



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)

2023 INTERIM REPORT
中期業績報告

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Corporate Information

Board of Directors (The "Board") Executive Directors

Mr. Lee Chun Tung

Mr. Yan Ximao

(appointed on 10 August 2023)

Non-executive Directors

Mr. Cheung Yan Leung Henry

(Chairman of the Company)

Mr. Yau Tung Shing

Independent Non-Executive Directors

Mr. Cheng Man Pan

Mr. Lau Kelly

Mr. Wong Chun Peng Stewart

Audit Committee

Mr. Cheng Man Pan *(Chairman)*

Mr. Lau Kelly

Mr. Wong Chun Peng Stewart

Nomination Committee

Mr. Lau Kelly *(Chairman)*

Mr. Wong Chun Peng Stewart

Mr. Cheng Man Pan

Remuneration Committee

Mr. Cheng Man Pan *(Chairman)*

Mr. Lau Kelly

Mr. Wong Chun Peng Stewart

Company Secretary

Mr. Au Kin Kee Kinson ACS ACIS

Authorised Representatives

Mr. Yau Tung Shing

Mr. Cheung Yan Leung Henry

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

Bank of China (Hong Kong) Limited

2/F, Wing On House

71 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\$9.5 million for the six months ended 30 June 2023, representing a decrease of approximately HK\$1.2 million or approximately 11% as compared to approximately HK\$10.7 million for the six months ended 30 June 2022.
- The Group recorded an unaudited profit attributable to the owners of the Company of approximately HK\$0.3 million for the six months ended 30 June 2023, which was approximately HK\$1.2 million or approximately 80% lower than the corresponding period in 2022 (30 June 2022: HK\$1.5 million). Such decrease was mostly attributable to the revenue decrease of approximately HK\$1.3 million in the securities-backed lending services (six months ended June 2022: HK\$10.6 million) which was partially offset by an increase in commission income of securities brokerage services of approximately HK\$0.1 million (six months ended June 2022: HK\$53,000).
- The basic and diluted earnings per share for the six months ended 30 June 2023 were HK 0.13 cents (30 June 2022: HK 0.65 cents (restated)).
- The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2023 (30 June 2022: nil).

Unaudited Condensed Consolidated Interim Results for the Six Months Ended 30 June 2023

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 2023, together with the comparative unaudited figures for the corresponding period in 2022, as follows:

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
REVENUE	4	9,480	10,685
Other income	6	32	62
Commission and fee expenses		(49)	–
Employee benefit expenses		(5,530)	(4,903)
Depreciation		(487)	(523)
Other operating expenses		(2,364)	(3,360)
Finance costs	8	(30)	(49)
PROFIT BEFORE INCOME TAX		1,052	1,912
Income tax expense	9	(712)	(425)
PROFIT FOR THE PERIOD		340	1,487
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		–	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		340	1,487
		HK cents	HK cents (Restated)
EARNINGS PER SHARE			
Basic and diluted	11	0.13	0.65

Condensed Consolidated Statement of Financial Position

As at 30 June 2023

		As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		1,118	1,605
Intangible asset		500	500
Statutory deposits placed with stock exchange and clearing house		205	205
Deferred tax assets		11,453	11,453
		13,276	13,763
Current assets			
Trade receivables	13	51,588	53,187
Loans receivable	14	85,889	68,948
Other receivables, deposits and prepayments		726	779
Trust bank balances held on behalf of customers		5,047	3,125
Cash and bank balances		40,395	30,140
		183,645	156,179
Current liabilities			
Trade payables	16	5,165	3,119
Other payables and accruals		24,445	748
Lease liabilities		985	964
Tax payable		1,385	12
		31,980	4,843
Net current assets		151,665	151,336
Total assets less current liabilities		164,941	165,099

Condensed Consolidated Statement of Financial Position

As at 30 June 2023

		As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
	<i>Notes</i>		
Non-current liabilities			
Lease liabilities		125	623
Net assets		164,816	164,476
CAPITAL AND RESERVES			
Share capital	17	5,414	5,414
Reserves		159,402	159,062
Total equity		164,816	164,476

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Share Capital HK\$'000	Share Premium* HK\$'000	Capital Reserves* HK\$'000	Retained profits* HK\$'000	Total HK\$'000
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
Six months ended 30 June 2023 (unaudited)					
At 1 January 2023	5,414	172,750	(4,866)	(8,822)	164,476
Profit for the period	-	-	-	340	340
Total comprehensive income for the period	-	-	-	340	340
At 30 June 2023	5,414	172,750	(4,866)	(8,482)	164,816

* 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 2023

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Net cash from operating activities	10,760	23,033
Net cash from investing activities	2	–
Net cash used in financing activities	(507)	(506)
Net increase in cash and cash equivalents	10,255	22,527
Cash and cash equivalents at beginning of period	30,140	45,580
Cash and cash equivalents at end of period	40,395	68,107
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	40,395	68,107

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 including margin financing and money lending services, other money lending services as well as placing and underwriting services.

The Company’s parent is Ultimate Vantage Group Limited (“**Ultimate Vantage**”), a limited liability company incorporated in the British Virgin Islands. In the opinion of the directors, Ultimate Vantage 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 17 August 2023.

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 2023 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 2022.

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 2022 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 2022 annual financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

3. Changes in HKFRSs

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

4. Revenue

The Group is principally engaged in the provision of securities brokerage services, securities-backed lending services, other 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	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15 (Note)		
– Commission income from securities brokerage services	169	53
– Income from placing and underwriting services	26	–
– Handling fee income	22	1
	217	54
Revenue from other sources		
– Interest income from margin financing services	4,296	7,004
– Interest income from money lending services	4,967	3,627
	9,480	10,685

Note: Revenue from contracts with customers derived by the Group for the six months ended 30 June 2023 amounting to HK\$217,000 (six months ended 30 June 2022: HK\$54,000) 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	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Customer I	1,500	N/A
Customer II	1,350	N/A
Customer III	1,094	2,632
Customer IV	1,008	N/A
Customer V	987	2,491

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	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Others	30	62
	30	62

7. Profit Before Income Tax

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Auditor's remuneration	316	341

8. Finance Costs

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on lease liabilities	30	49

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	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Current tax – Hong Kong Profits Tax	712	425

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 2023 (30 June 2022: 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	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Profit for the period attributable to owners of the Company	340	1,487
	2023	2022
	Number of	Number of
	shares	shares
	'000	(Restated)
		'000
Weighted average number of ordinary shares		
Weighted average number of ordinary shares in issue during the period	270,713	229,881

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 2023 is based on the weighted average number of shares in issue during the period and adjusted for the bonus element on share consolidation and placing of shares as set out in Note 17. During the corresponding period for comparative review, the weighted average number of ordinary shares for the six months ended 30 June 2022 is restated accordingly.

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 2023, the Group did not incur any expenditure on acquisition of property, plant and equipment (six months ended 30 June 2022: nil).

13. Trade Receivables

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Trade receivables arising from securities dealing and margin financing (note a)		
– Margin clients (note b)	92,625	90,802
– Clearing House (note c)	369	–
	92,994	90,802
Less: Loss allowance	(41,406)	(37,615)
	51,588	53,187

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. Loans Receivable

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Loan Receivable arising from money lending	130,457	111,447
Less: Loan allowance	(44,568)	(42,499)
	85,889	68,948

Notes:

- (i) Loans receivable include certain individual or corporate borrowers with specific terms of the loan and a borrowing period of usually up to a year. As these term loans are normally repaid in lump sum in maturity, they would not be past due during the loan period.
- (ii) Loans receivable include our margin clients of the Group's securities dealing business, either (1) had entered into securities charge agreement with the Group charging certain securities or securities portfolio as collateral which were deposited in the designated custodian account maintained by the borrower; or (2) had undertaken to maintain a net assets value at a specified amount in terms of market value of securities held or cash in the designated margin account maintained by the borrower.
- (iii) Loans receivable also include clients of our other money lending services who have secured charges or financial resources on other kinds of assets. We have closed three deals totaling HK\$53 million since this line of business was expanded in September 2022. The typical size of these loans is ranging from approximately HK\$10,000,000 to HK\$20,000,000. Each loan carries an interest rate that ranges from approximately 15% to 16% per year, with a maximum borrowing period of 12 months.

Notes to the Condensed Consolidated Interim Financial Statements

15. 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.

16. Trade Payables

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Trade payables arising from securities dealing:		
– Cash clients	601	672
– Margin clients	4,564	2,447
	5,165	3,119

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 2023 and 31 December 2022 included balances payable to certain related parties. Further details of these balances are set out in note 20.

Notes to the Condensed Consolidated Interim Financial Statements

17. Share Capital Authorised and issued shares

	Par value HK\$	Number of ordinary shares	Amount HK\$'000
Authorised:			
At 1 January 2022	0.001	500,000,000,000	500,000
Share Consolidation	-	(475,000,000,000)	-
At 31 December 2022 and 30 June 2023	0.020	25,000,000,000	500,000
	Par value HK \$	Number of shares	Amount HK\$'000
Issued and fully paid:			
At 1 January 2022	0.001	4,511,890,000	4,512
Share Consolidation (Note (1))	-	(4,286,295,500)	-
	0.020	225,594,500	4,512
Placing of shares (Note (2))	0.020	45,118,900	902
At 31 December 2022	0.020	270,713,400	5,414
At 30 June 2023	0.020	270,713,400	5,414

Notes:

- On 19 October 2022, an ordinary resolution in relation to share consolidation was approved by the shareholders at an extraordinary general meeting held on the same date. Pursuant to the share consolidation of 20-for-1, the number of authorized shares of the Company decreased to 25,000,000,000 shares of par value of HK\$0.02 each, of which 4,511,890,000 shares were consolidated into 225,594,500 shares effective from 21 October 2022.
- On 8 November 2022, a total of 45,118,900 Placing Shares have been successfully placed by the Placing Agent to not less than six Placees at Placing Price of HK\$0.32 per Placing Share with net proceeds of approximately HK\$14.22 million. The Company had used such net proceeds for expanding its existing business.

During the six months ended 30 June 2023, the Company did not repurchase any shares of the Company (six months ended 30 June 2022, nil shares). The number of issued ordinary shares of the Company remained at 270,713,400 as of 30 June 2023 (30 June 2022: 229,880,796 restated).

Notes to the Condensed Consolidated Interim Financial Statements

18. Commitments

Capital commitments

The Group did not have any material capital commitments as at 30 June 2023 (31 December 2022: nil).

19. Contingent Liabilities

As at 30 June 2023, the Group did not have any significant contingent liabilities (31 December 2022: nil).

20. 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 2023 HK\$'000	2022 HK\$'000
Mr. Cheung Yan Leung Henry	Director	Brokerage income	-	1

Notes to the Condensed Consolidated Interim Financial Statements

20. 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 16).

Name of related party	Related party relationship	As at	As at
		30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Mr. Cheung Yan Leung Henry	Director	–	287

(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	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Salaries, allowances and other benefits	4,571	4,097
Contributions to defined contribution retirement plan	41	42
	4,612	4,139

Management Discussion and Analysis

Business Review

The Group is principally engaged in providing bespoke services encompassing securities brokerage, securities-backed lending services including margin financing and money lending, other money 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.

In a post-pandemic era where local and global economic activity are on the road of recovering, the pace and extent of recovery of Hong Kong are below expectations. The Hong Kong economy grew steadily over the course of 2023, supported by inbound tourists and domestic spending. Despite increasing by 1.5% in the second quarter of 2023 compared to the same period in the previous year, real GDP actually fell by 1.3% between the first and second quarters of 2023. In the majority of Hong Kong districts, vacant shops can easily be found after the lifting of restrictions on lockdown and control measures. A peak in immigration leaving has occurred. The value of property prices and rentals keep falling. The Hong Kong Stock Market remained subdued during the first half of 2023. The Hang Seng Index fell by 2,943 points, or approximately 14%, from the close of 21,859 on June 30, 2022 to 18,916 on June 30, 2023. For the first half of 2023, the average daily turnover was HK\$115.5 billion, a 16% decrease from HK\$138.3 billion for the same period in 2022. Political tension between China and the United States, rising interest rates, high inflation, and a tightening liquidity environment all continue to cast shadow and uncertainties on the Hong Kong economy.

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

Securities Brokerage Services

Commission income from our securities brokerage services for the six months ended 30 June 2023 was approximately HK\$169,000, representing an increase of approximately 219% from HK\$53,000 for the six months ended 30 June 2022.

Securities-backed Lending Services

Securities-backed lending services continued to be our core profit generator. During the six months ended 30 June 2023, interest income from securities-backed lending services decreased to approximately HK\$9.3 million, representing a decrease of approximately HK\$1.3 million or approximately 12% from HK\$10.6 million recorded for the corresponding period in 2022. Despite a decline in our margin financing services, we saw a positive rise in our money lending services.

Management Discussion and Analysis

Business Review (continued)

Securities-backed Lending Services (continued)

(a) *Margin Financing Services*

During the six months ended 30 June 2023, interest income from margin financing services decreased by approximately 39% to approximately HK\$4.3 million, compared to approximately HK\$7.0 million for the corresponding period in 2022. The Hong Kong Stock Market's lackluster performance, rising interest rates, a drop in investor demand, and an exclusion of approximately HK\$3.8 million from the fee income from the margin financing services on having adopted the expected credit loss ("ECL") model on assessment of impairment made for the first half of 2023 were the main causes of the decline.

(b) *Money Lending Services*

Despite an exclusion of approximately HK\$2.1 million from the fee income of money lending services on having adopted the ECL model on assessment of impairment was made for the six months ended 30 June 2023, money lending services achieved satisfactory results. During the six months ended 30 June 2023, the Group recognised revenue of approximately HK\$5.0 million from money lending services, representing an increase of approximately 39% compared to approximately HK\$3.6 million for the corresponding period in 2022. Our money lending services also include other lending services with secured charge or guarantees over different types of assets. During the six months ended 30 June 2023, the Group had successfully made one corporate lending loan with secured charge to a third party borrower of approximately HK\$15 million. The interest rate charged is 16% with a 12-month repayment period.

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 2023, the Group participated in one underwriting service. The Group acted as a placing agent and completed a placing of general mandate with fund raising of approximately HK\$2.5 million. Revenue of approximately HK\$26,000 was recognized for six months ended 30 June 2023 (30 June 2022: nil).

Profit for the period

The Group's consolidated net profit for the six months ended 30 June 2023 was approximately HK\$0.3 million (six months ended 30 June 2022: HK\$1.5 million), representing a decrease of approximately HK\$1.2 million or approximately 80% over the corresponding period last year. Such decrease was mostly attributable to the revenue decrease of approximately HK\$1.3 million in the securities-backed lending services (six months ended June 2022: HK\$10.6 million) which was partially offset by an increase in commission income of securities brokerage services of approximately HK\$0.1 million (six months ended June 2022: HK\$53,000).

Management Discussion and Analysis

Outlook

The world economy including PRC and Hong Kong are on the road to recovery from the COVID-19 global pandemic in 2023. However, the actual recovery of economy in PRC and Hong Kong in the first half of 2023 were slower than expected. 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 expanding our customer base and improve and diversify our financial position, seek for strategic business opportunities to further develop our businesses, broaden our business reach in the financial market by cultivating corporate alliances collaborations and position the Group's business for further and sustainable growth in the long term.

Financial Review

Revenues

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Commission income from securities brokerage services	169	53
Income from placing and underwriting services	26	–
Handling fee	22	1
	217	54
Revenue from others sources		
– Interest income from margin financing services	4,296	7,004
– Interest income from money lending services	4,967	3,627
	9,480	10,685

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

Management Discussion and Analysis

Financial Review (continued)

Revenues (continued)

Total revenue for the six months ended 30 June 2023 was approximately HK\$9.5 million (30 June 2022: HK\$10.7 million), representing a decrease of approximately HK\$1.2 million or approximately 11% as compared to the same period in 2022.

Such decrease was mainly attributable to the decrease in interest income from securities-backed lending services. In addition, the Group had made a total exclusion of approximately HK\$5.9 million from the interest income of securities-backed lending services for the six months ended 30 June 2023. Interest income from securities-backed lending services decreased by approximately 12% to approximately HK\$9.3 million for the six months ended 30 June 2023, as compared to approximately HK\$10.6 million for the six months ended 30 June 2022. Despite the interest income from money lending services recorded an increase of HK\$1.4 million from HK\$3.6 million at 30 June 2022 to HK\$5.0 million at 30 June 2023, its gain was undermined by the decline in interest income from margin financing services, in which recorded a decrease of HK\$2.7 million from HK\$7.0 million at 30 June 2022 to HK\$4.3 million at 30 June 2023. Commission income from securities brokerage services increased by approximately HK\$0.1 million to approximately HK\$0.2 million for the six months ended 30 June 2023 (six months ended 30 June 2022: HK\$53,000). The Group recognized revenue of HK\$26,000 from the placing and underwriting services for the six months ended 30 June 2023 (30 June 2022: nil).

Employee benefits expenses

For the six months ended 30 June 2023, the Group recorded approximately HK\$5.5 million employee benefit expenses (30 June 2022: HK\$4.9 million). Employee benefits expenses include staff salaries and allowances and benefits, directors' emoluments and contribution to defined contribution retirement scheme. The increment was mostly due to the hiring of an additional staff. As at 30 June 2023, the Group had 14 employees (30 June 2022: 13 employees).

Other operating expenses

At approximately HK\$2.4 million, other operating expenses represented approximately 30% of the total expenses during the six months ended 30 June 2023 (six months ended 30 June 2022: HK\$3.3 million accounted for approximately 38%). Total operating expenses for the six months ended 30 June 2023 was approximately HK\$8.4 million, compared to approximately HK\$8.8 million for the six months ended 30 June 2022. This drop of HK\$0.4 million was mostly caused by a decrease in non-recurring legal and professional fees that were incurred throughout the period.

Income tax expense

Income tax expense for the six months ended 30 June 2023 were approximately HK\$0.7 million (six months ended 30 June 2022: HK\$0.4 million).

Management Discussion and Analysis

Financial Review (continued)

Profit for the period

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Profit for the period	340	1,487
Reconciled profit for the period	340	1,487

During the six months ended 30 June 2023, the Group recorded net profit of approximately HK\$0.3 million, which was approximately HK\$1.2 million or approximately 80% lower than the corresponding period in 2022 (six months ended 30 June 2022: HK\$1.5 million). The main reason for the decline in net profit was a decline in interest income from securities-backed lending services of about HK\$1.2 million, or approximately 12%, from HK\$10.7 million for the six months ended 30 June, 2022, to approximately HK\$9.5 million for the six months ended 30 June, 2023, despite the fact that this decline was partially offset by an increase of about HK\$0.1 million in commission income from securities brokerage services.

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 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Current assets	183,645	156,179
Current liabilities	31,980	4,843
Current ratio (<i>times</i>) (Note i)	5.7	32.2
Interest Coverage (<i>times</i>) (Note ii)	36.1	40.0
Gearing ratio (<i>percentage</i>) (Note iii)	0.7	1.0

Management Discussion and Analysis

Liquidity and Financial Resources and Capital Structure (continued)

Liquidity and Financial Resources (continued)

Notes:

- (i) Current ratio is calculated as current assets divided by current liabilities.
- (ii) Interest coverage is calculated as profit before interest and taxes divided by interest expense.
- (iii) Gearing ratio is calculated by lease liabilities (including current and non-current lease liabilities) over total equity x 100%.

The Group recorded a current ratio of approximately 5.7 times as at 30 June 2023 (31 December 2022: 32.2 times).

The Group recorded an interest coverage of approximately 36.1 times as at 30 June 2023 (31 December 2022: 40.0 times).

As of 30 June 2023, the Group maintained a healthy cash and bank balances amounted to approximately HK\$40.4 million (31 December 2022: HK\$30.1 million). The Group carried lease liabilities of approximately HK1.1 million (31 December 2022: HK\$1.6 million).

As of 30 June 2023, the Group had remained at a low gearing ratio of approximately 0.7% (31 December 2022: 1.0%).

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.

Management Discussion and Analysis

Foreign Currency Exposure

The Group's reporting currency is Hong Kong dollar. During the six months ended 30 June 2023, 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 2023 and 31 December 2022, the Group did not have any material contingent liabilities.

Events after the Reporting Period

On 11 July, 2023, the Company completed a rights issue on the basis of one (1) rights share for every two (2) existing shares at the subscription price of HK\$0.225 for each rights share to raise approximately HK\$29.95 million. The Company intends to utilize the proceeds for the expansion of the Company's businesses including securities-backed lending services and for other money lending services. The total number of issued shares of the Company increased to 406,070,100 shares following the completion of this 1-for-2 rights issue.

Significant Investments

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

Pledge of Assets

As at 30 June 2023 and 31 December 2022, the Group did not pledge any of its assets.

Capital Commitments

As at 30 June 2023 and 31 December 2022, 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 2023, none of the Directors and chief executive of the Company has any interest or short position in the shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company and the Stock Exchange pursuant to the Model Code for securities transactions by Directors of listed issuers.

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 2023 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 2023, 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:

Other Information

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

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 (%)
Ultimate Vantage Group Limited	Directly beneficially owned	1	64,557,500	23.85
Mr. Hong Zhaohong	Interest of controlled corporation	1	64,557,500	23.85

Notes:

1. Ultimate Vantage Group Limited is 100% owned by Mr. Hong Zhaohong, who is the sole beneficial owner of 64,557,500 shares in the Company. Mr. Hong Zhaohong is deemed to own approximately 23.85% of the issued shares of the Company.

Save as disclosed above, the Directors and chief executives of the Company are not aware that there is any party who, as at 30 June 2023, 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 2023, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares (six months ended 30 June 2022: nil shares).

Other Information

Employees and Remuneration Policy

As at 30 June 2023, the Group had 14 employees (30 June 2022: 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.

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

The Company has complied with Chapter 13 of the Listing Rules, rules 13.13, and rule 13.14, and neither has made any advances to affiliated parties nor to linked entities. In addition, pursuant to the Listing Rule 13.17, our major shareholder has 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 satisfied by the Company during the financial period under review.

Other Information

Directors' Securities Transactions

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

Each Director has acknowledged that they complied with the Required Standard of Dealings throughout the reporting period and up to the date of this report. During such period, there have been no incidents of non-compliance that have been reported to the Company.

Competing Interests

As at 30 June 2023, 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

In accordance with Appendix 16 of the Listing Rules and code section C.3.3 of the Corporate Governance Code, the Audit Committee has been formed and its written terms of reference have been established. Currently, the Audit Committee has three members in total, all of whom are independent non-executive Directors. Its chairman, Mr. Cheng Man Pan is a Certified Public Accountant, and a member, Mr. Wong Chun Peng Stewart, is a qualified lawyer. The other participant is Mr. Lau Kelly. The Audit Committee's main responsibilities include oversight of the Company's financials, the audit process, the Company's system of internal controls and compliance with laws and regulation. 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 2023 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.

Other Information

Board of Directors

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

Executive Directors:

Mr. Lee Chun Tung

Mr. Yan Ximao (*appointed on 10 August 2023*)

Non-executive Directors:

Mr. Cheung Yan Leung Henry

Mr. Yau Tung Shing

Independent Non-executive Directors:

Mr. Lau Kelly

Mr. Wong Chun Peng Stewart

Mr. Cheng Man Pan

By Order of the Board of
PINESTONE CAPITAL LIMITED
Lee Chun Tung
Executive Director

Hong Kong, 17 August 2023

