

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)

2021

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

Financial Highlights

- The Group recorded an unaudited revenue of approximately HK\$12.8 million for the six months ended 30 June 2021, representing a decrease of approximately HK\$5.0 million as compared to approximately HK\$17.8 million for the six months ended 30 June 2020.
- The Group recorded an unaudited profit attributable to the owners of the Company of approximately HK\$4.6 million for the six months ended 30 June 2021, representing an increase of approximately 26% as compared to the corresponding period in 2020 (30 June 2020: HK\$3.7 million).
- The basic and diluted earnings per share for the six months ended 30 June 2021 were HK 0.10 cents (30 June 2020: HK 0.08 cents).
- The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2021 (30 June 2020: nil).

Unaudited Condensed Consolidated Interim Results for the Six Months Ended 30 June 2021

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 2021, together with the comparative unaudited figures for the corresponding period in 2020, as follows:

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
REVENUE	4	12,836	17,813
Other income	6	–	50
Commission and related expenses		–	(6,099)
Employee benefit expenses		(4,004)	(3,151)
Depreciation		(1,021)	(1,018)
Other operating expenses		(2,011)	(2,900)
Finance costs	8	(28)	(69)
PROFIT BEFORE INCOME TAX		5,772	4,626
Income tax expense	9	(1,140)	(959)
PROFIT FOR THE PERIOD		4,632	3,667
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		–	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		4,632	3,667
		HK cents	HK cents
EARNINGS PER SHARE			
Basic and diluted	11	0.10	0.08

Condensed Consolidated Statement of Financial Position

As at 30 June 2021

		As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		719	1,740
Intangible asset		500	500
Statutory deposits placed with stock exchange and clearing house		205	1,205
Deferred tax assets		3,742	3,741
		5,166	7,186
Current assets			
Trade receivables	13	100,207	96,581
Loans receivable		55,177	50,609
Other receivables, deposits and prepayments		1,010	1,200
Tax recoverable		1,773	1,689
Trust bank balances held on behalf of customers	14	2,834	4,169
Cash and bank balances		40,818	66,868
		201,819	221,116
Current liabilities			
Trade payables	15	2,834	28,311
Other payables and accruals		1,036	1,077
Lease liabilities		701	1,745
Tax payable		1,126	513
		5,697	31,646
Net current assets		196,122	189,470
Total assets less current liabilities		201,288	196,656

Condensed Consolidated Statement of Financial Position

As at 30 June 2021

		As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
	<i>Notes</i>		
Non-current liabilities			
Lease liabilities		–	–
Net assets		201,288	196,656
CAPITAL AND RESERVES			
Share capital	16	4,512	4,512
Reserves		196,776	192,144
Total equity		201,288	196,656

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Share Capital HK\$'000	Share Premium* HK\$'000	Treasury Shares* HK\$'000	Capital Reserves* HK\$'000	Retained profits* HK\$'000	Total HK\$'000
Six months ended 30 June 2020						
(unaudited)						
At 1 January 2020	4,710	187,031	(1,959)	(4,866)	56,409	241,325
Profit for the period	-	-	-	-	3,667	3,667
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	3,667	3,667
Transaction with owners:						
Repurchase of shares (Note 16)	-	-	(25,841)	-	-	(25,841)
Cancellation of shares Purchased (Note 16)	(198)	(27,602)	27,800	-	-	-
At 30 June 2020	4,512	159,429	-	(4,866)	60,076	219,151
Six months ended 30 June 2021						
(unaudited)						
At 1 January 2021	4,512	159,429	-	(4,866)	37,581	196,656
Profit for the period	-	-	-	-	4,632	4,632
Total comprehensive income for the period	-	-	-	-	4,632	4,632
At 30 June 2021	4,512	159,429	-	(4,866)	42,213	201,288

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Net cash (used in)/from operating activities	(24,978)	27,210
Net cash used in investing activities	–	(11)
Net cash used in financing activities	(1,072)	(26,912)
Net (decrease)/increase in cash and cash equivalents	(26,050)	287
Cash and cash equivalents at beginning of period	66,868	29,212
Cash and cash equivalents at end of period	40,818	29,499
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	40,818	29,499

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 5 August 2021.

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 2021 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 2020.

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 2020 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 2020 annual financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

3. Changes in HKFRSs

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

Amendments to HKAS 39, HKFRS 4, Interest Rate Benchmark Reform – Phase 2
HKFRS 7, HKFRS 9 and HKFRS 16

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

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "**Reform**"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

Notes to the Condensed Consolidated Interim Financial Statements

4. Revenue

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15 (<i>Note</i>)		
– Commission income from securities brokerage services	302	584
– Income from placing and underwriting services	83	6,558
– Handling fee income	46	212
	431	7,354
Revenue from other sources		
– Interest income from securities-backed lending services	12,405	10,459
	12,836	17,813

Note: Revenue from contracts with customers derived by the Group for the six months ended 30 June 2021 amounting to HK\$431,000 (six months ended 30 June 2020: HK\$7,354,000) 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	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Customer I	2,085	N/A
Customer II	1,918	N/A
Customer III	1,793	N/A
Customer IV	1,691	N/A
Customer V	N/A	6,145

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	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Others	–	50
	–	50

7. Profit Before Income Tax

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Auditor's remuneration	320	307

8. Finance Costs

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on lease liabilities	28	69

Notes to the Condensed Consolidated Interim Financial Statements

9. Income Tax Expense

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

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Current tax – Hong Kong Profits Tax	1,140	959

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

10. Dividend

The Directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 June 2021 (30 June 2020: nil).

11. Earnings Per Share

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

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Earnings		
Profit for the period attributable to owners of the Company	4,632	3,667

	Number of shares (thousands)	
Weighted average number of ordinary shares		
Weighted average number of ordinary shares in issue during the period	4,511,890	4,549,657

Notes to the Condensed Consolidated Interim Financial Statements

11. Earnings Per Share (continued)

The weighted average number of ordinary shares used for the purposes of calculating the basic earnings per share for the six months ended 30 June 2021 is based on the weighted average number of shares in issue during the period. During the period under review, the total number of issued shares of the Company has remained as 4,511,890,000 ordinary shares.

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 2021, the Group did not incur any expenditure on acquisition of property, plant and equipment (six months ended 30 June 2020: HK\$11,000).

13. Trade Receivables

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Trade receivables arising from securities dealing and margin financing (note a)		
– Margin clients (note b)	102,908	97,213
– Clearing House (note c)	76	1,895
Trade receivables arising from placing and underwriting services	–	250
	102,984	99,358
Less: Loss allowance	(2,777)	(2,777)
	100,207	96,581

Notes to the Condensed Consolidated Interim Financial Statements

13. Trade Receivables (continued)

Notes:

- (a) The settlement terms of trade receivables arising from the business of securities dealing are two business days after trade date (“**T+2**”).
- (b) Margin clients are required to pledge securities collateral to the Group in order to obtain credit facilities for securities trading. The amount of credit facilities granted to the margin clients is determined with reference to the discounted market value of securities accepted by the Group. Margin loans due from margin clients are either current or repayable on demand for those margin clients subject to margin calls. No ageing analysis is disclosed for trade receivables from margin clients, as in the opinion of the directors, ageing analysis is not meaningful in view of the business nature of securities dealing and margin financing.

To manage the credit risk exposure, when the level of securities collateral in proportional to the outstanding loan due from the margin credit (“**collateral ratio**”) has reached alarming level, the Group will demand the margin clients to deposit additional money or securities to maintain their margin accounts, or to sell their securities collateral to reduce the exposure.

Other than the above, the Group may implement other credit enhancement measures including to enter the repayment schedule for a period of normally less than one year with margin clients for settling their outstanding balances by money instalment, by depositing cash or securities in equivalent market value.

- (c) Trade receivables from clearing house, i.e. Hong Kong Securities Clearing Company Limited (“**HKSCC**”), is current which represents pending trades arising from the business of securities dealing and are normally due on “**T+2**” day in accordance with the requirements of Hong Kong Exchange and Clearing Limited.

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 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Trade payables arising from securities dealing:		
– Cash clients	452	1,371
– Margin clients	2,382	2,798
– Clearing house	–	24,142
	2,834	28,311

Notes to the Condensed Consolidated Interim Financial Statements

15. Trade Payables (continued)

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 2021 and 31 December 2020 included balances payable to certain related parties. Further details of these balances are set out in note 19.

16. Share Capital

Authorised and issued shares

	Par value HK\$	Number of ordinary shares	Amount HK\$'000
Authorised:			
At 1 January 2020, 31 December 2020 and 30 June 2021	0.001	500,000,000,000	500,000
Issued and fully paid:			
At 1 January 2020	0.001	4,710,490,000	4,710
Cancellation of shares repurchased	0.001	(198,600,000)	(198)
At 30 June 2020 and 1 July 2020	0.001	4,511,890,000	4,512
At 31 December 2020 and 1 January 2021	0.001	4,511,890,000	4,512
At 30 June 2021	0.001	4,511,890,000	4,512

During the six months ended 30 June 2021, the Company did not repurchase any shares of the Company (During the six months ended 30 June 2020, the Company repurchased a total of 185,600,000 ordinary shares and cancelled a total of 198,600,000 repurchased shares). The number of issued ordinary shares of the Company remained at 4,511,890,000 as of 30 June 2021. (30 June 2020: 4,511,890,000).

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 2021 (31 December 2020: nil).

18. Contingent Liabilities

As at 30 June 2021, the Group did not have any significant contingent liabilities (31 December 2020: 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 2021 HK\$'000	2020 HK\$'000
Mr. Cheung Yan Leung Henry	Director	Brokerage income	2	3
Mr. Wong Wing Shing	Senior Management	Brokerage income	3	2
Snail Capital Limited [#]	Company controlled by a director of the Company	Brokerage income	–	8
HCC & Co Limited [^]	Ultimate holding Company	Brokerage income	–	8

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

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

Notes to the Condensed Consolidated Interim Financial Statements

19. Related Party Transactions (continued)

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

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

Name of related party	Related party relationship	As at	As at
		30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Mr. Cheung Yan Leung Henry	Director	32	131
Mr. Cheung Jonathan	Director	313	313

- (c) **Compensation of senior management personnel**

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

	Six months ended 30 June	2020
	2021 (Unaudited) HK\$'000	(Unaudited) HK\$'000
Salaries, allowances and other benefits	2,433	2,441
Contributions to defined contribution retirement plan	41	42
	2,474	2,483

Management Discussion and Analysis

Business Review

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

During the period under review, we recognized commission income from our securities brokerage services, interest income from our securities-backed lending services as well as income from placing and underwriting services.

During the first half of 2021, amid the resumption of economic activities in China, the Hong Kong economy has continued to be affected by the COVID-19 pandemic prevention and control measures and the tension between US and China. The Hang Seng Index marked an increase of approximately 1,740 points or approximately 6.4% from the open of 27,087 points on 4 January 2021 to close at 28,827 points on 30 June 2021.

Securities Brokerage Services

Commission income from our securities brokerage services was approximately HK\$0.3 million for the six months ended 30 June 2021, representing a decrease from approximately HK\$0.6 million for the six months ended 30 June 2020.

Securities-backed Lending Services

Securities-backed lending services continued to be our main source of income. During the six months ended 30 June 2021, interest income from securities-backed lending services increased to approximately HK\$12.4 million, representing an increase of approximately 18% from approximately HK\$10.5 million recorded for the corresponding period in 2020.

(a) *Margin Financing Services*

During the six months ended 30 June 2021, interest income from margin financing services increased by approximately 6.8% to approximately HK\$7.8 million, compared to approximately HK\$7.3 million for the corresponding period in 2020.

(b) *Money Lending Services*

During the six months ended 30 June 2021, the Group recognised revenue of approximately HK\$4.6 million from money lending services, compared to approximately HK\$3.2 million for the corresponding period in 2020.

Management Discussion and Analysis

Business Review (continued)

Securities-backed Lending Services (continued)

(b) Money Lending Services (continued)

Reference is made to the supplemental announcement of the Company dated 7 May 2021 (the “**Supplemental Announcement**”). Unless otherwise defined, capitalised terms used in this paragraph shall have the same meanings as those defined in the Supplemental Announcement. During the six months ended 30 June 2021, the Group entered into six loan assignment agreements (the “**Loan Assignment Agreements**”) with certain independent third party clients regarding the loans of Relevant Client A, Relevant Client B and Relevant Client D (collectively, the “**Loans**”). The Loans (inclusive of outstanding principal and accrued interest) amounted to approximately HK\$44.1 million as at the date of the Loan Assignment Agreements and impairment losses of approximately HK\$18.7 million were recorded for the Loans in the year ended 31 December 2020. Pursuant to the Loan Assignment Agreements, the Group agreed to sell and the assignees agreed to purchase, all of the right, title and interest of the Loans at a discount. In addition, the amount receivable by the Group is approximately HK\$35.3 million for assignment of the Loans and the Group had accordingly written off approximately HK\$8.8 million against the balance of the Loans during the six months ended 30 June 2021.

Placing and Underwriting Services

Our placing and underwriting services are generally offered to listed companies, placing agents, and/or the investors of listed companies on best effort basis for fund-raising activities. During the six months ended 30 June 2021, the Group recognized revenue of approximately HK\$83,000 from placing and underwriting services, compared to a total of HK\$6.6 million incurred for the six months ended 30 June 2020.

Profit for the period

The Group’s condensed consolidated profit for the six months ended 30 June 2021 was approximately HK\$4.6 million (six months ended 30 June 2020: HK\$3.7 million), representing approximately 26% increase over the corresponding period in 2020. Such increase was mostly attributable to an increase in revenue generated from securities-backed lending services of approximately 18%.

Management Discussion and Analysis

Outlook

The first half of 2021 is still affected by the uncertainties and volatility stemming from similar factors as before, mainly the unprecedented COVID-19 pandemic and the tension in Sino-US relationship. The Group has continued to manage our position prudently and maintained a healthy level of cash on hand amidst the uncertain environment. At the same time, the Group maintained a stable growth in profit and will continue to develop and grow the business diligently. Looking forward, with the Group's healthy financial position and stable business development, we will continue to manage our positions prudently, broaden our business reach, strengthen our market position and continue to grow the Group's business for the long term.

Financial Review

Revenues

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Commission income from securities brokerage services	302	584
Income from placing and underwriting services	83	6,558
Handling fee	46	212
	431	7,354
Revenue from others sources		
Interest income from securities-backed lending services	12,405	10,459
	12,836	17,813

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

Total revenue for the six months ended 30 June 2021 was approximately HK\$12.8 million (30 June 2020: HK\$17.8 million), representing a decrease of approximately HK\$5.0 million as compared to the same period in 2020. Such decrease was mainly attributable to the decrease in income from placing and underwriting services. For the placing and underwriting services, the Group generated an income of approximately HK\$83,000 for the six months ended 30 June 2021, whereas an income of approximately HK\$6.6 million was generated for the six months ended 30 June 2020. Commission income from securities brokerage services decreased to approximately HK\$0.3 million for the six months ended 30 June 2021, compared to approximately HK\$0.6 million for the six months ended 30 June 2020. However, interest income from securities backed lending services increased by 18% to approximately HK\$12.4 million for the six months ended 30 June 2021, as compared to approximately HK\$10.5 million for the six months ended 30 June 2020.

Management Discussion and Analysis

Financial Review (continued)

Employee benefits expenses

For the six months ended 30 June 2021, the Group recorded approximately HK\$4.0 million employee benefit expenses (30 June 2020: HK\$3.2 million). Employee benefits expenses include staff salaries and allowances and benefits, directors' emoluments and contribution to defined contribution retirement scheme.

Other operating expenses

At approximately HK\$2.0 million, other operating expenses represented approximately 28% of the total expenses during the six months ended 30 June 2021 (six months ended 30 June 2020: HK\$2.9 million accounted for approximately 22%). Total operating expenses for the six months ended 30 June 2021 was approximately HK\$7.1 million, compared to approximately HK\$13.2 million for the six months ended 30 June 2020. The decrease was due to the absence of sub-underwriting fees incurred during the period of six months ended 30 June 2020.

Income tax expense

Income tax expense has remained relatively stable compared to the corresponding period in the prior year. Income tax expense for the six months ended 30 June 2021 were approximately HK\$1.1 million (six months ended 30 June 2020: HK\$1.0 million).

Profit for the period

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	4,632	3,667
Reconciled profit for the period	4,632	3,667

The Group recorded profit of approximately HK\$4.6 million, which was approximately 26% higher than the corresponding period in 2020 (six months ended 30 June 2020: HK\$3.7 million). Such increase was mostly attributable to an increase in our interest income from securities-backed lending services to approximately HK\$12.4 million as at 30 June 2021 from approximately HK\$10.5 million as at 30 June 2020.

Management Discussion and Analysis

Liquidity and Financial Resources and Capital Structure

The Group financed its operations mostly by cash generated from operations.

Liquidity and Financial Resources

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Current assets	201,819	221,116
Current liabilities	5,697	31,646
Current ratio (<i>times</i>) (Note i)	35.4	7.0
Interest Coverage (<i>times</i>) (Note ii)	207.1	N/A [#]
Gearing ratio (<i>times</i>) [@]	0.00	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.
- [#] N/A – The Company reported a net loss.
- [@] Long-term debts (including non-current lease liabilities) over total equity

The Group recorded a current ratio of approximately 35.4 times as at 30 June 2021 (31 December 2020: 7.0 times).

As of 30 June 2021, the Group maintained a cash and bank balances amounted to approximately HK\$40.8 million (31 December 2020: HK\$66.9 million). The Group carried lease liabilities of approximately HK\$0.7 million (31 December 2020: HK\$1.7 million).

As of 30 June 2021, the Group did not have any long term debt and have a gearing ratio of approximately zero times (31 December 2020: zero times).

Management Discussion and Analysis

Liquidity and Financial Resources and Capital Structure (continued)

Liquidity and Financial Resources (continued)

During the period under review, the Group's operations, capital expenditure and other capital requirements were funded by internal operations and general working capital.

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

Foreign Currency Exposure

The Group's reporting currency is Hong Kong dollar. During the six months ended 30 June 2021, 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 2021 and 31 December 2020, the Group did not have any material contingent liabilities.

Events after the Reporting Period

Up to the date of results announcement and interim report issuance, there was no significant event relevant to the business or financial performance of the Group that came to the attention of the Directors after the six months ended 30 June 2021.

Significant Investments

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

Pledge of Assets

As at 30 June 2021 and 31 December 2020, the Group did not pledge any of its assets.

Capital Commitments

As at 30 June 2021 and 31 December 2020, 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 2021, the Directors and chief executives of the Company and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

Long positions in the ordinary shares of the Company:

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

Notes:

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

Save as disclosed above, as at 30 June 2021, 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' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" above and "Share Option Scheme" below, at no time during the period for the six months ended 30 June 2021 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 2021, substantial shareholders (not being the Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the ordinary shares of the Company:

Name of shareholders	Capacity and nature of interest	Notes	Total number	Approximate percentage of the total issued share capital of the Company (%)
HCC	Directly beneficially owned	1	1,572,000,000	34.8
SCL	Directly beneficially owned	2	802,000,000	17.8

Notes:

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

Other Information

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

Save as disclosed above, the Directors and chief executives of the Company are not aware that there is any party who, as at 30 June 2021, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

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

During the period of six months ended 30 June 2021, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares (six months ended 30 June 2020, repurchased 185,600,000 and cancelled 198,600,000 listed shares).

Employees and Remuneration Policy

As at 30 June 2021, the Group had 12 employees (30 June 2020: 13) in total. The Group's remuneration policy is based on the relevant director or member of senior management's duties, responsibilities, experiences, skills, time commitment, performance of our Group and are made with reference to those paid by comparable companies. Our employees are remunerated with monthly salaries and discretionary bonuses based on individual performance, market performance, our Group's profit as a whole and comparable market levels. Apart from salary payments, other staff benefits include provident fund contributions, medical insurance coverage, other allowances and benefits.

Other Information

Share Option Scheme

The Share Option Scheme is a share incentive scheme and is established to (i) motivate the Eligible Participants (including employees, executives, officers and directors of the Group, and any advisors, consultants, agents, customers, and such other persons who, in the sole opinion of the board of directors, will contribute or have contributed to the Group) for the benefit of the Group; and (ii) attract and retain or otherwise, maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group. The Share Option Scheme was adopted by the shareholders of the Company with effective on 22 May 2015. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years from the date of its adoption. No share option has been granted to any eligible participants under the Share Option Scheme since its adoption.

Corporate Governance

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

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

Directors’ Securities Transactions

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

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

Competing Interests

As at 30 June 2021, 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 2021 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, 5 August 2021

