

PineStone 鼎石

Pinestone Capital Limited

鼎石資本有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

(Stock Code 股份代號 : 804)

2017 | INTERIM REPORT

中期業績報告



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Corporate Information

Board of Directors (The "Board") Executive Directors

Mr. Cheung Yan Leung Henry (*Chairman*)
Mr. Cheung Jonathan

Independent Non-Executive Directors

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

Audit Committee

Mr. Yeung King Wah (*Chairman*)
Mr. Lai Tze Leung George
Mr. So Stephen Hon Cheung

Nomination Committee

Mr. Cheung Yan Leung Henry (*Chairman*)
Mr. Yeung King Wah
Mr. Lai Tze Leung George
Mr. So Stephen Hon Cheung

Remuneration Committee

Mr. Yeung King Wah (*Chairman*)
Mr. Lai Tze Leung George
Mr. So Stephen Hon Cheung
Mr. Cheung Jonathan

Compliance Officer

Mr. Cheung Jonathan

Company Secretary

Mr. Au Kin Kee Kinson ACS ACIS

Authorised Representatives

Mr. Cheung Yan Leung Henry
Mr. Cheung Jonathan

Trading Stock Code

804

Registered Office

P.O. Box 1350
Clifton House, 75 Fort Street
Grand Cayman, KY1-1108
Cayman Islands

Headquarter and Principal Place of Business in Hong Kong

Unit 1506, 15th Floor, Wheelock House
20 Pedder Street, Central
Hong Kong

Hong Kong Branch Share Registrar & Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Compliance Adviser

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

Principal Banker

Chong Hing Bank Limited
Chong Hing Bank Centre
24 Des Voeux Road Central
Hong Kong

Auditor

BDO Limited
Certified Public Accountants
25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

Company's Website

www.pinestone.com.hk

Financial Highlights

- The Company recorded an unaudited revenue of approximately HK\$20.1 million for the six months ended 30 June 2017, representing a decrease of approximately 2% compared to the same period of the previous year (six months ended 30 June 2016: HK\$20.5 million). Such decrease was mainly attributable to a decrease of approximately HK\$1.5 million of commission income from securities brokerage services and a decrease of approximately HK\$1.3 million in placing and underwriting services, which were partially offset by an increase of approximately HK\$2.3 million in interest income securities-backed lending services.
- The Company recorded an unaudited profit attributable to the owners of the Company of approximately HK\$10.6 million for the six months ended 30 June 2017, which was approximately 12% lower than that of the corresponding period in 2016 (30 June 2016: HK\$12.1 million).
- The basic and diluted earnings per share for the six months ended 30 June 2017 were HK 0.22 cents (2016: HK 0.25 cents).
- The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2017.

Unaudited Condensed Consolidated Interim Results for the Six Months Ended 30 June 2017

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 2017, together with the comparative unaudited figures for the corresponding period in 2016, as follows:

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000
Revenue	3	20,121	20,484
Other income	5	1	3
Employee benefit expenses		(2,154)	(2,246)
Depreciation and amortisation		(44)	(44)
Other operating expenses		(4,267)	(2,831)
Finance costs	7	(298)	(686)
Profit before income tax	6	13,359	14,680
Income tax expense	8	(2,724)	(2,615)
Profit for the period		10,635	12,065
Other comprehensive income for the period		–	–
Total comprehensive income for the period		10,635	12,065
		HK cents	HK cents
Earnings per share			
Basic and diluted	10	0.22	0.25

Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	Notes	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	59	103
Intangible asset		500	500
Statutory deposits placed with stock exchange and clearing house		205	230
Deferred tax assets		58	58
		822	891
Current assets			
Trade receivables	12	191,076	167,964
Loan receivables		27,710	56,668
Other receivables, deposits and prepayments		627	703
Trust bank balances held on behalf of customers	13	22,959	6,719
Cash and bank balances		68,903	47,414
		311,275	279,468
Current liabilities			
Trade payables	14	22,799	7,010
Other payables and accruals		1,090	971
Borrowings	15	13,762	10,000
Tax payable		3,538	2,105
		41,189	20,086
Net current assets		270,086	259,382
Total assets less current liabilities/Net assets		270,908	260,273
CAPITAL AND RESERVES			
Share capital	16	4,910	4,910
Reserves		265,998	255,363
Total equity		270,908	260,273

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Share capital HK\$'000	Share premium HK\$'000	Capital reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000
Six months ended 30 June 2016					
(unaudited)					
At 1 January 2016	4,800	156,820	(4,866)	15,469	172,223
Profit for the period	-	-	-	12,065	12,065
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	12,065	12,065
Transaction with owners:					
Issue of ordinary shares by way of placing (note 16)	110	60,390	-	-	60,500
At 30 June 2016	4,910	217,210	(4,866)	27,534	244,788
Six months ended 30 June 2017					
(unaudited)					
At 1 January 2017	4,910	217,210	(4,866)	43,019	260,273
Profit for the period	-	-	-	10,635	10,635
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	10,635	10,635
At 30 June 2017	4,910	217,210	(4,866)	53,654	270,908

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash from/(used in) operating activities	18,024	(42,143)
Net cash from investing activities	1	3
Net cash from financing activities	3,464	46,807
Net increase in cash and cash equivalents	21,489	4,667
Cash and cash equivalents at beginning of the period	47,414	25,250
Cash and cash equivalents at end of the period	68,903	29,917
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	68,903	29,917

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 Growth Enterprise Market (“**GEM**”) of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 12 June 2015 and were transferred to the Main Board (“**Main Board**”) of the Stock Exchange on 8 June 2017.

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 for the six months ended 30 June 2017 were approved and authorised for issue by the directors on 9 August 2017.

Notes to the Financial Statements

2. Basis of Preparation and Accounting Policies

The condensed consolidated financial statements for the six months ended 30 June 2017 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 requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

These condensed consolidated 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 2016.

Save as the adoption of the new or revised Hong Kong Financial Reporting Standards (“**HKFRS**”) that are first effective for the current accounting period, the accounting policies used in preparing these condensed consolidated financial statements are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements.

The Group has not adopted any new or revised standards that have been issued by the HKICPA but are not yet effective for the current accounting period.

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.

Notes to the Financial Statements

3. 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	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Commission income from securities brokerage services	217	1,713
Interest income from securities backed lending services	19,274	17,021
Income from placing and underwriting services	478	1,737
Handling fee	152	11
Others	–	2
	20,121	20,484

4. 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.

Notes to the Financial Statements

4. Segment Information (continued)

(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	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Customer I	2,969	3,006
Customer II	2,616	N/A
Customer III	2,140	N/A
Customer IV	2,123	N/A
Customer V	2,108	N/A
Customer VI	2,066	N/A
Customer VII	N/A	2,920
Customer VIII	N/A	2,855
Customer IX	N/A	2,516

N/A: not applicable as revenue generated from these customers was less than 10% of the Group's revenue for the respective periods.

Notes to the Financial Statements

5. Other Income

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank interest income	1	3

6. Profit Before Income Tax

Profit before income tax is arrived at after charging:

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Auditor's remuneration	278	285
Operating lease charges in respect of building	734	734

Notes to the Financial Statements

7. Finance Costs

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on borrowings	298	686

8. Income Tax Expense

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax	2,724	2,615

The Group is subject to Hong Kong Profits Tax which is calculated at 16.5% of the estimated assessable profit for the period.

9. Dividend

The Directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 June 2017 (Six months ended 30 June 2016: nil).

Notes to the Financial Statements

10. Earnings Per Share

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

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Earnings		
Profit for the period attributable to owners of the Company	10,635	12,065
	Number of shares (thousands)	
Weighted average number of ordinary shares		
Weighted average number of ordinary shares in issue during the period	4,910,000	4,833,784

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 2016 represented the weighted average number of ordinary shares in issue in the period, after taking into account the effect of share subdivision which took place on 15 March 2016 (note 16(a)) as if they had occurred on 1 January 2016 and the bonus element in the shares issued under the placing which took place on 2 June 2016 (note 16(b)).

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 2017 represented the number of ordinary shares in issue after the completion of the placing which took place on 2 June 2016 (note 16 (b)).

Diluted earnings per share is same as the basic earnings per share as there have been no potentially dilutive ordinary shares in existence during the periods.

11. Property, Plant and Equipment

During the six months ended 30 June 2017, the Group did not incur any expenditure on acquisition of property, plant and equipment (Six months ended 30 June 2016: nil).

Notes to the Financial Statements

12. Trade Receivables

	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
Trade receivables arising from securities dealing and margin financing		
– Margin clients	191,076	167,513
– Clearing House	–	451
	191,076	167,964

Notes:

- (a) The settlement term of trade receivables arising from the business of securities dealing is two business days after trade date (“T+2”).
- (b) No aging analysis is disclosed for trade receivables from margin clients as, in the opinion of the Directors, aging analysis is not meaningful in view of the business nature of securities dealing and margin financing. Margin loans due from margin clients are current and repayable on demand for those margin clients subject to margin calls. Margin clients are required to pledge securities collateral to the Group in order to obtain credit facilities for securities trading. As at 30 June 2017, the total market value of securities pledged as collateral in respect of the receivables from margin clients are approximately HK\$448,000,000 (31 December 2016: HK\$437,000,000). Margin loans are interest-bearing at fixed rate ranged from 12.5% to 24.0% per annum. 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 30 June 2017 (31 December 2016: nil).
- (c) Trade receivables from clearing house (i.e. Hong Kong Securities Clearing Limited) as at 31 December 2016 was 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) The Group has policy for impairment allowance which requires management’s judgment and estimation in identifying receivables of impairment concern taking into account creditworthiness of customers including their settlement history, value of customers’ securities collateral and the level of their securities collateral in proportion to their outstanding receivables balance; as well as assessing the ultimate realisation of these receivables. If the financial conditions of customers deteriorate or if the value of securities collateral is reduced, allowance or additional allowance for bad and doubtful debts may be required. As assessed by the Directors, no impairment allowance is necessary in respect of trade receivables at 30 June 2017 (31 December 2016: nil).

Notes to the Financial Statements

13. 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.

14. Trade Payables

	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
Trade payables arising from securities dealing:		
– Cash clients	1,458	920
– Margin clients	19,122	6,090
– Clearing house	2,219	–
	22,799	7,010

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.

Margin and cash client payables as at 30 June 2017 and 31 December 2016 included balances payable to certain related parties. Further details of these balances are set out in note 19.

Notes to the Financial Statements

15. Borrowings

	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
Current liabilities		
Bank loans (note (a))	3,762	–
Bonds (note (b))	10,000	10,000
	13,762	10,000

Notes:

- (a) The Group's bank loans as at 30 June 2017 are scheduled for repayment within one year after the end of the reporting period. In addition, the related loan agreements contain a clause that provides the bank with an unconditional right to demand repayment at any time at its own discretion.

The bank loans are interest-bearing at the bank's prime lending rate adjusted by certain basis points and are secured by the corporate guarantee executed by the Company. The average interest rate of the Group's bank loans as at 30 June 2017 was 2% per annum.

- (b) On 22 December 2015, the Company entered into a subscription agreement (the "Subscription Agreement") with a subscriber regarding the issue of non-convertible bonds (the "Bonds") in aggregate principal amount of HK\$10,000,000. The Bonds are interest bearing at 5% per annum, and unsecured, and will mature on 22 December 2017 unless they are early redeemed by the Company. The Bonds were issued at 100% of the principal amount on 22 December 2015.

The Company may at any time before the maturity date and from time to time by serving at least three days' prior written notice to the bondholder to redeem the Bonds (in whole or in part) at 100% of the total amount of the Bonds together with payment of interests accrued up to the date of such early redemption. No early redemption may be requested by the bondholder.

The Bonds are initially measured at fair value, net of directly attributable costs incurred, and subsequently measured at amortised cost using the effective interest method.

Notes to the Financial Statements

15. Borrowings (continued)

As at 30 June 2017, the bank loans and the Bonds of the Group were scheduled for repayment as follows:

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
On demand or within one year	13,762	10,000

Note: The amounts due are based on the scheduled repayment dates in the loan agreements and ignore the effect of any repayment on demand clause.

16. Share Capital

Ordinary shares	Par value HK\$	Number of shares	Amount HK\$'000
Authorised:			
At 1 January 2016	0.01	50,000,000,000	500,000
Subdivision of shares (note (a))		450,000,000,000	-
At 30 June 2016	0.001	500,000,000,000	500,000
At 1 January 2017 and 30 June 2017	0.001	500,000,000,000	500,000

Ordinary shares	Par value HK\$	Number of shares	Amount HK\$'000
Issued and fully paid:			
At 1 January 2016	0.01	480,000,000	4,800
Subdivision of shares (note (a))		4,320,000,000	-
Placing of shares (note (b))	0.001	110,000,000	110
At 30 June 2016	0.001	4,910,000,000	4,910
At 1 January 2017 and 30 June 2017	0.001	4,910,000,000	4,910

Notes to the Financial Statements

16. Share Capital (continued)

Notes:

- (a) On 15 March 2016, each of the Company's existing issued and unissued shares of HK\$0.01 each was subdivided into 10 shares of HK\$0.001 each. Immediately after the share subdivision, the total number of issued shares of the Company was increased to 4,800,000,000 ordinary shares of HK\$0.001 each.
- (b) On 2 June 2016, the Company issued a total of 110,000,000 ordinary shares at HK\$0.55 each by way of placing (the "Placing"). The total number of issued shares of the Company upon completion of the Placing was increased to 4,910,000,000 ordinary shares of HK\$0.001 each.

Of the total gross proceeds from the Placing of HK\$60,500,000, HK\$110,000 representing the aggregate par value of shares issued was credited to the share capital of the Company whereas the remaining amount of HK\$60,390,000 was credited to share premium account.

17. Commitments

(a) Operating leases commitments – the Group as lessee

The Group leases an office under operating lease arrangement. The lease runs for an initial period of three years and is non-cancellable. The total minimum lease payment under the lease are due as follows:

	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
Within one year	1,466	1,466
Later than one year and not more than five years	402	1,135
	1,868	2,601

(b) Capital commitments

The Group did not have any material capital commitments as at 30 June 2017 (31 December 2016: nil).

Notes to the Financial Statements

18. Contingent Liabilities

As at 30 June 2017, the Group did not have any significant contingent liabilities (31 December 2016: 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	
			2017	2016
			HK\$'000	HK\$'000
Mr. Cheung Yan Leung Henry	Director	Brokerage income	3	11
Mr. Cheung Jonathan	Director	Brokerage income	-	2
Mr. Wong Chi Kan	Key Management	Brokerage income	-	70
Mr. Wong Wing Shing	Key Management	Brokerage income	1	-

Notes to the 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 arising from securities dealing transactions included in trade payables.

Name of related party	Related party relationship	As at	As at
		30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Mr. Cheung Yan Leung	Director	59	1,985
Mr. Cheung Jonathan	Director	–	–
Mr. Wong Wing Shing	Key Management	3	–

(c) Compensation of senior management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Salaries, allowances and other benefits	1,299	1,417
Contributions to defined contribution retirement plan	40	51
	1,339	1,468

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. During the period under review, we recognised 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 June 2017, the Company's successful transfer from GEM to the Main Board would enhance the profile of the Group, improve trading liquidity and recognitions by potential investors, which would be beneficial to the future growth and business development of the Group.

During the first half of 2017, the Hong Kong Stock Market has shown signs of recovery. The Hang Seng Index commenced at 21,993 points on January 3 and ended at 25,765 points on June 30, representing an increase of 3,772 points or approximately 17%. The average daily turnover of the Hong Kong Stock Market for the first six months of 2017 was approximately HK\$76.0 billion, an increase of about 13% when compared to approximately HK\$67.5 billion recorded for the same period last year.

Securities Brokerage

During the six months ended 30 June 2017, our securities brokerage business, weighing more on small to medium stocks, continued to be adversely affected by the lackluster investment sentiment. Commission income from our securities brokerage decreased by HK\$1.5 million to approximately HK\$0.2 million for the six months ended 30 June 2017, compared to approximately HK\$1.7 million of the corresponding period in 2016.

Securities-backed Lending Services

Among our businesses, the securities-backed lending services continued to be our major profit generator. During the first six months ended 30 June 2017, interest income for securities-backed lending services increased to HK\$19.3 million, representing an increase of approximately 14% from approximately HK\$17.0 million recorded for the corresponding period in 2016. Both our businesses of margin financing services and money lending services have continued to record growth.

(a) *Margin Financing Services*

As at 30 June 2017, the size of our margin financing loan portfolio raised to approximately HK\$177.3 million, contributing an increase in interest income. Interest income from margin financing services increased to approximately HK\$15.7 million, recording about 1% increase from approximately HK\$15.5 million recorded for the six months ended 30 June 2016.

Management Discussion and Analysis

Business Review (continued)

Securities-backed Lending Services (continued)

(b) *Money Lending Services*

The Group is licensed under the Money Lenders Ordinance to engage in money lending business. During the six months ended 30 June 2017, money lending services recorded significant growth. Total interest income derived from money lending services for the six months ended 30 June 2017 surged to approximately HK\$3.6 million or about 140% increase, compared to HK\$1.5 million for the six months ended 30 June 2016.

Placing and Underwriting Business

For the first six months ended 30 June 2017, the Group received placing fees of approximately HK\$0.5 million dropped by HK\$1.2 million compared to approximately HK\$1.7 million for the corresponding period in 2016. During the period, the Group participated in three placing activities compared to five in the corresponding period last year.

Net Profit for the Period

The Group's consolidated net profit for the six months ended 30 June 2017 was approximately HK\$10.6 million (six months ended 30 June 2016: HK\$12.1 million), representing a decrease of approximately HK\$1.5 million or about 12% over the corresponding period last year. Such net profit decrease was mostly attributable to the increase of other operating expenses of approximately HK\$1.4 million. During the period, the Company contributed about HK\$1.0 million for charity purpose. In addition, an one-off administrative and compliance expenses of approximately HK\$0.5 million in transferring the Company from listing on GEM to the Main Board (the "Transfer") dragged down the net profit of the Company.

Management Discussion and Analysis

Outlook

The Company has successfully transferred from GEM to the Main Board on 8 June 2017. After the transfer of the shares from GEM to the Main Board, we hope that the enhanced profile could improve trading liquidity and recognition by potential investors; and in turn benefits the growth and business development of the Group in the future. The Group will continue to develop and expand our businesses with the aim for a long term sustainable success. In view of the volatilities and uncertainties in the Hong Kong stock market, we will consistently evaluate and monitor market conditions and latest regulatory developments; and manage our positions and risk exposures accordingly. The Group will continue to cultivate client relationship, strengthen our financial positions, and explore business opportunities to maximize the long-term return for our shareholders.

Financial Review

Revenues

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Commission income from securities brokerage services	217	1,713
Interest income from securities-backed lending services	19,274	17,021
Income from placing and underwriting services	478	1,737
Others*	152	13
	20,121	20,484

* Others include services and handling charges.

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) income from placing and underwriting services respectively.

Total revenue for the six months ended 30 June 2017 was approximately HK\$20.1 million (six months ended 30 June 2016: HK\$20.5 millions), representing a decrease of approximately HK\$0.4 million or approximately 2% compared to the same period in 2016. The decrease was mainly attributable to a decrease of approximately HK\$1.5 million of commission income from securities brokerage services and a decrease of approximately HK\$1.3 million in placing and underwriting services, which were partially offset by an increase of approximately HK\$2.3 million in interest income from securities-backed lending services.

Management Discussion and Analysis

Financial Review (continued) Revenues (continued)

Commission income decreased by HK\$1.5 million to approximately HK\$0.2 million for the six months ended 30 June 2017, compared to HK\$1.7 million for the corresponding period in 2016. Meanwhile, interest income from securities-backed lending services increased to HK\$19.3 million for the six months ended 30 June 2017, representing an increase of approximately 14% from HK\$17.0 million for the corresponding period in 2016. Such growth is attributable to the expansion of the Group's loan portfolio. Also, money lending services contributed an interest income of approximately HK\$3.6 million during the six months ended 30 June 2017, compared to HK\$1.5 million for the six months ended 30 June 2016. Placing and underwriting services contributed an income of approximately HK\$0.5 million for the six months ended 30 June 2017, when compared to approximately HK\$1.7 million for the corresponding period in 2016.

Employee Benefits Expenses

For the six months ended 30 June 2017, the Group recorded approximately HK\$2.2 million employee benefits expenses, representing a modest decrease of approximately 4% from HK\$2.3 million for the corresponding period in 2016. Employee benefits expenses include staff salaries and allowances and benefits, directors' emoluments and contribution to defined contribution retirement scheme. The decrease was mostly attributable to a staff leaving the Group bringing the total to 15 employees during the reporting period.

Other Operating Expenses

At approximately HK\$4.3 million, other operating expenses represented approximately 63% of the total expenses during the six months ended 30 June 2017 (Six months ended 30 June 2016: 49%). The increase in other operating expenses is mostly due to the increase in administrative and compliance expenses relating to the Transfer. Excluding the one-off exceptional amount of HK\$1.5 million, other operating expenses should remain stable at approximately HK\$2.8 million for the six months ended 30 June 2016 and 2017 respectively.

Management Discussion and Analysis

Financial Review (continued)

Income Tax Expense

Income tax expense for the six months ended 30 June 2017 were approximately HK\$2.7 million (six months ended 30 June 2016: HK\$2.6 million). Income tax expense was marginally higher by approximately HK\$0.1 million compared to the corresponding period in 2016.

Profit for the Period

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Profit for the period	10,635	12,065
Add: Administrative & compliance expenses for shares transfer	500	–
Charity donation	1,000	–
Reconciled profit for the period	12,135	12,065

The Group recorded a net profit of approximately HK\$10.6 million which was about 12% lower than the comparative period in 2016 (six months ended 30 June 2016: HK\$12.1 million). The decrease was mainly attributable to the increase to the one-off expenses of approximately HK\$1.5 million including a charity donation of about HK\$1.0 million and approximately HK\$0.5 million in administrative and compliance expenses relating to the Transfer. Once adjusted for these exceptional expenses incurred, the Group would have recorded the reconciled profit of approximately HK\$12.1 million, which was relatively the same as the corresponding period in 2016.

Management Discussion and Analysis

Liquidity and Financial Resources and Capital Structure

The Group financed its operations mostly by shareholders' equity, bank loans, issuing of bonds and cash generated from operations.

Liquidity and Financial Resources

	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
Current assets	311,275	279,468
Current liabilities	41,189	20,086
Current ratio (<i>times</i>) (<i>Note i</i>)	7.6	13.9
Interest Coverage (<i>times</i>) (<i>Note ii</i>)	46	36
Gearing ratio (%) (<i>Note iii</i>)	5	4

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's financials remain sound and healthy. The Group recorded a current ratio of approximately 7.6 times as at 30 June 2017 (31 December 2016: 13.9 times). The decrease was attributable to the increase of liabilities of trade payables to HK\$22.8 million as at 30 June 2017 (31 December 2016: HK\$7.0 million). The trust bank balance held on behalf of customers also increased to HK\$23.0 million as at 30 June 2017 (31 December 2016: HK\$6.7 million).

As at 30 June 2017, the Group's cash and bank balances amounted to approximately HK\$68.9 million (31 December 2016: HK\$47.4 million). The Group recorded an interest coverage of approximately 46 times (31 December 2016: 36 times).

Management Discussion and Analysis

Liquidity and Financial Resources and Capital Structure (continued)

Liquidity and Financial Resources (continued)

As at 30 June 2017, overall interest bearing liabilities of the Group are approximately HK\$13.8 million. With an equity base of HK\$270.9 million, the Group has a low gearing ratio of approximately 5% (31 December 2016: 4%). Please refer to Note 15 to the financial statements above for further information.

The Group has outstanding tax loans of approximately HK\$3,762,000 from a bank and a 5% coupon Bond in principal amount of HK\$10,000,000 as at 30 June 2017 (31 December 2016: a 5% coupon bond of HK\$10,000,000). During the period under review, the Group's operations, capital expenditure and other capital requirements were funded by: internal operations, credit facilities from banks, and bond issuance.

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.

Nature of Loan	Pinestone Securities Limited HK\$'000
Tax loan	3,762

Issuance of 5% Coupon Bonds

On 22 December, 2015, the Company issued two-year corporate bonds of 5% coupon rate to raise HK\$10,000,000 in principal amount. The proceeds were used for the expansion of securities-backed lending services as intended.

Foreign Currency Exposure

The Group's reporting currency is Hong Kong dollar. During the six months ended 30 June 2017 and year ended 31 December 2016, the Group's transactions were denominated in Hong Kong dollars ("HK\$"). The Group had no material exposure to foreign currency risk.

Management Discussion and Analysis

Contingent Liabilities

As at 30 June 2017, the Group did not have any material contingent liabilities (31 December 2016: nil).

Event 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 2017.

Significant Investments

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

Pledge of Assets

As at 30 June 2017, the Group did not pledge any of its assets (31 December 2016: nil).

Capital Commitments

As at 30 June 2017, the Group did not have any significant capital commitments (31 December 2016: nil).

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 2017, 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 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)	–	2,520,000,000	2,520,000,000	51.3
Cheung Jonathan (Note 2)	–	1,080,000,000	1,080,000,000	22.0

Notes:

1. The interests disclosed includes 2,520,000,000 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 1,080,000,000 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 2017, 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 2017 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 2017, 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	2,520,000,000	51.3
SCL	Directly beneficially owned	2	1,080,000,000	22.0

Notes:

- HCC is 100% owned by Mr. Cheung Yan Leung Henry, who is the beneficial owner of 2,520,000,000 shares in the Company. Mr. Cheung Yan Leung Henry owned approximately 51.3% of the issued shares of the Company.
- SCL is 100% owned by Mr. Cheung Jonathan, who is the beneficial owner of 1,080,000,000 shares in the Company. Mr. Cheung Jonathan owned approximately 22.0% of the issued shares of the Company.

Save as disclosed above, the Directors and chief executives of the Company are not aware that there is any party who, as at 30 June 2017, 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.

Other Information

Purchase, sale or Redemption of the Listed Shares of The Company

Neither the Company, nor any of its subsidiaries has purchased, sale or redeemed any of the listed shares of the Company from the date of listing on 12 June 2015 to the end of the reporting period, being 30 June 2017.

Employees and Remuneration Policy

As at 30 June 2017, the Group had 15 staff (30 June 2016: 16) 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.

Share Option Scheme

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. The purpose is to provide incentives or rewards to the eligible participants for their contribution to the Company and/or enabling it to recruit and retain high-calibre employees and attract human resources that are valuable. No share option has been granted to any eligible participants under the Share Option Scheme since its adoption.

Corporate Governance

CG Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not assigned for the same person. In the Company, decisions are made collectively by the executive Directors and occasionally are discussed with the management. The Board believes that this arrangement enables the Company to made decisions, operate and implement follow up actions quickly. This arrangement can help achieve the Company's objectives efficiently and effectively in response to the changing environment. 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 were met by the Company.

Other Information

Directors' Securities Transactions

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

Have 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 2017, none of the Directors, substantial Shareholders and their repetitive 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.

Interest of the Compliance Adviser

As at the date of this report, Altus Capital Limited ("**Altus**"), the compliance advisor of the Company, except for (i) Altus participation as the sponsor in relation to the Company's listing on the Stock Exchange, and (ii) the compliance adviser agreement entered into between the Company and Altus dated 16 February 2015, neither Altus nor its directors, employees or associates had any interest in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.19 of the Listing Rules.

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 has reviewed the unaudited condensed consolidated results of the Group for the six months ended 30 June 2017 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.

Other Information

Board of Directors

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

Executive Directors:

Mr. Cheung Yan Leung Henry

Mr. Cheung Jonathan

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, 9 August 2017

