PineStone 鼎石

Pinestone Capital Limited
鼎石資本有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 804)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2018, the Group's revenue amounted to approximately HK$18.8 million, representing a decrease of approximately 51% compared to 2017. Commission income of securities brokerage services remained stable of HK$0.9 million in 2018, which was in line with 2017. Interest income from securities-backed lending services marked a decrease of HK$18.4 million or 51% from HK$35.9 million in 2017 to HK$17.5 million in 2018.

- Loss before income tax was HK$2.8 million, compared to a profit before income tax of HK$17.6 million in 2017. Net loss for the year ended 31 December 2018 was HK$3.0 million, compared to a net profit of HK$14.1 million in 2017. The loss was mostly attributable to an impairment loss of $9.2 million made in respect of trade receivables relating to the securities-backed lending services and a decrease in interest income from securities-backed lending services as compared to last year.

- Basic loss per share was HK0.06 cents for the year ended 31 December 2018, compared to a basic earnings per share of HK0.29 cents for the year ended 31 December 2017.

- The Directors do not recommend the payment of any final dividend for the year ended 31 December 2018.

CONSOLIDATED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The board of directors (the "**Board**") of Pinestone Capital Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2018 together with the comparative figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

		2018	2017
	Notes	***HK$'000***	*HK$'000*
Revenue	*5*	**18,849**	38,689
Other income		**5**	2
Commission and fee expenses		**(61)**	(123)
Employee benefit expenses		**(6,070)**	(4,766)
Depreciation		**(95)**	(113)
Impairment losses on trade and loans receivables		**(9,203)**	(8,605)
Other operating expenses		**(6,168)**	(6,936)
Finance costs		**(48)**	(588)
(Loss)/Profit before income tax	*6*	**(2,791)**	17,560
Income tax expense	*7*	**(214)**	(3,499)
(Loss)/Profit for the year		**(3,005)**	14,061
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year		**(3,005)**	14,061
		HK cents	*HK cents*
(Loss)/Earnings per share			
Basic and diluted	*9*	**(0.06)**	0.29

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**300**	96
Intangible asset		**500**	500
Statutory deposits placed with stock exchange and clearing house		**205**	205
Deferred tax assets		**2,732**	1,484
		3,737	2,285
Current assets			
Trade receivables	*10*	**224,115**	173,705
Loans receivable	*11*	**18,514**	9,848
Other receivables, deposits and prepayments		**1,166**	1,000
Tax recoverable		**2,879**	1,197
Trust bank balances held on behalf of customers		**5,276**	16,469
Cash and bank balances		**22,547**	93,455
		274,497	295,674
Current liabilities			
Trade payables	*12*	**5,969**	16,515
Other payables and accruals		**667**	985
Borrowings		**–**	6,083
Obligation under finance lease		**51**	–
Tax payable		**–**	42
		6,687	23,625
Net current assets		**267,810**	272,049
Total assets less current liabilities		**271,547**	274,334
Non-current liabilities			
Obligation under finance lease		**218**	–
Net assets		**271,329**	274,334
CAPITAL AND RESERVES			
Share capital	*13*	**4,910**	4,910
Reserves		**266,419**	269,424
Total equity		**271,329**	274,334

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

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

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

The financial statements for the year ended 31 December 2018 were approved and authorised for issue by the directors on 4 March 2019.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

The financial statements have been prepared under the historical cost basis.

The financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Company.

3. ADOPTION OF NEW OR REVISED HKFRSs

(a) Adoption of new or revised HKFRSs – effective 1 January 2018

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2018:

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

Amendments to HKFRS 2 Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The adoption of these amendments has no impact on these financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax.

HKFRS 9 Financial Instruments

HKFRS 9 *Financial Instruments* ("**HKFRS 9**") replaces HKAS 39 *Financial Instruments: Recognition and Measurement* ("**HKAS 39**") for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (i) classification and measurement; (ii) impairment; and (iii) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group.

(i) Classification and measurement of financial instruments

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost; (ii) financial assets at fair value through other comprehensive income; or (iii) financial assets at fair value through profit or loss. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

The Group's financial assets as at 1 January 2018 composed of trade receivables, loans receivable, deposits, trust bank balances held on behalf of customers and cash and bank balances, which were previously classified as loans and receivables and measured at amortised cost under HKAS 39. These financial assets meet the "solely payments of principal and interest criterion" and it is the Group's business model to hold these financial assets to collect their contractual cash flows. Accordingly, they are classified as financial assets at amortised cost and will continue to be subsequently measured at amortised cost upon the adoption of HKFRS 9.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 January 2018 under HKAS 39**	**Carrying amount as at 1 January 2018 under HKFRS 9**
			HK$'000	*HK$'000*
Trade receivables, loans receivable and deposits	Loans and receivables	Financial assets at amortised cost	183,971	183,971
Trust bank balances held on behalf of customers	Loans and receivables	Financial assets at amortised cost	16,469	16,469
Cash and bank balances	Loans and receivables	Financial assets at amortised cost	93,455	93,455

The measurement categories for all financial liabilities remain the same, except for financial guarantee contracts. The carrying amounts for all financial liabilities (including financial guarantee contracts) at 1 January 2018 have not been impacted by the initial adoption of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at fair value through profit or loss at 1 January 2018.

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECL") model". HKFRS 9 requires the Group to recognise an allowance for ECL for trade receivables, loans receivable and deposits earlier than HKAS 39. Trust bank balances held on behalf of customers and cash and bank balances are also subject to ECL model but the impairment is immaterial for the current period as the counterparties are reputable banks.

Under HKFRS 9, impairment loss is measured on either of the following basis: (i) 12-month ECL (these are the ECL that result from possible default events within 12 months after the reporting date); or (ii) lifetime ECL (those are ECL that result from all possible default events over the expected life of a financial instrument).

In addition, loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investment at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income, instead of reducing the carrying amount of the assets.

The initial adoption of HKFRS 9 has no material impact on the Group's loss allowance for trade receivables and loans receivable as at 1 January 2018.

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECL requirements, if any, are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the consolidated statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9, if any, are recognised in retained profits and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39 and thus, certain comparative information may not be comparable to the current period.

The assessment of the Group's business model within which a financial asset is held was made as of the date of initial application, i.e. 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances existing at the time of initial recognition of the assets.

In addition, if an investment in a debt investment had low credit risk at the date of initial application, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations. HKFRS 15 has established a five steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim at enabling users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has chosen to recognise the cumulative effect of initially applying HKFRS 15, if any, as an adjustment to the opening balance of retained profits at the date of initial application, i.e. 1 January 2018. As a result, the financial information presented for 2017 would not be restated.

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various services are set out below:

For commission income from providing securities brokerage services, the Group's performance obligation is satisfied upon execution of the trade orders based on the instruction of the clients. For income from providing placing and underwriting services and handling fee income, the Group's performance obligation is satisfied upon arranging the relevant transactions or rendering the relevant services. There is only one performance obligation in respect of each of the Group's services. The accounting treatment for those services under the Group's previous accounting policies and the requirements of HKFRS 15 are the same.

For interest income from securities-backed lending services, the Group derives such interest income from offering securities-backed financing to its customers which include margin financing and money lending facilities. HKFRS 15 does not apply to financial instruments and other contractual rights or obligations that are within the scope of HKFRS 9 and accordingly, interest income from securities-backed lending services falls outside the scope of HKFRS 15 and is determined based on the guidance contained in HKFRS 9. Following the requirements of ECL model in HKFRS 9, interest income is either calculated on the gross carrying amount (i.e. without adjustments for ECL) or based on the amortised cost (i.e. the gross carrying amount adjusted for the loss allowance).

Based on the above, the application of HKFRS 15 has no material impact on the timing and amounts of revenue recognised in the reporting periods.

Amendments HKFRS 15 Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first, year.

HK(IFRIC)-Int 22 Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretation specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of these amendments has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

(b) New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group:

HKFRS 16	Leases[1]
HKFRS 19	Employee Benefits[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]

1 Effective for annual periods beginning on or after 1 January 2019

HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 *Leases* and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12-month, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classify cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach with the cumulative effect of initial application recognised on 1 January 2019 and will not restate comparative amounts for the year prior to first adoption. The lease liabilities of leases previously classified as operating leases will be recognised on the date of initial application at the present value of the remaining lease payments, discounting using the Group's incremental borrowing rate at the date of initial application. The right-of-use assets will be measured on the date of initial application at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to those leases recognised in the statement of financial position immediately before the date of initial application.

The Group reviewed all of the Group's leasing arrangements during 2018 in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

The Group leases an office under operating lease arrangement, which is currently accounted for as operating lease. As at 31 December 2018, the Group has non-cancellable operating lease commitment of HK$5,762,000. The Group expects to recognise a right-of-use asset of approximately HK$5,078,000 and lease liabilities of HK$5,143,000 (after adjustments for prepayment and accrued lease payments recognised as at 31 December 2018) on 1 January 2019. On initial application of HKFRS 16, overall net assets will decrease by HK$65,000, and net current assets will decrease by HK$1,722,000 due to the presentation of a portion of the liability as a current liabilities.

The Group expects that net profit will decrease by approximately HK$104,000 for the year ending 31 December 2019 as a result of adopting HKFRS 16. Operating cash flows will increase and financing cash flows will decrease by approximately HK$2,077,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows used in financing activities.

HK(IFRIC)-Int 23 Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12 *Income Taxes* by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 9 Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met, instead of at fair value through profit or loss.

Except for the above, other new or revised HKFRSs that have been issued but are not yet effective are unlikely to have material impact on the Group's results and financial position upon application.

4. SEGMENT INFORMATION

(a) Operating segment information

The information reported to the executive directors, who are the chief operating decision makers for the purposes 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 have determined that the Group has only one single reportable segment which is provision of securities brokerage services, securities-backed lending services as well as placing and underwriting services. The executive directors allocate 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 revenues from external 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:

	2018	2017
	HK$'000	*HK$'000*
Customer I	**4,226**	5,526
Customer II	**2,312**	N/A
Customer III	**2,103**	N/A
Customer IV	**N/A**	5,567
Customer V	**N/A**	3,849

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

5. 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 derived from the Group's principal activities comprises of the following:

	2018	2017
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15 *(note)*		
– Commission income from securities brokerage services	**909**	917
– Income from placing and underwriting services	**–**	1,663
– Handling fee income	**481**	246
– Others	**1**	17
	1,391	2,843
Revenue from other sources		
– Interest income from securities-backed lending services	**17,458**	35,846
	18,849	38,689

Note: Revenue from contracts with customers derived by the Group for the year ended 31 December 2018 amounting to HK$1,391,000 (2017: HK$2,843,000) are recognised at a point in time.

6. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/Profit before income tax is arrived at after charging:

	2018	2017
	HK$'000	*HK$'000*
Auditor's remuneration *(note)*	**568**	614
Operating lease charges in respect of building	**1,604**	1,466

Note: Auditor's remuneration included remuneration paid/payable for audit services of HK$568,000 (2017: HK$533,000) whereas no non-audit service fee paid in 2018 (2017: HK$81,000).

7. INCOME TAX EXPENSE

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

	2018	2017
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
– tax for the year	**1,524**	4,971
– over-provision in respect of prior years	**(62)**	(46)
	1,462	4,925
Deferred tax		
– current year	**(1,367)**	(1,426)
– attributable to decrease in tax rate	**119**	–
	(1,248)	(1,426)
Income tax expense	**214**	3,499

The Group is subject to Hong Kong Profits Tax. For the year ended 31 December 2017, Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit for the year.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying entities will be taxed at 8.25% whereas profits above HK$2 million will be taxed at 16.5%. The profits of entities not qualifying for the two-tiered profit tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime is applicable to a nominated qualifying entity in the Group for its annual reporting periods beginning on or after 1 January 2018.

8. DIVIDEND

The directors of the Company do not recommend the payment of any dividend in respect of the year ended 31 December 2018 (2017: nil).

9. (LOSS)/EARNINGS PER SHARE

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

	2018 *HK$'000*	2017 *HK$'000*
(Loss)/Earnings		
(Loss)/Profit for the year attributable to owners of the Company	**(3,005)**	14,061

	2018 Number of shares *'000*	2017 Number of shares *'000*
Weighted average number of ordinary shares		
Weighted average number of ordinary shares in issue during the year	**4,910,000**	4,910,000

Diluted loss/earnings per share is same as the basic loss/earnings per share as there have been no dilutive potential ordinary shares in existence during the year or prior year.

10. TRADE RECEIVABLES

	2018 *HK$'000*	2017 *HK$'000*
Trade receivables arising from securities dealing and margin financing *(note (a))*		
– Margin clients *(note (b))*	**234,972**	181,129
– Clearing house *(note (c))*	**5,770**	–
	240,742	181,129
Less: Loss allowance	**(16,627)**	(7,424)
	224,115	173,705

Notes:

(a) The settlement term 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. Except for those disclosed below, 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.

In 2017, the Group demanded certain margin clients to deposit more money or securities to maintain their margin accounts, and sold their securities collateral to reduce the balances due from them. In addition, the Group entered into repayment agreement with each of those margin clients to agree on a repayment schedule to settle their outstanding balances by monthly instalment of seven to ten months by deposit of cash. According to the repayment agreements, the margin clients were allowed to deposit securities in equivalent market value. The aggregate amount of trade receivables due from these margin clients as at 31 December 2017 was HK$86,029,000, which were non-interest bearing, recoverable within one year and not yet past due based on the repayment schedules.

The remaining trade receivable balances as at 31 December 2017 were HK$95,100,000, of which HK$50,025,000 were current and HK$45,075,000 were repayable on demand. These margin loans were interest-bearing at fixed rates varying from 12.5% to 20.0% per annum.

During the year ended 31 December 2018, those margin clients who had entered into repayment agreements with the Group in 2017 fulfilled their obligation under the repayment agreements mainly by way of depositing securities collateral rather than cash. The trade receivables due from those margin clients amounted to HK$88,242,000 as at 31 December 2018, which were repayable on demand and interest-bearing at 12.5% per annum.

The remaining trade receivables as at 31 December 2018 were HK$146,730,000, of HK$93,881,000 were current and HK$52,849,000 were repayable on demand. These margin loans were interest-bearing at fixed rates ranging from 8.0% to 12.5% per annum.

Subject to certain conditions, the Group is allowed to repledge collateral from margin clients. There was no repledge of collateral from margin clients as at 31 December 2018 (2017: nil).

(c) Trade receivables from clearing house, i.e. Hong Kong Securities Clearing Company Limited 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.

11. LOANS RECEIVABLE

	2018	2017
	HK$'000	*HK$'000*
Loans receivable arising from money lending *(note)*		
– unsecured loans	**–**	11,029
– secured loans	**19,695**	–
	19,695	11,029
Less: Loss allowance	**(1,181)**	(1,181)
	18,514	9,848

Note:

The loans receivable as at 31 December 2018 amounting to HK$8,666,000 were secured, interest-bearing at fixed rates ranging from 8% to 15% per annum and repayable in 2019. The borrowers, which are also margin clients of the Group's securities dealing business, either (i) have entered into securities charge agreements with the Group charging certain securities or securities portfolio as collateral which were deposited in the designated custodian accounts maintained by the borrowers; or (ii) have undertaken to maintain a net assets value at a specified amount in term of market value of securities held or cash in the designated margin account maintained by the borrower. The remaining loans receivable of HK$11,029,000 was secured, interest-free and repayable on demand. The borrower, who is also a margin client of the Group's securities dealing business, has deposited certain securities in the designated custodian account maintained by the borrower.

The loan receivable as at 31 December 2017 of HK$11,029,000 was unsecured and non-interest bearing. In respect of this balance, the Group entered into repayment agreement with the borrower to agree on a repayment schedule to settle the borrower's outstanding balance by monthly instalment of ten months by deposit of cash until 28 October 2018. In practice, the borrower was allowed to settle by way of depositing securities in equivalent market value. The loans receivable as at 31 December 2017 was not yet past due based on the repayment schedule agreed with borrower.

During the year, the borrower fulfilled her obligation under the repayment agreement by way of depositing securities to the Group. Loan receivable due from this borrower amounted to HK$11,029,000 as at 31 December 2018.

12. TRADE PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables arising from securities dealing		
– Cash clients	**2,496**	14,366
– Margin clients	**2,430**	2,102
– Clearing house	**1,043**	47
	5,969	16,515

The settlement term of trade payables arising from the business of securities dealing is "T+2". Trade payables arising from securities trading during the "T+2" period are current whereas those which are outstanding after the "T+2" period are repayable on demand. No ageing analysis is disclosed for trade payables arising from securities dealing as in the opinion of the directors, ageing analysis does not give additional value in view of the business nature.

13. SHARE CAPITAL

Ordinary shares	**Par value**	**Number of shares**	**Amount**
	HK$		***HK$'000***
Authorised:			
At 1 January 2017, 31 December 2017 and 31 December 2018	0.001	500,000,000,000	500,000

Ordinary shares	**Par value**	**Number of shares**	**Amount**
	HK$		***HK$'000***
Issued and fully paid:			
At 1 January 2017, 31 December 2017 and 31 December 2018	0.001	4,910,000,000	4,910

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2018, the performance of global stock market was relatively poor. In the USA, the Dow Jones Industrial Average Index (DJIA) ended year-on-year with approximately 5.6% decrease to close at 23,327 points. In UK, FTSE 100 suffered the worst performance in a decade, tumbled by approximately 12.5% in 2018 to end at 6,728 points, down from 7,687 points on the last trading day of 2017. Global uncertainties on US interest rates hike, the exit of the UK from the European Market and the Sino-US trade war have continuously dented and weighed down investors' sentiment. At the last trading day of 2018, the Hang Seng Index fell approximately 14% year-on-year basis to end at 25,845.7 points. Looking forward, China's GDP is targeted to grow steadily at 6.2 per cent in 2019. Albeit the negotiation between China and the US on the Sino-US trade war is still going on, the tension has been alleviating. In addition, China has recently announced its innovative development plan of the Greater Bay integration with Hong Kong as one of the four core leading cities. Coupled with the 'One Belt One Road' initiative, this will further boost HK's advantageous position as an international financial hub and global business centre.

Securities Brokerage

The performance of our securities brokerage for the year ended 31 December 2018 remained relatively stable. It marked an increase of 9% in a total transaction value of HK$421.3 million for the year ended 31 December 2018 compared to HK$385.8 million in 2017. Commission income from securities brokerage services for the year ended 31 December 2018 remained relatively the same as HK$0.9 million, which was in line with 2017.

Securities-backed Lending Services

In 2018, securities-backed lending services remained as our core-profit generator for the Group and interest income from securities-backed lending services accounts for amounting approximately 93% of the Group's total revenue. Interest income from securities-backed lending services for the year ended 31 December 2018 was approximately HK$17.5 million, representing a decrease of 51% compared to about HK$35.8 million in 2017. The decrease was mostly attributable to the drop of the interest income from the margin financing services.

(a) *Margin Financing*

The decrease in interest income from securities-backed lending services was mainly attributable to our margin financing activities. As at 31 December 2018, the size of our loan portfolio amounted to approximately HK$235.0 million, compared to approximately HK$181.1 million as at 31 December 2017. During 2018, the average size of our margin finance loan portfolio recorded an average month-end loan balance of approximately HK$219.8 million in 2018, compared to an average month-ended loan balance of approximately HK$191.1 million in 2017. The size of our loan portfolio has expanded positively. In virtue of the repayment agreements of certain clients, the Group waived charging interest to certain customers for a period of time, interest income from margin financing services decreased to approximately HK$17.4 million in 2018, representing a decrease of about 45% from approximately HK$31.6 million in 2017.

(b) *Money Lending*

The Group recognised interest income of HK$81,000 from money lending service in 2018, as compared to HK$4.3 million in 2017.

Placing and Underwriting Services

Under normal circumstances, our placing and underwriting services are generally offered to listed companies, placing agents and/or the investors of listed companies. The business of this service depends on the market sentiment, demand or requests from the customers. Due to the sluggish demand from our customers, the Group did not derive any placing or underwriting commission income in 2018, as compared to HK$1.7 million was recorded in 2017.

Total Assets

Unit (HK$' million)/Year	**2018**	2017
Total Assets (HK$' million)	**278.2**	298.0
Trust Bank Balances (HK$' million)	**5.3**	16.5
Cash and Bank Balances (HK$' million)	**22.5**	93.5
Trade Receivables (HK$' million)	**224.1**	173.7
Loans Receivable (HK$' million)	**18.5**	9.8

Total assets of the Group decreased by 7% from approximately HK$298.0 million as at 31 December 2017 to approximately HK$278.2 million as at 31 December 2018. The decrease was mainly attributable to a decrease of cash of bank balances of approximately HK$71.0 million or approximately 76% from HK$93.5 million as at 31 December 2017 to HK$22.5 million as at 31 December 2018, which was partially offset by an increase in trade receivables of HK$50.4 million or approximately 29% from HK$173.7 million as at 31 December 2017 to HK$224.1 million as at 31 December 2018 coupled with an impairment provision of HK$9.2 million was made in 2018 whereas loan receivables also increased from HK$9.8 million as at 31 December 2017 to HK$18.5 million as at 31 December 2018.

Net Loss for the Year

The Group's consolidated net loss for the year was approximately HK$3.0 million when compared to a consolidated net profit of HK$14.1 million in 2017. Such decrease was partly attributable to an impairment provision of approximately HK$9.2 million which was made in respect of the trade receivables relating to the securities-backed lending services. If excluding this impairment provision and the related tax effect, which amounted to HK$7.7 million, the Group would have recorded a net profit of approximately HK$4.7 million in 2018, compared with HK$21.3 million in 2017 (excluding the impairment provision effect as well). Excluding impairment provision, the Group would have resulted in a decrease of 78% in net profit when compared with 2017.

Financial Review

Revenue

Total revenue in 2018 was HK$18.8 million, representing a decrease of approximately 51% from HK$38.7 million in 2017. The decrease was mostly attributable to a drop of HK$18.4 million or approximately 51% in interest income from securities-backed lending services from HK$35.9 million in 2017 to HK$17.5 million in 2018. Commission income from securities brokerage services remained relatively the same as HK$0.9 million. During the year ended 31 December 2018, the Group did not recognise revenue from the placing and underwriting activities.

Employee Benefit Expenses

Employee benefit expense is a major expense item for the Group, which accounted for 49% out of the total expenses excluding impairment loss on trade and loans receivables amounted to HK$9.2 million in 2018. Employee benefit expenses include staff salaries, allowances, other benefits, directors' emoluments and contribution to defined contribution retirement scheme. Compared to 2017, employees benefit expenses recorded an increase of 27% from approximately HK$4.8 million in 2017 to approximately HK$6.1 million in 2018. The increase was mostly attributable to general increases for staff salaries and directors' emoluments.

Other Operating Expenses

Unit: (HK$' million)/Year	**2018**	2017
Other Operating Expenses	**6.2**	6.9
Impairment Loss on Trade and Loans Receivables	**9.2**	8.6
Total	**15.4**	15.5

Other operating expenses in 2018 amounted to HK$6.2 million (2017: HK$6.9 million), which accounted for about 50% (2017: 55%) of the total expenses excluding impairment loss on trade and loans receivables during the year ended 31 December 2018. The decrease was because the Group did not incur one-off compliance and administrative expenses in relation to transferring the Company's shares from GEM to the Main Board and a charity donation of HK$1 million which were made in 2017. Including the amount of HK$9.2 million impairment provision, other operating expenses in 2018 was HK$15.4 million, representing a decrease of approximately 1% from HK$15.5 million in 2017.

Income Tax Expense

The income tax expense for 2018 was approximately HK$0.2 million (2017: HK$3.5 million) and such decrease was consistent with the decrease in assessable profits under Hong Kong Profits Tax.

Loss for the Year

For the year ended 31 December 2018, the Group recorded loss before tax of approximately HK$2.8 million and a consolidated net loss of approximately HK$3.0 million. These figures compared to a profit before tax of approximately HK$17.6 million and a net profit of HK$14.1 million in 2017. The loss was mostly attributable to an impairment loss of HK$9.2 million made in respect of trade receivables relating to the securities-backed lending services and a decrease in interest income from securities-backed lending services of HK$18.4 million or approximately 51% in 2018 as compared to year 2017. The decrease in interest income was mainly attributable to several customers who were in the process of settling their outstanding balances after executing our standard risk management procedures and the Group waived charging interest to certain customers for a period of time. The interest rates charged for most of these customers have resumed to a normal level near year end .

Outlook

During 2018, the Hong Kong stock market has experienced significant downturn with increasing volatility. Factors such as US Interest rate hike, political uncertainty as negotiations continue between the UK and the European Union on the Brexit turmoil, and the intensified Sino-US trade war between China and the US have adversely affected and dampened investors' investment sentiment and fund flow. The Group will closely observe the changes in political and business environment and dynamically explore new opportunities in different markets, clients, and product to optimize and diversify exposure for the Group's long term business development.

The Group will continue to manage our positions, monitor market conditions and adjust our risk exposures accordingly. At the same time, the Group will also explore strategic opportunities to broaden our client reach, improve our business and technology platform, cultivate business alliances collaborations, strengthen our financial positions, and diversify our portfolio risk to prepare for further expansion and a sustainable long term growth in the future.

Final Dividend

The Directors do not recommend the payment of final dividend for the year ended 31 December 2018. No dividend has been declared by the Company for the year ended 31 December 2018.

Capital Structure

As at 31 December 2018, the Group did not have any bank borrowings, compared to HK$6.1 million as at 31 December 2017. Other payables and accruals plus obligation under finance lease is minimal of HK$0.9 million compared to HK$1.0 million as at 31 December 2017. The Group maintained a healthy cash position with total cash and bank balances amounted to HK$22.5 million as at 31 December 2018 (2017: HK$93.5 million). As at 31 December 2018, the Group has a non-current long-term finance lease liabilities of HK$0.2 million and does not have capital commitment.

During 2018, the Group's operations, capital expenditure and other capital requirements were funded by cash generated from operations, bank loans and working capital.

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

Liquidity and Financial Resources

	As at 31 December 2018	As at 31 December 2017
	HK$'000	*HK$'000*
Current assets	**274,497**	295,674
Trade receivables	**224,115**	173,705
Cash and bank balances	**22,547**	93,455
Current liabilities	**6,687**	23,625
Trade payables	**5,969**	16,515
Bank borrowings	**–**	6,083
Obligation under finance lease	**269**	–
Current Ratio (Times)	**41.0**	12.5
Gearing Ratio (Times)	**0.00**	0.02
Interest Coverage (Times)*	**N.A.**	31

* Note: N.A. as the Group reported a net loss in 2018

As at 31 December 2018, the Group's cash and bank balances amounted to approximately HK$22.5 million (31 December 2017: HK$93.5 million). The Group did not have any bank borrowings (31 December 2017: HK$6.1 million) but it had obligation under finance lease amounting to HK$0.3 million (2017: nil). The gearing ratio is 0.00 times as at 31 December 2018 (31 December 2017: 0.02 times). The gearing ratio is calculated as total borrowings (including obligation under finance lease) divided by total equity as at the respective date. Interest coverage is N.A. as the Company reported a loss of approximately HK$3.0 million for the year ended 31 December 2018, compared to a net profit of approximately HK$14.1 million in 2017. Interest coverage is calculated as profit before interest and tax divided by the interest expense.

The Group recorded a current ratio of approximately 41.0 times as at 31 December 2018 (31 December 2017: 12.5 times). The increase in current ratio of the Group would help boost the Group's liquidity and financial strength. The Board believes that the Group has sufficient financial resources to satisfy its working capital and to sustain its business.

Foreign Currency Exposure

The Group's functional and presentation currency is Hong Kong dollar ("HK$"). During the years ended 31 December 2018 and 2017, the Group's transactions were denominated in HK$. The Group has no material exposure to foreign currency risk. The Group has not used any derivatives to hedge against its exposure to foreign exchange risks.

Contingent Liabilities

As at 31 December 2018 and 31 December 2017, the Group did not have any material contingent liabilities.

Significant Investments

The Group did not acquire or hold any significant investment during the year ended 31 December 2018. (2017: nil)

Pledge of Assets

As at 31 December 2018, the Group did not pledge any of its assets (2017: nil).

Capital Commitments

As at 31 December 2018, the Group did not have any significant capital commitments (2017: nil).

Remuneration Policy

The remuneration of the executive directors is subject to review by the Remuneration Committee and their remuneration is determined with reference to the Directors' qualifications, experience, duties, responsibilities and performance and results of the Company.

CORPORATE GOVERNANCE CODE

Good corporate governance practices improve transparency of the Company, optimize the Company's performance, and help to enhance stakeholders' confidence and support. The board of directors (the "**Board**") of the Company is committed to achieve good corporate governance practices and procedures. The Board continues to improve operating efficiency, client relationship, sound risk management, internal control and accountability to shareholders. During the year under review, the Company has complied with the code provisions prescribed in the establishment and implementation of the Corporate Governance Code ("**CG Code**"), set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), to ensure the decision making processes and business operations are regulated in a proper manner. The Company will continuously to review its corporate governance practices as to enhance its corporate governance standards, comply with the increasingly complicated regulatory requirements, and meet with the rising expectations of the shareholders and respective investors. CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be assigned for the same person. In the Company, Mr. Cheung Yan Leung Henry has acted as chairman and Mr. Cheung Jonathan has acted as chief executive. Mr. Cheung Yan Leung Henry is the father of Mr. Cheung Jonathan. The Board currently consists of five members including two executive Directors (being the chairman of the Board and the chief executive officer of the Company) and three independent non-executive Directors. The independent non-executive directors, all of whom are independent of the Group's businesses, are highly experienced professionals with substantial experience in areas such as management, accounting and finance. The management of the Company is of the view that the membership of the Board represents rich and diversified background and industry expertise to oversee, advise and safeguard the interests of various stakeholders of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

Competing Interest

As at 31 December 2018, 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 Company.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the listed shares of the Company from the date of listing on 12 June 2015 to the end of the reporting period, being 31 December 2018.

ANNUAL RESULTS

The Audit Committee has been established with written terms of reference in compliance with Appendix 16 of the Listing Rules and code provision C.3.3 of the Corporate Governance Code. The Audit Committee currently comprises a total of three members, all of whom are independent non-executive Directors. Two members are Certified Public Accountants including the chairman, Mr. Yeung King Wah. The other members are Mr. Lai Tze Leung George and Mr. So Stephen Hon Cheung respectively. The primary duty of the Audit Committee is to review and supervise the Company's financial reporting process, the internal control systems of the Group and the monitoring of continuing connected transactions. Pursuant to C.3.3 of the Code on Corporate Governance Practices, the Audit Committee has reviewed the annual results and the consolidated accounts of the Group for the year ended 31 December 2018 and confirmed that the preparation of such complied with applicable accounting principles and practices adopted by the Company and the requirements of the Stock Exchange, and adequate disclosure had been made.

REVIEW OF THIS FINAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

A copy of this announcement will be found on Pinestone Capital Limited's website (www.pinestone.com.hk) and the Stock Exchange's website (www.hkexnews.hk). The Annual Report 2018 will be made available on the respective websites of Pinestone Capital Limited and the Stock Exchange in due course.

By order of the Board
Pinestone Capital Limited
Cheung Yan Leung Henry
Chairman

Hong Kong, 4 March 2019

As at the date of this announcement, the Board comprises Mr. Cheung Yan Leung Henry, Mr. Cheung Jonathan as executive Directors and Mr. Yeung King Wah, Mr. Lai Tze Leung George and Mr. So Stephen Hon Cheung as independent non-executive Directors.