

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)

2022

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

Windward 3, Regatta Office Park

PO Box 1350

Grand Cayman, KY1-1108

Cayman Islands

Headquarter and Principal Place of Business in Hong Kong

Room 1807 18/F.,

China Resources Building

26 Harbour Road, Wan Chai,

Hong Kong

Hong Kong Branch Share Registrar & Transfer Office

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

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\$10.7 million for the six months ended 30 June 2022, representing a decrease of approximately HK\$2.1 million or approximately 16% as compared to approximately HK\$12.8 million for the six months ended 30 June 2021.
- The Group recorded an unaudited profit attributable to the owners of the Company of approximately HK\$1.5 million for the six months ended 30 June 2022, which was approximately HK\$3.1 million or approximately 67% lower than the corresponding period in 2021 (30 June 2021: HK\$4.6 million). Such decrease was mostly attributable to an increase of approximately HK\$1.3 million or approximately 65% in other operating expenses, which includes non-recurrent legal and professional expenses incurred during the period and a decrease in revenue generated from securities-backed lending services of approximately HK\$1.8 million or approximately 14% as compared with the corresponding period for the six months ended 30 June 2021.
- The basic and diluted earnings per share for the six months ended 30 June 2022 were HK 0.03 cents (30 June 2021: HK 0.10 cents).
- The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2022 (30 June 2021: nil).

Unaudited Condensed Consolidated Interim Results for the Six Months Ended 30 June 2022

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 2022, together with the comparative unaudited figures for the corresponding period in 2021, as follows:

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
REVENUE	4	10,685	12,836
Other income	6	62	–
Employee benefit expenses		(4,903)	(4,004)
Depreciation		(523)	(1,021)
Other operating expenses		(3,360)	(2,011)
Finance costs	8	(49)	(28)
PROFIT BEFORE INCOME TAX		1,912	5,772
Income tax expense	9	(425)	(1,140)
PROFIT FOR THE PERIOD		1,487	4,632
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		–	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,487	4,632
		HK cents	HK cents
EARNINGS PER SHARE			
Basic and diluted	11	0.03	0.10

Condensed Consolidated Statement of Financial Position

As at 30 June 2022

		As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		2,402	2,925
Intangible asset		500	500
Statutory deposits placed with stock exchange and clearing house		205	205
Deferred tax assets		3,905	3,905
		7,012	7,535
Current assets			
Trade receivables	13	66,883	91,007
Loans receivable		53,149	51,321
Other receivables, deposits and prepayments		939	598
Tax recoverable		236	661
Trust bank balances held on behalf of customers	14	3,365	2,598
Cash and bank balances		68,107	45,580
		192,679	191,765
Current liabilities			
Trade payables	15	3,468	2,851
Other payables and accruals		960	2,215
Lease liabilities		944	924
		5,372	5,990
Net current assets		187,307	185,775
Total assets less current liabilities		194,319	193,310

Condensed Consolidated Statement of Financial Position

As at 30 June 2022

		As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
	<i>Notes</i>		
Non-current liabilities			
Lease liabilities		1,110	1,587
Net assets		193,209	191,723
CAPITAL AND RESERVES			
Share capital	16	4,512	4,512
Reserves		188,698	187,211
Total equity		193,210	191,723

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Share Capital HK\$'000	Share Premium* HK\$'000	Capital Reserves* HK\$'000	Retained profits* HK\$'000	Total HK\$'000
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
Six months ended 30 June 2022 (unaudited)					
At 1 January 2022	4,512	159,429	(4,866)	32,648	191,723
Profit for the period	-	-	-	1,487	1,487
Total comprehensive income for the period	-	-	-	1,487	1,487
At 30 June 2022	4,512	159,429	(4,866)	34,135	193,210

* 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 2022

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Net cash from/(used in) operating activities	23,033	(24,978)
Net cash used in investing activities	–	–
Net cash used in financing activities	(506)	(1,072)
Net increase/(decrease) in cash and cash equivalents	22,527	(26,050)
Cash and cash equivalents at beginning of period	45,580	66,868
Cash and cash equivalents at end of period	68,107	40,818
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	68,107	40,818

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 Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands. Its principal place of business is located at Room 1807, 18/F., China Resources Building, 26 Harbour Road, Wan Chai, 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 12 August 2022.

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 2022 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 2021.

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 2021 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 2021 annual financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

3. Changes in HKFRSs

Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ¹
Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	Annual Improvements to HKFRSs 2018-2020 ¹
Amendments to HKFRS 3	References to Conceptual Framework ¹
Amendments to AG 5	Merger accounting for Common Control Combinations

The new or amended HKFRSs that are effective from 1 January 2022 did not have significant impact on the Group's accounting policies.

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

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

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

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

Annual Improvements to HKFRSs 2018-2020

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

Notes to the Condensed Consolidated Interim Financial Statements

3. Changes in HKFRSs (continued)

Annual Improvements to HKFRSs 2018-2020 (continued)

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

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

Amendments to HKFRS 9 Financial Instruments

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

Amendments to HKFRS 16 Leases

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

Amendments to HKFRS 3 Reference to the Conceptual Framework

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

Notes to the Condensed Consolidated Interim Financial Statements

3. Changes in HKFRSs (continued)

Amendments to AG 5 Merger accounting for Common Control Combinations

AG 5 has been revised to reflect the following amendments:

- Clearer rationale for why the transaction described in paragraph 5 of AG 5 is not a business combination and why, in practice, a principle similar to that for a reverse acquisition is applied to those transactions is provided.
- New disclosure requirements for common control combinations are added to paragraph 19 of AG 5.
- The accounting for change in non-controlling interests as a result of common control combination is clarified in the example in AG 5.
- The terminologies and references in AG 5 are updated to align with existing Hong Kong Financial Reporting Standards.

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	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15 (Note)		
– Commission income from securities brokerage Services	53	302
– Income from placing and underwriting services	–	83
– Handling fee income	1	46
	54	431
Revenue from other sources		
– Interest income from securities-backed lending Services	10,631	12,405
	10,685	12,836

Note: Revenue from contracts with customers derived by the Group for the six months ended 30 June 2022 amounting to HK\$54,000 (six months ended 30 June 2021: HK\$431,000) 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	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Customer I	2,632	1,918
Customer II	2,491	2,085
Customer III	1,253	1,691
Customer IV	1,123	N/A
Customer V	N/A	1,793

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	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Others	62	–
	62	–

7. Profit Before Income Tax

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Auditor's remuneration	341	320

8. Finance Costs

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on lease liabilities	49	28

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	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax	425	1,140

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 2022 (30 June 2021: nil).

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	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Earnings		
Profit for the period attributable to owners of the Company	1,487	4,632
	Number of shares (thousands)	
Weighted average number of ordinary shares		
Weighted average number of ordinary shares in issue during the period	4,511,890	4,511,890

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 2022 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.

Notes to the Condensed Consolidated Interim Financial Statements

12. Property, Plant and Equipment

During the six months ended 30 June 2022, the Group did not incur any expenditure on acquisition of property, plant and equipment (six months ended 30 June 2021: nil).

13. Trade Receivables

	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
Trade receivables arising from securities dealing and margin financing (note a)		
– Margin clients (note b)	76,749	100,732
– Clearing House (note c)	104	245
	76,853	100,977
Less: Loss allowance	(9,970)	(9,970)
	66,883	91,007

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 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
Trade payables arising from securities dealing:		
– Cash clients	1,188	639
– Margin clients	2,280	2,212
	3,468	2,851

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 2022 and 31 December 2021 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 2021, 31 December 2021 and 30 June 2022	0.001	500,000,000,000	500,000
Issued and fully paid:			
At 1 January 2021	0.001	4,511,890,000	4,512
At 30 June 2021 and 1 July 2021	0.001	4,511,890,000	4,512
At 31 December 2021 and 1 January 2022	0.001	4,511,890,000	4,512
At 30 June 2022	0.001	4,511,890,000	4,512

During the six months ended 30 June 2022, the Company did not repurchase any shares of the Company (six months ended 30 June 2021, nil shares). The number of issued ordinary shares of the Company remained at 4,511,890,000 as of 30 June 2022. (30 June 2021: 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 2022 (31 December 2021: nil).

18. Contingent Liabilities

As at 30 June 2022, the Group did not have any significant contingent liabilities (31 December 2021: 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 2022	2021
			HK\$'000	HK\$'000
Mr. Cheung Yan Leung Henry	Director	Brokerage income	1	2
Mr. Wong Wing Shing	Senior Management	Brokerage income	-	3

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 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Mr. Cheung Yan Leung Henry	Director	287	52
Mr. Cheung Jonathan	Director	–	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	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Salaries, allowances and other benefits	4,097	2,433
Contributions to defined contribution retirement plan	42	41
	4,139	2,474

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 six months ended 30 June 2022, the Hang Seng Index marked a decrease of approximately 1,651 points or approximately 7% from the open of 23,510 points on 3 January 2022 to close at 21,859 points on 30 June 2022. The Hong Kong economy has continued to be dampened by challenges of the COVID-19 pandemic with its Omicron variants, extended lockdown measures, geo-political tensions and the slowdown of the global economy. Russia's military action against Ukraine has sparked a new spree of fears across the financial markets and has weighted adversely on global economic conditions throughout 2022. Moreover, the Federal Reserve's unprecedented interest rate hikes in order to tame inflation had cast a great shadow over the recovery of the global economy. These discouraging factors had caused substantial volatility in capital markets and asset prices and had a negative impact on overall investor sentiments.

Securities Brokerage Services

Commission income from our securities brokerage services was approximately HK\$53,000 for the six months ended 30 June 2022, as compared to approximately HK\$0.3 million for the six months ended 30 June 2021.

Securities-backed Lending Services

Securities-backed lending services continued to be our core profit generator. During the six months ended 30 June 2022, interest income from securities-backed lending services decreased to approximately HK\$10.6 million, representing a decrease of approximately 14% from approximately HK\$12.4 million recorded for the corresponding period in 2021.

(a) *Margin Financing Services*

During the six months ended 30 June 2022, interest income from margin financing services decreased by approximately 10% to approximately HK\$7.0 million, compared to approximately HK\$7.8 million for the corresponding period in 2021.

Management Discussion and Analysis

Business Review (continued)

Securities-backed Lending Services (continued)

(b) *Money Lending Services*

During the six months ended 30 June 2022, the Group recognised revenue of approximately HK\$3.6 million from money lending services, representing a decrease of approximately 22% compared to approximately HK\$4.6 million for the corresponding period in 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 2022, the Group did not recognize revenue from placing and underwriting services, compared to a total of HK\$83,000 incurred for the six months ended 30 June 2021.

Profit for the period

The Group's condensed consolidated profit for the six months ended 30 June 2022 was approximately HK\$1.5 million (six months ended 30 June 2021: HK\$4.6 million), representing an approximately decrease of HK\$3.1 million over the corresponding period in 2021. Such decrease was mostly attributable to the increase in other operating expenses of approximately HK\$1.3 million or approximately 65%, which includes non-recurrent legal and professional expenses incurred during this period and a decrease in revenue generated from securities-backed lending services of approximately HK\$1.8 million or approximately 14% as compared with the corresponding period for the six months ended 30 June 2021.

Outlook

The first half of 2022 continues to be affected by the on-going pandemic and the corresponding quarantine and control measures implemented, slowing down economic activities and general business sentiments. Geo-political tensions continue to cloud market sentiment and investor's appetite. Amidst this uncertain environment, the Group continues to maintain a prudent and conservative approach in our overall management and maintained a healthy financial position. The Group will continue to maintain stable business development, strengthen our market position, broaden our business reach and position ourselves to capture any potential opportunities to grow and expand the Group's business for the long term.

Management Discussion and Analysis

Financial Review

Revenues

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Commission income from securities brokerage services	53	302
Income from placing and underwriting services	–	83
Handling fee	1	46
	54	431
Revenue from others sources		
Interest income from securities-backed lending services	10,631	12,405
	10,685	12,836

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 2022 was approximately HK\$10.7 million (30 June 2021: HK\$12.8 million), representing a decrease of approximately HK\$2.1 million or approximately 16% as compared to the same period in 2021.

Such decrease was mainly attributable to the decrease in interest income from securities-backed lending services. Interest income from securities backed lending services decreased by approximately 14% to approximately HK\$10.6 million for the six months ended 30 June 2022, as compared to approximately HK\$12.4 million for the six months ended 30 June 2021. Commission income from securities brokerage services decreased to approximately HK\$53,000 for the six months ended 30 June 2022, compared to approximately HK\$0.3 million for the six months ended 30 June 2021. For the placing and underwriting services, the Group did not recognize any income for the six months ended 30 June 2022, whereas an income of approximately HK\$83,000 was generated for the six months ended 30 June 2021.

Management Discussion and Analysis

Financial Review (continued)

Employee benefits expenses

For the six months ended 30 June 2022, the Group recorded approximately HK\$4.9 million employee benefit expenses (30 June 2021: HK\$4.0 million). Employee benefits expenses include staff salaries and allowances and benefits, directors' emoluments and contribution to defined contribution retirement scheme. The increment was due to a new staff employment and general salaries increase for the first six months ended 30 June 2022.

Other operating expenses

At approximately HK\$3.3 million, other operating expenses represented approximately 38% of the total expenses during the six months ended 30 June 2022 (six months ended 30 June 2021: HK\$2.0 million accounted for approximately 28%). The increase of approximately HK\$1.3 million or approximately 65% was mainly due to non-recurrent legal and professional fees incurred and the increase of other general expenses during the period of six months ended 30 June 2022. Total operating expenses for the six months ended 30 June 2022 was approximately HK\$8.8 million, compared to approximately HK\$7.1 million for the six months ended 30 June 2021.

Income tax expense

Income tax expense for the six months ended 30 June 2022 were approximately HK\$0.4 million (six months ended 30 June 2021: HK\$1.1 million).

Profit for the period

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	1,487	4,632
Reconciled profit for the period	1,487	4,632

During the six months ended 30 June 2022, the Group recorded profit of approximately HK\$1.5 million, which was approximately HK\$3.1 million or approximately 67% lower than the corresponding period in 2021 (six months ended 30 June 2021: HK\$4.6 million). Such decrease was mostly attributable to an increase of approximately HK\$1.3 million or approximately 65% in other operating expenses, which includes non-recurrent legal and professional expenses incurred during this period as compared with the the corresponding period for the six months ended 30 June 2021 and a decrease of approximately HK\$1.8 million or approximately 14% in our interest income from securities-backed lending services to approximately HK\$10.6 million as at 30 June 2022 from approximately HK\$12.4 million as at 30 June 2021.

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 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
Current assets	192,679	191,765
Current liabilities	5,372	5,990
Current ratio (<i>times</i>) (Note i)	35.9	32.0
Interest Coverage (<i>times</i>) (Note ii)	40.0	N/A [#]
Gearing ratio (<i>percentage</i>) [®]	1.1	1.3

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.
- [®] Gearing ratio is calculated by lease liabilities (including current and non-current lease liabilities) over total equity x 100%

The Group recorded a current ratio of approximately 35.9 times as at 30 June 2022 (31 December 2021: 32.0 times).

The Group recorded an interest coverage of approximately 40.0 times as at 30 June 2022 (31 December 2021: N/A).

As of 30 June 2022, the Group maintained a healthy cash and bank balances amounted to approximately HK\$68.1 million (31 December 2021: HK\$45.6 million). The Group carried lease liabilities of approximately HK\$2.1 million (31 December 2021: HK\$2.5 million).

As of 30 June 2022, the Group had a gearing ratio of approximately 1.1% (31 December 2021: 1.3%).

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 2022, 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 2022 and 31 December 2021, 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 come to the attention of the Directors after the six months ended 30 June 2022.

Significant Investments

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

Pledge of Assets

As at 30 June 2022 and 31 December 2021, the Group did not pledge any of its assets.

Capital Commitments

As at 30 June 2022 and 31 December 2021, 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 2022, 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 2022, 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 2022 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 2022, 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 2022, 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 2022, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares (six months ended 30 June 2021: nil shares).

Employees and Remuneration Policy

As at 30 June 2022, the Group had 13 employees (30 June 2021: 12) 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.

Other Information

Competing Interests

As at 30 June 2022, 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.

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 2022 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, 12 August 2022

