

# 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)

## 2019 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

Clifton House, 75 Fort Street

P.O. Box 1350

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 54, Hopewell Centre

183 Queen's Road East

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](http://www.pinestone.com.hk)

## Financial Highlights

- The Company recorded an unaudited revenue of approximately HK\$13.3 million for the six months ended 30 June 2019, representing an increase of approximately HK\$4.6 million or 53% compared to approximately HK\$8.7 million for the six months ended 30 June 2018.
- The Company recorded an unaudited profit attributable to the owners of the Company of approximately HK\$3.3 million, which was approximately 3% higher than the corresponding period in 2018 (30 June 2018: HK\$3.2 million). Such growth was attributable to the increase in revenue in securities-backed lending services of approximately HK\$5.0 million, which was partially offset by the non-recurring operating expenses of approximately HK\$1.7 million. If excluding these non-recurring operating expenses, the Company would have recorded a net profit of approximately HK\$5.0 million.
- The basic and diluted earnings per share for the six months ended 30 June 2019 were HK 0.07 cents (2018: HK 0.07 cents).
- The Directors recommended an interim dividend of HK 0.1 cents per ordinary share for the six months ended 30 June 2019 (2018: nil).

## Unaudited Condensed Consolidated Interim Results for the Six Months Ended 30 June 2019

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 2019, together with the comparative unaudited figures for the corresponding period in 2018, as follows:

### Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	Notes	Six months ended 30 June	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
<b>REVENUE</b>	4	<b>13,284</b>	8,730
Other income	6	4	2
Commission and fee expenses		(62)	(32)
Employee benefit expenses		(3,188)	(2,212)
Depreciation		(1,020)	(59)
Other operating expenses		(4,486)	(2,460)
Finance costs	8	(83)	(39)
<b>PROFIT BEFORE INCOME TAX</b>	7	<b>4,449</b>	3,930
Income tax expense	9	(1,147)	(724)
<b>PROFIT FOR THE PERIOD</b>		<b>3,302</b>	3,206
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>		–	–
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>3,302</b>	3,206
		<b>HK cents</b>	HK cents
<b>EARNINGS PER SHARE</b>			
Basic and diluted	11	0.07	0.07

## Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		4,744	300
Intangible asset		500	500
Statutory deposits placed with stock exchange and clearing house		1,205	205
Deferred tax assets		2,731	2,732
		<b>9,180</b>	3,737
<b>Current assets</b>			
Trade receivables	13	206,228	224,115
Loan receivables		36,971	18,514
Other receivables, deposits and prepayments		971	1,166
Tax recoverable		2,133	2,879
Trust bank balances held on behalf of customers	14	5,756	5,276
Cash and bank balances		24,041	22,547
		<b>276,100</b>	274,497
<b>Current liabilities</b>			
Trade payables	15	5,927	5,969
Other payables and accruals		1,075	667
Lease liabilities		2,123	–
Obligation under finance lease		–	51
		<b>9,125</b>	6,687
<b>Net current assets</b>		<b>266,975</b>	267,810
<b>Total assets less current liabilities</b>		<b>276,155</b>	271,547
<b>Non-current liabilities</b>			
Lease liabilities		2,629	–
Obligation under finance lease		–	218
		<b>2,629</b>	218
<b>Net assets</b>		<b>273,526</b>	271,329
<b>CAPITAL AND RESERVES</b>			
Share capital	16	4,910	4,910
Reserves		268,616	266,419
<b>Total equity</b>		<b>273,526</b>	271,329

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Share capital HK\$'000	Share premium HK\$'000	Treasury shares HK\$'000	Capital reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>Six months ended 30 June 2018 (unaudited)</b>						
At 1 January 2018	4,910	217,210	-	(4,866)	57,080	274,334
Profit for the period	-	-	-	-	3,206	3,206
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	3,206	3,206
As at 30 June 2018	4,910	217,210	-	(4,866)	60,286	277,540
<b>Six months ended 30 June 2019 (unaudited)</b>						
As at 1 January 2019	4,910	217,210	-	(4,866)	54,075	271,329
Profit for the period	-	-	-	-	3,302	3,302
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	3,302	3,302
<b>Transactions with owners:</b>						
Shares repurchase (note 16)	-	-	(1,105)	-	-	(1,105)
As at 30 June 2019	4,910	217,210	(1,105)	(4,866)	57,377	273,526

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Net cash from/(used in) operating activities	3,659	(27,356)
Net cash generated from investing activities	4	2
Net cash used in financing activities	(2,169)	(3,594)
Net increase/(decrease) in cash and cash equivalents	1,494	(30,948)
Cash and cash equivalents at beginning of period	22,547	93,455
<b>Cash and cash equivalents at end of period</b>	<b>24,041</b>	<b>62,507</b>
<b>Analysis of the balances of cash and cash equivalents:</b>		
Cash and bank balances	24,041	62,507

## Notes to the Condensed Consolidated Interim Financial Statements

### 1. Corporate Information

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

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

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

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

The condensed consolidated financial statements are unaudited, but have been reviewed by the Audit Committee of the Company. The unaudited condensed consolidated statements were approved and authorised for issue by the directors on 29 August 2019.

## Notes to the Condensed Consolidated Interim Financial Statements

### 2. Basis of Preparation and Accounting Policies

The condensed consolidated interim financial statements for the six months ended 30 June 2019 have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

These condensed consolidated interim financial statements do not include all the information required for annual financial statements and thereby they should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2018.

Save as the adoption of the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) that are first effective for the current accounting period, the accounting policies used in preparing these condensed consolidated interim financial statements are consistent with those of the annual financial statements for the year ended 31 December 2018, as described in those annual financial statements. Details of the changes in accounting policies are set out in note 3.

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

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

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2018 annual financial statements, except for new significant judgments related to the application of HKFRS 16 Leases (“**HKFRS 16**”) as described in note 3.

## Notes to the Condensed Consolidated Interim Financial Statements

### 3. Changes in HKFRSs

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

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features and Negative Compensation
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3 Business Combination, HKAS 12 Income Taxes and HKAS 23 Borrowing Costs

The impact of the adoption of HKFRS 16 have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the Group's accounting policies.

#### Impact of adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17") and related interpretations. From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. Details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16 are set out in notes (i) to (iii) below.

The Group has applied HKFRS 16 using the modified retrospective approach and recognised all the cumulative effect of initially applying HKFRS 16, if any, as an adjustment to the opening balance of retained profits at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

## Notes to the Condensed Consolidated Interim Financial Statements

### 3. Changes in HKFRSs (continued) Impact of adoption of HKFRS 16 (continued)

The following tables summarised the impact of transition to HKFRS 16 on the consolidated statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows (increase/(decrease)):

	HK\$'000
<b>Consolidated Statement of financial position as at 1 January 2019</b>	
<b>Assets</b>	
Right-of-use assets presented in property, plant and equipment	5,464
<b>Liabilities</b>	
Lease liabilities (non-current)	3,552
Lease liabilities (current)	1,912
Total liabilities	5,464

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 January 2019:

	HK\$'000
<b>Reconciliation of operating lease commitment to lease liabilities</b>	
Operating lease commitment as of 31 December 2018	5,762
Less: Future interest expenses	(298)
Add: Finance leases liabilities as of 31 December 2018 (note 3(iii))	269
Total lease liabilities as of 1 January 2019	5,733

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 is 4%.

## Notes to the Condensed Consolidated Interim Financial Statements

### 3. Changes in HKFRSs (continued) Impact of adoption of HKFRS 16 (continued)

(i) *The new definition of a lease*

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease a single lease component.

(ii) *Accounting as a lessee*

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

## Notes to the Condensed Consolidated Interim Financial Statements

### 3. Changes in HKFRSs (continued) Impact of adoption of HKFRS 16 (continued)

#### (ii) Accounting as a lessee (continued)

##### Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying cost model. Under the cost model, the Group measures the right-of-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The Group has leased office premises under tenancy agreement and the right-of-use asset arising from this office premises is carried at depreciated cost.

##### Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

## Notes to the Condensed Consolidated Interim Financial Statements

### 3. Changes in HKFRSs (continued) Impact of adoption of HKFRS 16 (continued)

(ii) *Accounting as a lessee (continued)*

Lease liability (continued)

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iii) *Transition*

As mentioned above, the Group has applied HKFRS 16 using the modified retrospective approach and recognised all the cumulative effect of initially applying HKFRS 16, if any, as an adjustment to the opening balance of retained profits at the date of initial application, i.e. 1 January 2019. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified as operating lease under HKAS 17 at amount equals to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to those leases recognised in the statement of financial position immediately before the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 *Impairment of Assets* at 1 January 2019 to assess if there was any impairment as on that date.

## Notes to the Condensed Consolidated Interim Financial Statements

### 3. Changes in HKFRSs (continued) Impact of adoption of HKFRS 16 (continued)

#### (iii) Transition (continued)

The Group has also leased a motor vehicle which previously was classified as finance lease under HKAS 17. As the Group has elected to adopt the modified retrospective approach over the adoption of HKFRS 16, for the finance lease under HKAS 17, the right-of-use assets and the corresponding lease liabilities at 1 January 2019 were the carrying amount of the lease assets and lease liabilities under HKAS 17 immediately before that date. For those leases, the Group has accounted for the right-of-use assets and the lease liabilities applying HKFRS 16 from 1 January 2019. Upon adoption of HKFRS 16 on 1 January 2019, the leased motor vehicle with net carrying amount of HK\$294,000 continues to be presented within property, plant and equipment whereas the finance lease liabilities amounting to HK\$269,000 are reclassified from "Obligation under finance lease" to "Lease liabilities".

### 4. Revenue

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

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
<b>Revenue from contracts with customers within the scope of HKFRS 15 (Note)</b>		
– Commission income from securities brokerage services	244	480
– Handling fee income	15	221
	<b>259</b>	701
<b>Revenue from other sources</b>		
– Interest income from securities-backed lending services	13,025	8,029
	<b>13,284</b>	8,730

Note: Revenue from contracts with customers derived by the Group for the six months ended 30 June 2019 amounting to HK\$259,000 (six months ended 30 June 2018: HK\$701,000) is recognised at a point in time.

## Notes to the Condensed Consolidated Interim Financial Statements

### 5. Segment Information

#### (a) Operating segment information

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

#### (b) Geographical segment information

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

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

#### (c) Information about major customers

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

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Customer I	1,568	2,725
Customer II	1,317	1,025
Customer III	N/A	1,120
Customer IV	N/A	896

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

## Notes to the Condensed Consolidated Interim Financial Statements

### 6. Other Income

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank interest income	4	2

### 7. Profit Before Income Tax

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Auditor's remuneration	296	279
Operating lease charges in respect of building	–	734

### 8. Finance Costs

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on borrowings	–	39
Interest on lease liabilities	83	–
	83	39

## Notes to the Condensed Consolidated Interim Financial Statements

### 9. Income Tax Expense

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

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Current tax – Hong Kong		
Profits Tax	<b>1,147</b>	724

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

### 10. Dividend & Closure of Register of Members

The Board have resolved to declare an interim dividend of HK 0.1 cents (2018: nil) per ordinary share, amounting to approximately HK\$4.9 million (2018: nil).

The register of members of the Company will be closed from Friday, 13 September 2019 to Wednesday, 18 September 2019, both days inclusive, during which period no transfer of Shares will be registered for the purpose of determining Shareholders' entitlements to the interim dividend. The record date for entitlement to the interim dividend is on Wednesday, 18 September 2019. In order to qualify for the interim dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on 12 September 2019. The payment date of the interim dividend is expected to be on Friday, 27 September 2019.

## Notes to the Condensed Consolidated Interim Financial Statements

### 11. Earnings Per Share

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

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
<b>Earnings</b>		
Profit for the period attributable to owners of the Company	<b>3,302</b>	3,206
	Number of shares (thousands)	
<b>Weighted average number of ordinary shares</b>		
Weighted average number of ordinary shares in issue during the period	<b>4,909,677</b>	4,910,000

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 2019 of 4,909,677,000 is based on 4,910,000,000 issued ordinary shares and adjusted for the treasury shares held by the Company as set out in note 16.

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

### 12. Property, Plant and Equipment

During the six months ended 30 June 2019, the Group did not incur any expenditure on acquisition of property, plant and equipment (six months ended 30 June 2018: nil).

## Notes to the Condensed Consolidated Interim Financial Statements

### 13. Trade Receivables

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Trade receivables arising from securities dealing and margin financing		
– Cash clients	–	–
– Margin clients	222,825	234,972
– Clearing House	30	5,770
	<b>222,855</b>	240,742
Less: Provision of Impairment	<b>(16,627)</b>	(16,627)
	<b>206,228</b>	224,115

Notes:

- (a) The settlement terms of trade receivables arising from the business of securities dealing are two business days after trade date.
- (b) Margin clients are required to pledge securities collateral to the Group in order to obtain credit facilities for securities trading. The amount of credit facilities granted to the margin clients is determined with reference to the discounted market value of securities accepted by the Group. Margin loans due from margin clients are either current or repayable on demand for those margin clients subject to margin calls. No ageing analysis is disclosed for trade receivables from margin clients, as in the opinion of the directors, ageing analysis is not meaningful in view of the business nature of securities dealing and margin financing.
- (c) As at 30 June 2019, the total market value of securities pledged as collateral in respect of the receivables from margin clients are approximately HK\$175.5 million (31 December 2018: HK\$405.0 million). Margin loans as at 30 June 2019 are interest bearing at a fixed rate ranged from 8% to 24.0% per annum (31 December 2018: 0% 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 2019 (31 December 2018: nil).

## Notes to the Condensed Consolidated Interim Financial Statements

### 14. Trust Bank Balances Held on Behalf of Customers

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

### 15. Trade Payables

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Trade payables arising from securities dealing:		
– Cash clients	2,401	2,496
– Margin clients	3,526	2,430
– Clearing house	–	1,043
	<b>5,927</b>	5,969

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

Margin and cash client payables as at 30 June 2019 and 31 December 2018 included balances payable to certain related parties. Further details of these balances are set out in note 19.

## Notes to the Condensed Consolidated Interim Financial Statements

### 16. Share Capital

Ordinary shares	Par value HK\$	Number of shares	Amount HK\$'000
<b>Authorised:</b>			
At 1 January 2018, 31 December 2018 and 30 June 2019	0.001	500,000,000,000	500,000
<b>Issued and fully paid:</b>			
At 1 January 2018, 31 December 2018 and 30 June 2019	0.001	4,910,000,000	4,910
<b>Treasury shares</b>			
		Number of shares	Consideration HK\$'000
<b>Issued and fully paid:</b>			
At 1 January 2018, 31 December 2018 and 1 January 2019		–	–
Share repurchase		12,370,000	1,105
At 30 June 2019		12,370,000	1,105

During the six months ended 30 June 2019, the Company repurchased an aggregate of 12,370,000 of its own shares on the Stock Exchange at an aggregate consideration of HK\$1,105,000. All repurchased shares have been subsequently cancelled by the Company in July 2019.

## Notes to the Condensed Consolidated Interim Financial Statements

### 17. Commitments

#### Capital commitments

The Group did not have any material capital commitments as at 30 June 2019 (31 December 2018: nil).

### 18. Contingent Liabilities

As at 30 June 2019, the Group did not have any significant contingent liabilities (31 December 2018: 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	2018
			2019	2018
			HK\$'000	HK\$'000
Mr. Cheung Yan Leung Henry	Director	Brokerage income	2	22
Mr. Cheung Jonathan	Director	Brokerage income	-	2
Mr. Wong Wing Shing	Senior Management	Brokerage income	1	7

## Notes to the Condensed Consolidated Interim Financial Statements

### 19. Related Party Transactions (continued)

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

Balances arising from securities dealing transactions included in trade payables.

Name of related party	Related party relationship	As at	As at
		30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Mr. Cheung Yan Leung Henry	Director	663	805
Mr. Cheung Jonathan	Director	313	313

### (c) Compensation of senior management personnel

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

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Salaries, allowances and other benefits	2,345	1,469
Contributions to defined contribution retirement plan	43	44
	2,388	1,513

## Management Discussion and Analysis

### Business Review

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

Despite the Hang Seng Index increased by approximately 2,697 points or approximately 10% to close at 28,542 points on 30 June 2019 for the first half of 2019, the performance of the Hong Kong Stock Market was volatile as it has been continued to be affected by the Sino-US trade war disputes. The average daily turnover for the six months of 2019 was approximately HK\$98.1 billion, representing an increase of approximately 11% when compared of about HK\$88.5 billion recorded in the second half of 2018. During the period under review, we recognised commission income from our securities brokerage services and interest income from our securities-backed lending services.

### Securities Brokerage

Commission income from our securities brokerage is approximately HK\$0.2 million for the six months ended 30 June 2019, representing a decrease from approximately HK\$0.5 million of the corresponding period in 2018.

### Securities-backed Lending Services

Securities-backed lending services continued to be our major source of income. During the first six months ended 30 June 2019, its performance has been improved. During the period, interest income for securities-backed lending services is HK\$13.0 million, representing an increase of approximately 63% from approximately HK\$8.0 million recorded for the corresponding period in 2018. Both our businesses of margin financing services and money lending services have recorded growth.

## Management Discussion and Analysis

### Business Review (continued)

#### Securities-backed Lending Services (continued)

(a) *Margin Financing Services*

During the six months ended 30 June 2019, the size of our margin finance loan portfolio had increased. We recorded an average month-end margin finance loan balance of approximately HK\$228.2 million, representing an increase of approximately 7% compared to an average of loan balance of approximately HK\$212.8 million for the six months ended 30 June 2018. During the period for the six months ended 30 June 2019, interest income from margin financing services surged to approximately HK\$11.9 million, recording about 49% increase from approximately HK\$8.0 million recorded for the six months ended 30 June 2018.

(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 2019, the Group recognised revenue of HK\$1.1 million from the Money lending services (30 June 2018: HK\$7,000).

#### Placing and Underwriting Business

Our placing and underwriting services are generally offered to listed companies, placing agents and/or the investors of listed companies. Due to sluggish demand, the Group did not derive any placing or underwriting commission income for the first six months ended 30 June 2019 (30 June 2018: nil).

#### Net Profit for the period

The Group's consolidated net profit for the six months ended 30 June 2019 was approximately HK\$3.3 million (six months ended 30 June 2018: HK\$3.2 million), representing about 3% increase of approximately HK\$0.1 million over the corresponding period last year. Such increase was mostly attributable to the revenue increase of approximately HK\$5.0 million in the securities-backed lending services.

#### Outlook

In the first half of 2019, Hong Kong economy has experienced increased uncertainty amidst factors such as intensified Sino-US trade war, social instability, and US interest rate hike. Investors' investment sentiment and fund flow has thus been deterred and affected. The Group has continued to manage our positions and recorded growth in our continued operation in the first half of 2019. The Group will continue to closely observe the changes in political and business environment and dynamically explore strategic opportunities to broaden our client reach, improve our business platform, cultivate business alliances collaborations, strengthen our financial positions, and diversify the Group's risk exposure to prepare for further expansion and a sustainable long term growth in the future.

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

## Management Discussion and Analysis

### Financial Review

#### Revenues

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Commission income from securities brokerage services	244	480
Handling fee	15	221
	<b>259</b>	701
Revenue from others sources		
Interest income from securities-backed lending services	13,025	8,029
	<b>13,284</b>	8,730

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

Total revenue for the six months ended 30 June 2019 was approximately HK\$13.3 million (30 June 2018: HK\$8.7 million), representing an increase of approximately HK\$4.6 million or approximately 53% compared to the same period in 2018. The growth was mainly attributable to the increase of approximately HK\$5.0 million in interest income from securities-backed lending services.

## *Management Discussion and Analysis*

### **Financial Review (continued)**

#### **Revenues (continued)**

During the first half of 2019, the average monthly transaction value for the Group was approximately HK\$18.0 million. Commission income from securities brokerage services decreased to approximately HK\$0.2 million for the six months ended 30 June 2019 compared to approximately HK\$0.5 million of the corresponding period in 2018. Interest income from securities-backed lending services increased to HK\$13.0 million for the six months ended 30 June 2019, representing an increase of approximately 63% from HK\$8.0 million for the corresponding period ended 30 June 2018. Such growth is attributable to the expansion of the Group's average month-end margin financing loan balance of approximately HK\$228.2 million for the six months ended 30 June 2019 (2018: HK\$212.8 million). During the first six months ended 30 June 2019, interest income from margin financing services increased to approximately HK\$11.9 million, representing an increase of approximately 49% from approximately HK\$8.0 million recorded for the corresponding period ended 30 June 2018. During the first six months ended 30 June 2019, the Group recognised revenue of about HK\$1.1 million (2018: HK\$7,000) from our money lending service. The Group did not recognise any revenue from the placing and underwriting services for the six months ended 30 June 2019 (2018: nil).

## Management Discussion and Analysis

### Financial Review (continued)

#### Employee benefits expenses

For the six months ended 30 June 2019, the Group recorded approximately HK\$3.2 million employee benefit expenses, representing an increase of approximately 45% from HK\$2.2 million of the corresponding period in 2018. Employee benefits expenses include staff salaries and allowances and benefits, directors' emoluments and contribution to defined contribution retirement scheme. The increment was due to directors' emoluments to the Directors, and general salaries increment in the first half of 2019.

#### Other operating expenses

At approximately HK\$4.5 million, other operating expenses represented approximately 51% of the total expenses during the six months ended 30 June 2019 (30 June 2018: HK\$2.5 million). The increase in other operating expenses is due to non-recurring operating expenses of approximately HK\$1.7 million, higher administration expenses and ongoing compliance expenses since the Company was listed.

#### Income tax expense

Income tax expense for the six months ended 30 June 2019 were approximately HK\$1.1 million (six months ended 30 June 2018: HK\$0.7 million). Such increase is in line with the rise in net profit during the six months ended 30 June 2019 compared to the corresponding period in the prior year.

#### Profit for the period

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Profit for the period	3,302	3,206
Reconciled profit for the period	3,302	3,206

## Management Discussion and Analysis

### Financial Review (continued) Profit for the period (continued)

The Group recorded a net profit of approximately HK\$3.3 million, which was approximately 3% higher than the corresponding period in 2018 (six months ended 30 June 2018: HK\$3.2 million). Such increase was mostly attributable to the increase of contribution from the securities-backed lending services of approximately HK\$13.0 million for the six months ended 30 June 2019, representing an increase of approximately 63% when compared to HK\$8.0 million for the six months ended 30 June 2018. Such increase was partially offset by an increase of expenses of the Group of approximately 83% to HK\$8.8 million for the six months ended 30 June 2019 (30 June 2018: HK\$4.8 million). These expenses were mostly attributable to non-recurring operating expenses of approximately HK\$1.7 million and an increase in other operating expenses including employee benefits expenses, administrative expenses, professional fees and ongoing compliance fees. Excluding the amount of non-recurring operating expenses, the Company would have recorded a net profit of approximately HK\$5.0 million.

### 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

	<b>As at 30 June 2019 (Unaudited) HK\$'000</b>	As at 31 December 2018 (Audited) HK\$'000
Current assets	<b>276,100</b>	274,497
Current liabilities	<b>9,125</b>	6,687
Current ratio ( <i>times</i> ) (Note i)	<b>30.3</b>	41.0
Interest Coverage ( <i>times</i> ) (Note ii)	<b>54.6</b>	N.A.
Gearing ratio ( <i>times</i> )	<b>0.02</b>	0.00

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.

## Management Discussion and Analysis

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

#### Liquidity and Financial Resources (continued)

The Group recorded a current ratio of approximately 30.3 times as at 30 June 2019 (31 December 2018: 41.0 times).

As at 30 June 2019, the Group's cash and bank balances amounted to approximately HK\$24.0 million (31 December 2018: HK\$22.5 million). The Group carried long-term liabilities of approximately HK\$2.6 million.

As at 30 June 2019, overall debt of the Group are approximately HK\$4.8 million. With an equity base of HK\$273.5 million, the Group has gearing ratio of approximately 2% (note (iii)) (31 December 2018: N/A). Please refer to Note (iii) to the liquidity and financial resources and capital structure above for further information.

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 general working capital.

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

## *Management Discussion and Analysis*

### **Foreign Currency Exposure**

The Group's reporting currency is Hong Kong dollar. During the six months ended 30 June 2019 and year ended 31 December 2018, the Group's transactions were denominated in Hong Kong dollars ("HK\$"). The Group had no material exposure to foreign currency risk.

### **Contingent Liabilities**

As at 30 June 2019 and 31 December 2018, the Group did not have any material contingent liabilities.

### **Significant Investments**

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

### **Pledge of Assets**

As at 30 June 2019 (31 December 2018: Nil), the Group did not pledge any of its assets.

### **Capital Commitments**

As at 30 June 2019 and 31 December 2018, the Group did not have any significant capital commitments.

## Other Information

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

As at 30 June 2019, 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:

- 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.
- 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 2019, 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 2019 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 2019, 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:

1. 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.
2. 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 2019, 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

The Company had bought back the Shares on the Stock Exchange during the Period with details as follows:

Date	Number of shares purchased	Price per share		Total paid HK\$
		Highest price paid HK\$	Lowest price paid HK\$	
25 June 2019	10,690,000	0.105	0.065	959,205
27 June 2019	1,680,000	0.09	0.082	142,220

All the Shares bought back would be cancelled. Save as disclosed above, 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 2019.

## *Other Information*

### **Employees and Remuneration Policy**

As at 30 June 2019, the Group had 14 staff (30 June 2018: 14) in total. The Group's remuneration policy is based on the relevant director or member of senior management's duties, responsibilities, experiences, skills, time commitment, performance of our Group and are made with reference to those paid by comparable companies. Our employees are remunerated with monthly salaries and discretionary bonuses based on individual performance, market performance, our Group's profit as a whole and comparable market levels. Apart from salary payments, other staff benefits include provident fund contributions, medical insurance coverage, other allowances and benefits.

### **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.

## Other Information

### Corporate Governance

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

During the financial period under review, all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange of Hong Kong Limited were met by the Company.

### Directors’ Securities Transactions

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

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

### Competing Interests

As at 30 June 2019, none of the Directors, substantial Shareholders and their respective associates (as defined in the Listing Rules) has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

## Other Information

### Audit Committee

The Audit Committee has been established with written terms of reference in compliance with Appendix 16 of the Listing Rules and code provision C.3.3 of the Corporate Governance Code. The Audit Committee currently comprises a total of three members, all of whom are independent non-executive Directors. Two members are Certified Public Accountants including the chairman, Mr. Yeung King Wah. The other members are Mr. Lai Tze Leung George and Mr. So Stephen Hon Cheung respectively. The primary duty of the Audit Committee is to review and supervise the Company's financial reporting process, the internal control systems of the Group and the monitoring of continuing connected transactions. Pursuant to C.3.3 of the Code on Corporate Governance Practices, the Audit Committee had reviewed the unaudited condensed consolidated results of the Group for the six months ended 30 June 2019 and confirmed that the preparation of such complied with applicable accounting standards and practices adopted by the Company and the requirements of the Stock Exchange, and adequate disclosure had been made.

### Board of Directors

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

#### Executive Directors:

Mr. Cheung Yan Leung Henry  
Mr. Jonathan Cheung

#### Independent Non-executive Directors:

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

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

Hong Kong, 29 August 2019

