “**Board**”) of directors (the “**Director(s)**”) of the Company would like to supplement the shareholders of the Company and the investing public with the following additional information in relation to the Group’s Money Lending Business:

- With reference to the section headed “Business review — Securities-backed Lending Services” on page 6 of the Annual Report in relation to the Group’s largest and five largest borrowers, further information as to the breakdown and client type of the Group’s borrowers under its Money Lending Business is set out in the table below:

Client	Type	Background	Relationship amongst the borrowers (note 1)	Source of client	Interest rate % p.a.	Term	Value of collateral as at 31 December 2021	Original book value of loan receivable as at 31 December 2021	Accumulated impairment losses as at 31 December 2021	Net amount of loan receivable as at 31 December 2021	Proportion out of the Group’s total loan receivable as at 31 December 2021
							(note 2)	(note 2)	(note 2)	(note 2)	(Approximate)
1st largest client	Individual	Manager of trading company	None	By client referral	15% and 12%	8 months and 12 months	29 (note3)	16	2	14	24

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							HK\$ million (Approximate)	HK\$ million (Approximate)	HK\$ million (Approximate)	HK\$ million (Approximate)	% (Approximate)
2nd largest client	Individual	Self-employed	None	By client referral	15%	5 months	16	16	5	11	24
3rd largest client	Individual	Director of marketing company	None	By client referral	15% and 12%	9 months and 12 months	25 (note 4)	13	2	11	19
4th largest client	Individual	Director of investment company	None	By client referral	12%	12 months	Listed securities which is suspended	9	3	6	13
5th largest client	Individual	Director of trading company	None	By client referral	12%	12 months	0.1 (note 5)	9	3	6	13
6th largest client	Individual	Manager of trading company	None	By client referral	12%	12 months	0.2 (note 6)	5	2	3	7
							Total:	68	17	51	100%

Notes:

1. Based on the best information and knowledge of the Group as at the date hereof.
2. Such collaterals are comprised of listed securities.
3. The 1st largest client had collaterals of approximately HK\$43 million in the margin account (non-termed) whose outstanding balance was approximately HK\$14 million as at 31 December 2021. Pursuant to the terms and conditions of the relevant contracts, the excess collateral of the margin account (non-termed) of approximately HK\$29 million is applicable as collateral for the client's termed loan.
4. The 3rd largest client had collaterals of approximately HK\$40 million in the margin account (non-termed) whose outstanding balance was approximately HK\$18 million as at 31 December 2021. Pursuant to the terms and conditions of the relevant contracts, collateral of approximately HK\$3 million which is held separately and the excess collateral of the margin account (non-termed) of approximately HK\$22 million are applicable as collateral for the client's termed loans.

5. The 5th largest client had collaterals of approximately HK\$0.2 million in the margin account (non-termed) whose outstanding balance was approximately HK\$0.1 million as at 31 December 2021. Pursuant to the terms and conditions of the relevant contracts, the excess collateral of the margin account (non-termed) of approximately HK\$0.1 million is applicable as collateral for the client's termed loan.
 6. The 6th largest client had collaterals of approximately HK\$5.6 million in the margin account (non-termed) whose outstanding balance was approximately HK\$5.4 million as at 31 December 2021. Pursuant to the terms and conditions of the relevant contracts, the excess collateral of the margin account (non-termed) of approximately HK\$0.2 million is applicable as collateral for the client's termed loan.
2. With reference to the section headed "Business review — Securities-backed Lending Services" on page 6 and the section headed "Other Operating Expenses — (ii) the Group's credit policy in respect of the money lending business" on page 10 of the Annual Report in relation to the Group's due diligence on money lending clients and its Credit Committee's approval, the head of the Group's credit department reviews the due diligence results and the loan proposals together with the documents offered in support of the loan application based on the information as obtained in the works already disclosed in the aforementioned sections of the Annual Report. The loan application will then be presented for consideration by the Credit Committee with assessments on factors such as past relationship with the client, quality (i.e. market value, liquidity, etc.) of the collateral (if applicable), Loan to Securities Ratio (if applicable), the client's investment portfolio (if applicable), term of the loan (if applicable), the client's creditworthiness, etc. The Group's Credit Committee is chaired by a responsible officer and is comprised of 4 other members including the Group's Head of Operations Department and responsible officer, two executive Directors and the Group's director of finance. For loan applications of under HK\$5.0 million, any three members of the five-person Credit Committee can approve such application. For loan applications equal to or exceeding HK\$5.0 million, the approval of one executive Director in addition to that of two other members of the Credit Committee is required.
 3. With reference to the section headed "Business review — Securities-backed Lending Services" on page 6 of the Annual Report, the business model of the Money Lending Business involves the Group granting loans to individual and corporate clients generating interest income as one of the Group's revenue sources. The Group's principal business focus for its Money Lending Business are investors, high net worth individuals, substantial shareholders of Hong Kong listed companies, etc. who can be individual or corporate clients with investment appetites for the securities of small to medium sized companies listed on the Stock Exchange. Source of funding for this business is mainly paid-up capital contributed by the Company's shareholders and internal resources of the Group.

As at 31 December 2021, the Group had 6 clients under its Money Lending Business with outstanding loan balance. Based on the best information and knowledge of the Group as at the date hereof, the Group is not aware that there is any relationship amongst the Group's clients with outstanding loan receivable as at 31 December 2021.

4. With reference to the section headed "Other Operating Expenses — (ii) the Group's credit policy in respect of the money lending business" on page 10 of the Annual Report, the Group's responsible officers and front office staff are responsible for the ongoing monitoring of loan recoverability. Internal control procedures for loan collection includes, on a case by case basis, steps such as (i) margin call (if applicable) or demand partial repayment to restore the Group's credit risk to an acceptable level; (ii) in the event that step (i) above does not yield tangible results, the Group may proceed to forced liquidation of collateral (if applicable) to reduce the Group's exposure; (iii) in the event that the Group's credit risk after taking steps (i) and (ii) above remains unacceptably high, the Group may proceed to negotiation of a repayment schedule with the client; (iv) should steps (i), (ii) and (iii) above fail to restore the Group's credit risk to an acceptable level, the Group may issue formal demand letter via its legal adviser demanding repayment of the outstanding loan within a stated time period; and (v) in the event that no tangible outcome arose out of the aforementioned steps, the Group may proceed to commencement of legal action against the client.

Save as disclosed above, all other information and contents set out in the Annual Report remain unchanged.

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

Hong Kong, 19 September 2022

As at the date of this announcement, the Board comprises Mr. Cheung Yan Leung Henry and Mr. Lee Chun Tung as executive Directors, Mr. Yau Tung Shing as non-executive Director and Mr. Yeung King Wah, Mr. Lai Tze Leung George, Mr. So Stephen Hon Cheung, Mr Lau Kelly and Mr. Wong Chun Peng Stewart as independent non-executive Directors.