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 2019

FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2019, the Group's revenue amounted to approximately HK$25.9 million, representing an increase of approximately 38% compared to approximately HK$18.8 million in 2018. The increase was mainly driven by the surge of interest income from securities-backed lending services to approximately HK$25.3 million in 2019, representing an increase of HK$7.8 million or 45% from approximately HK$17.5 million in 2018.

- Profit before income tax was HK$9.6 million, compared to a loss before income tax of HK$2.8 million in 2018. Net profit for the year ended 31 December 2019 was HK$7.2 million, compared to a net loss of HK$3.0 million in 2018. Turnaround from net loss to net profit was mainly attributable to an increase in interest income from securities-backed lending service and no impairment loss (net) on receivables was recognised for the year.

- Basic earnings per share was HK0.15 cents for the year ended 31 December 2019, compared to basic loss per share of HK0.06 cents for the year ended 31 December 2018.

- The Directors do not recommend the payment of final dividend for the year ended 31 December 2019.

CONSOLIDATED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

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 as the "**Group**") for the year ended 31 December 2019 together with the comparative figures for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	*5*	**25,917**	18,849
Other income		**68**	5
Commission and fee expenses		**–**	(61)
Employee benefit expenses		**(6,496)**	(6,070)
Depreciation	*6*	**(2,039)**	(95)
Impairment losses on trade and loans receivables, net	*10&11*	**–**	(9,203)
Other operating expenses		**(7,649)**	(6,168)
Finance costs		**(179)**	(48)
Profit/(Loss) before income tax	*6*	**9,622**	(2,791)
Income tax expense	*7*	**(2,391)**	(214)
Profit/(Loss) for the year		**7,231**	(3,005)
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year		**7,231**	(3,005)
		HK cents	*HK cents*
Earnings/(Loss) per share			
Basic and diluted	*9*	**0.15**	(0.06)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**3,725**	300
Intangible asset		**500**	500
Statutory deposits placed with stock exchange and clearing house		**1,205**	205
Deferred tax assets		**2,647**	2,732
		8,077	3,737
Current assets			
Trade receivables	*10*	**174,626**	224,115
Loans receivable	*11*	**34,229**	18,514
Other receivables, deposits and prepayments		**1,173**	1,166
Tax recoverable		**487**	2,879
Trust bank balances held on behalf of customers		**6,140**	5,276
Cash and bank balances		**29,212**	22,547
		245,867	274,497
Current liabilities			
Trade payables	*12*	**8,193**	5,969
Other payables and accruals		**581**	667
Lease liabilities		**2,025**	–
Obligation under finance lease		**–**	51
Tax payable		**75**	–
		10,874	6,687
Net current assets		**234,993**	267,810
Total assets less current liabilities		**243,070**	271,547
Non-current liabilities			
Lease liabilities		**1,745**	–
Obligation under finance lease		**–**	218
		1,745	218
Net assets		**241,325**	271,329
CAPITAL AND RESERVES			
Share capital	*13*	**4,710**	4,910
Reserves		**236,615**	266,419
Total equity		**241,325**	271,329

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 2019 were approved and authorised for issue by the directors on 30 March 2020.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") which collective term includes individual Hong Kong Financial Reporting Standands, Hong Kong Accounting Standards ("**HKASs**") and Interpretations 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.

All values are rounded to the nearest thousand except otherwise indicated.

3. ADOPTION OF NEW OR REVISED HKFRS

(a) Adoption of new or revised HKFRS – effective 1 January 2019

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 2019:

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

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

HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 *Leases* ("**HKAS 17**"), HK(IFRIC) – Int 4 *Determining Whether an Arrangement Contains a Lease*, HK(SIC) – Int 15 *Operating Leases – Incentives* and HK(SIC) – Int 27 *Evaluating the Substance of Transactions involving the Legal Form of a Lease.* From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17.

Details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's consolidated financial statements and accounting policies and the transition method adopted by the Group as allowed under HKFRS 16 are set out below.

The impact of transition to HKFRS 16 on the consolidated statement of financial position as of 31 December 2018 to that of 1 January 2019 is summarised as follows:

	As previously reported *HK$'000*	HKFRS 16 contract capitalisation *HK$'000*	HKFRS 16 reclassification *HK$'000*	As restated *HK$'000*
Assets				
Right-of-use assets presented in property, plant and equipment	–	5,464	–	5,464
Liabilities				
Lease liabilities (current)	–	1,912	51	1,963
Lease liabilities (non-current)	–	3,552	218	3,770
Obligation under finance lease (current)	51	–	(51)	–
Obligation under finance lease (non-current)	218	–	(218)	–

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

	HK$'000
Operating lease commitments as at 31 December 2018	5,762
Less: Future interest expenses	(298)
Add: Finance lease liabilities as at 31 December 2018 *(note 3(a)(iii))*	269
Total lease liabilities as at 1 January 2019	5,733

The weighted average of the incremental borrowing rates applied to the lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 is 4.1%.

(i) The new definition of a lease

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

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

(ii) *Accounting as a lessee*

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

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

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

(iii) *Transition*

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

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

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

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

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.

Annual Improvements to HKFRS 2015-2017 Cycle

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

Amendments to HKFRS 3 Business Combinations

Amendments to HKFRS 3 clarify that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition-date fair value.

Amendments to HKAS 12 Income Taxes

Amendments to HKAS 12 clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Amendments to HKAS 23 Borrowing Costs

Amendments to HKAS 23 clarify that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

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

The following new or revised HKFRS 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:

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]

[1] Effective for annual periods beginning on or after 1 January 2020

The directors of the Company anticipate that all of the relevant pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

Amendments to HKFRS 3 Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions. An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

The above new or revised HKFRS that have been issued but 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 resources allocation and assessment of performance, is the financial information of the Group as a whole as reported under HKFRS. 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:

	2019	2018
	HK$'000	*HK$'000*
Customer I	**3,263**	4,226
Customer II	**3,014**	2,312
Customer III	**N/A**	2,103

N/A: not applicable as revenue from this customer was less than 10% of the Group's revenue for the 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:

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15 *(note)*		
– Commission income from securities brokerage services	**419**	909
– Income from placing and underwriting services	**108**	–
– Handling fee income	**84**	481
– Others	**–**	1
	611	1,391
Revenue from other sources		
– Interest income from securities-backed lending services	**25,306**	17,458
	25,917	18,849

Note: Revenue from contracts with customers derived by the Group for the year ended 31 December 2019 amounting to HK$611,000 (2018: HK$1,391,000) are recognised at a point in time.

6. PROFIT/(LOSS) BEFORE INCOME TAX

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

	2019	2018
	HK$'000	*HK$'000*
Depreciation charge		
Owned property, plant and equipment	**5**	90
Right-of-use assets included in property, plant and equipment under the following categories *(note)*:		
– Office premises	**1,969**	–
– Motor vehicle	**65**	–
Property, plant and equipment under finance lease under HKAS 17	**–**	5
	2,039	95
Total minimum lease payments in respect of office premises previously classified as operating lease under HKAS 17	**–**	1,604
Auditor's remuneration	**598**	568

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to lease which was previously classified as operating lease under HKAS 17. The depreciated carrying amount of the finance lease asset which was previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 January 2019, the Group as lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information has not been restated (note 3(a)).

7. INCOME TAX EXPENSE

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

	2019	2018
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
– tax for the year	**2,326**	1,524
– over-provision in respect of prior years	**(20)**	(62)
	2,306	1,462
Deferred tax		
– current year	**119**	(1,367)
– attributable to change in applicable tax rate	**(34)**	119
	85	(1,248)
Income tax expense	**2,391**	214

The Group is subject to Hong Kong Profits Tax.

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. DIVIDENDS

	2019	2018
	HK$'000	*HK$'000*
Interim dividend paid of HK0.1 cent (2018: nil) per ordinary share	**4,897**	–

The directors of the Company do not recommend the payment of final dividend in respect of the year ended 31 December 2019 (2018: nil).

9. EARNINGS /(LOSS) PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
Earnings/(Loss)		
Profit/(Loss) for the year attributable to owners of the Company	**7,231**	(3,005)

	2019	2018
	Number of shares	Number of shares
	'000	*'000*
Weighted average number of ordinary shares		
Weighted average number of ordinary shares in issue during the year	**4,865,777**	4,910,000

The weighted average number of ordinary shares for the purposes of calculating the basic earnings per share for the year ended 31 December 2019 is base on the weighted average number of shares in issue during the year and adjusted for the treasury shares held by the Company as set out in note 13.

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

10. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables arising from securities dealing and margin financing *(note (a))*		
– Margin clients *(note (b))*	**189,253**	234,972
– Clearing house *(note (c))*	**1**	5,770
	189,254	240,742
Less: Loss allowance *(note (d))*	**(14,628)**	(16,627)
	174,626	224,115

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.

To manage the credit risk exposure, when the level of securities collateral in proportion to the outstanding balance due from the margin client ("**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 into repayment schedule for a period of normally less than one year with margin clients for settling their outstanding balances by monthly instalment by depositing cash or securities in equivalent market value.

During the year ended 31 December 2018, certain 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 which 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.

Trade receivables as at 31 December 2019 due from those margin clients with whom the Group entered into repayment schedule amounted to HK$22,009,000, which were interest-bearing at 12.5% per annum and not yet past due based on the repayment agreements entered into during the year. The remaining trade receivable balances as at 31 December 2019 were HK$167,244,000, of which HK$18,230,000 were current and HK$149,014,000 were repayable on demand. These margin loans were interest-bearing at fixed rates ranging from 8.0% to 12.5% per annum.

Of the gross carrying amount of trade receivables as at 31 December 2019 amounting to HK$189,253,000 (2018: HK$234,972,000), a total sum of HK$43,849,000 were considered credit-impaired whereas none of the trade receivables due from margin clients as at 31 December 2018 were considered credit-impaired.

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 2019 (2018: nil).

(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.

(d) The movements in the loss allowance for trade receivables arising from the business of securities dealing and margin financing are as follows:

	2019	2018
	HK$'000	*HK$'000*
At 1 January	**16,627**	7,424
(Reversal of impairment losses)/Impairment losses	**(1,999)**	9,203
At 31 December	**14,628**	16,627

11. LOANS RECEIVABLE

	2019	2018
	HK$'000	*HK$'000*
Loans receivable arising from money lending *(notes (a) & (b))*	**37,409**	19,695
Less: Loss allowance *(note (c))*	**(3,180)**	(1,181)
	34,229	18,514

Notes:

(a) The borrowers, which are mainly margin clients of the Group's securities dealing business, either (i) 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 (ii) had undertaken to maintain net assets value at specified amount in term of market value of securities held or cash in the designated margin account maintained by the borrower.

(b) The loans receivable as at 31 December 2018 amounting to HK$8,666,000 were interest-bearing at 8.0% to 15.0% per annum and repayable in 2019. The remaining loan receivable of HK$11,029,000 as at 31 December 2018 were interest-fee and repayable on demand.

The loans receivable as at 31 December 2019 amounting to HK$26,641,000 were interest-bearing at fixed rates ranging from 6.0% to 15.0% per annum whereas the remaining balance of HK$10,768,000 were non-interest bearing.

As at 31 December 2019, loans receivable amounting to HK$5,855,000 were not yet past due based on the repayment agreement entered into during the year whereas the remaining balance of HK$31,554,000 were past due within one year.

Of the gross carrying amount of loans receivable amounting to HK$37,409,000 as at 31 December 2019 (2018:HK$19,695,000), a sum of HK$10,768,000 was considered credit-impaired whereas none of the loans receivable as at 31 December 2018 was considered credit-impaired.

(c) The movements in the loss allowance for loans receivable arising from money lending business are as follows:

	2019	2018
	HK$'000	*HK$'000*
At 1 January	**1,181**	1,181
Impairment losses charged to profit or loss	**1,999**	–
At 31 December	**3,180**	1,181

12. TRADE PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables arising from securities dealing		
– Cash clients	**1,181**	2,496
– Margin clients	**4,648**	2,430
– Clearing house	**2,364**	1,043
	8,193	5,969

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

Authorised and issued shares

	Par value	**Number of ordinary shares**	**Amount**
	HK$		***HK$'000***
Authorised:			
At 1 January 2018, 31 December 2018 and 31 December 2019	0.001	500,000,000,000	500,000

	Par value	**Number of ordinary shares**	**Amount**
	HK$		***HK$'000***
Issued and fully paid:			
At 1 January 2018, 31 December 2018 and 1 January 2019	0.001	4,910,000,000	4,910
Cancellation of shares repurchased *(note)*	0.001	(199,510,000)	(200)
At 31 December 2019	0.001	4,710,490,000	4,710

Treasury shares

	Number of ordinary shares	Amount
		HK$'000
At 1 January 2018, 31 December 2018 and 1 January 2019	–	–
Repurchase of shares *(note)*	212,510,000	32,338
Cancellation of shares repurchased *(note)*	(199,510,000)	(30,379)
At 31 December 2019	13,000,000	1,959

Note:

During the year ended 31 December 2019, the Company repurchased an aggregate of 212,510,000 of its own shares on the Stock Exchange at total consideration plus transaction costs of HK$32,338,000, of which 199,510,000 repurchased shares were cancelled during 2019.

Upon cancellation of the 199,510,000 repurchased shares, the number of issued ordinary shares of the Company was reduced from 4,910,000,000 to 4,710,490,000. Of the repurchase costs amounting to HK$30,379,000, an amount of HK$200,000 representing the par value of cancelled shares was deducted from share capital whereas the remaining amount of HK$30,179,000 was deducted from share premium.

As at 31 December 2019, 13,000,000 repurchased shares have not yet been cancelled by the Company and the total repurchase costs amounting to HK$1,959,000 was not yet due for settlement under the settlement term of "T+2" days. Such outstanding amount was recognised as trade payables to clearing house (note 12) and the corresponding amount was included in treasury shares in the Company's equity. These 13,000,000 treasury shares have been subsequently cancelled after the end of the reporting period.

Subsequent to the end of the reporting period, the Company further repurchased 185,600,000 shares of its own ordinary shares on the Stock Exchange at total cash consideration plus transaction costs amounting to HK$25,842,000. All these repurchased shares have been cancelled as of the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Hong Kong has been experiencing social unrest since June 2019, which led to unprecedented uncertainties and deteriorated economic conditions. Although the Hang Seng Index still managed a gain of approximately 9% year-on-year to close at 28,189 points in 2019, there was an increase in volatility in the performance of the Hong Kong market due to the on-going Sino-US trade war and social unrest. In early 2020, the signing of phase one trade deal between China and US had brought some relief to investor concerns, but this was shortlived as the outbreak and rapid spread of the novel coronavirus and the failure of OPEC and Russia to reach an agreement regarding oil output capacity had detrimental effects on investor sentiments, hence led to a sell off in global markets. These events will undoubtedly have damaging effects on both the market and the global economy in the foreseeable future. With the economic uncertainties affected by a number of factors, it is believed that the Hong Kong stock market will remain volatile in 2020. In view of the challenging business environment, the Company will remain vigilant and strive to continue to create positive values for its shareholders.

BUSINESS REVIEW

Securities Brokerage

The performance of our securities brokerage for the year ended 31 December 2019 marked a decrease of approximately 50% in total transaction value to HK$211.6 million in 2019, compared to HK$421.3 million in 2018. Commission income from securities brokerage services for the year ended 31 December 2019 decreased to HK$0.4 million, compared to HK$0.9 million for the year ended 31 December 2018.

Securities-backed lending services

In 2019, securities-backed lending services remained as our core-profit generator for the Group. Interest income from securities-backed lending services for the year ended 31 December 2019 surged to HK$25.3 million, representing an increase of 45% compared to approximately HK$17.5 million in 2018.

(A) Margin Financing

The increase in interest income from securities-backed lending services was primarily due to an improvement in performance of our margin financing activities. Interest income from margin financing services increased to approximately HK$23.1 million, representing an increase of about 33% from approximately HK$17.4 million in 2018. In 2018, the Group had waived charging interest to certain customers who were entered into repayment agreements. The interest charges on these customers had resumed back to normal in 2019.

(B) Money Lending

The Group's money lending service had also performed well in 2019. The Group recognised interest income of approximately HK$2.2 million from money lending service in 2019, representing an increase as compared to HK$81,000 in 2018.

Placing and Underwriting Services

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 demand or requests from the customers. The Group generated income of HK$108,000 from placing and underwriting services in 2019, whereas no income from placing and underwriting services was derived in 2018.

Major Customers

During the year, the Group's five largest customers accounted for approximately 50% (2018: 60%) of the total revenue of the Group and the largest customer of the Group accounted for approximately 13% (2018: 20%) of the total revenue. None of the Directors or any of its close associates, or any shareholder (which to the knowledge of the Directors own 5% or more of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

Total Assets

Unit (HK$'million)/Year	**2019**	2018
Total Assets (HK$'million)	**253.9**	278.2
Trust Bank Balances (HK$'million)	**6.1**	5.3
Cash and Bank Balances (HK$'million)	**29.2**	22.5
Trade Receivables (HK$'million)	**174.6**	224.1
Loans Receivable (HK$'million)	**34.2**	18.5

Total assets of the Group decreased by 9% from approximately HK$278.2 million as at 31 December 2018 to approximately HK$253.9 million as at 31 December 2019. The decrease was mainly attributable to a decrease of trade receivables of approximately 22% from approximately HK$224.1 million in 2018 to HK$174.6 million in 2019, which had partially offset the amount of increases in loans receivable and cash and bank balances. Loans receivable almost doubled from approximately HK$18.5 million in 2018 to HK$34.2 million in 2019. Cash and bank balances increased by almost 30% from HK$22.5 million in 2018 to HK$29.2 million in 2019.

Net Profit for the Year

The Group's consolidated net profit for the year was approximately HK$7.2 million when compared to a net loss of HK$3.0 million in 2018. The increase was mostly attributable to an increase in interest income from securities-backed lending services of approximately HK$7.8 million or a surge of about 45% in 2019 compared to that of 2018 and no impairment loss (net) receivables was recognised in 2019. The Group recorded a net profit of HK$7.2 million, compared with HK$4.7 million (excluding impairment provision on receivables and related tax effect), representing an increase of 53% in adjusted net profit when compared with 2018.

OUTLOOK

In 2019, Hong Kong economy faced difficult headwind from domestic social unrest and Sino-US trade war uncertainty. The economy encountered uncertainties and issues that were unprecedented, investors sentiment has thus been deterred and affected, general business activities have inevitably slowed down. Faced with unprecedented instability, the Group has continued to manage our positions diligently and cautiously, and managed to achieve a solid growth in revenue and profit in financial year 2019 despite the unfavorable macro environment. The world is faced with the pandemic challenge in 2020; the slowdown in economic activity and the resulted disruption in social and business activities will undoubtedly cast negative effects on the global economy. Looking forward, the global economy is expected to face much instability and uncertainty. The Group will closely monitor the political and business environment and manage our risk exposure with extreme caution and prudence. In addition to a cautious approach, the Group will continue to explore strategic opportunities to improve our product platform, broaden our business reach, cultivate corporate alliances collaborations to strengthen our market position, improve and diversify our financial position and risk exposure to better positioned the Group for further and sustainable long term growth in the future.

On behalf of the Directors, I would like to specially thank our dedicated management and staff members for working diligently under the looming concerns of the pandemic. I would also like to take this opportunity to express my sincere gratitude to the Group's Shareholders, business partners, clients, for their continuous support.

FINANCIAL REVIEW

Revenue

Total revenue in 2019 was HK$25.9 million, representing an increase of approximately 38% from HK$18.8 million in 2018. The increase was mostly attributable to an increase of approximately HK$7.8 million in interest income from securities-backed lending services. Commission income from securities brokerage services declined to HK$0.4 million in 2019, compared to HK$0.9 million in 2018. Interest income from securities-backed lending services increased to HK$25.3 million in 2019, representing a surge of 45% from HK$17.5 million in 2018. For the placing and underwriting services, the Group generated income of HK$108,000 in 2019, whereas no income from placing and underwriting services was derived in 2018.

Employee Benefits Expenses

Employee benefits expenses accounted for approximately 40% out of the total expenses in 2019, which is a major expense item for the Group. Employee benefits expenses include staff salaries, allowances, benefits, directors' emoluments and contribution to defined contribution retirement scheme. Compared to 2018, employees benefits expenses recorded a modestly increase of 7% from approximately HK$6.1 million in 2018 to approximately HK$6.5 million in 2019. The increase was mostly attributable to general increases for staff salaries and directors' emoluments. The increment partially net off the decreased discretionary bonus to Directors.

Other Operating Expenses

Unit: (HK$'million)/Year	**2019**	2018
Other Operating Expenses	**7.6**	6.2
Impairment losses on trade and loans receivables, net	**0.0**	9.2
Total Other Operating Expenses	**7.6**	15.4

Other operating expenses in 2019 amounted to HK$7.6 million, compared to HK$6.2 million in 2018 (excluding charge for impairment losses on trade and loans receivables) which accounted for about 54% (2018: 50%) of the total expenses (which only included employee benefit expenses and other operating expenses). The rise was mostly attributable to the increase in compliance, professional and administrative expenses incurred during the year. Taking into account no impairment loss (net) on receivables was recognised in 2019 (2018: HK$9.2 million), total other operating expenses in 2019 was HK$7.6 million, representing a drop of approximately 51% from HK$15.4 million in 2018.

Income Tax Expense

The income tax expense for 2019 was approximately HK$2.4 million (2018: HK$0.2 million) and such increase was consistent with an increase in assessable profits under Hong Kong Profits Tax.

Profit for the Year

For the year ended 31 December 2019, the Group recorded profit before tax of approximately HK$9.6 million and a net profit of approximately HK$7.2 million. These figures compared to a loss before tax of approximately HK$2.8 million and a net loss of HK$3.0 million in 2018. The increase was mostly attributable to an increase of HK$5.7 million of interest income from margin financing services and an increase of approximately HK$2.2 million of interest income from money lending services on a year-on-year basis. Our standard risk management procedures have functioned properly. No impairment loss (net) was recognised in 2019, whereas impairment losses of HK$9.2 million was recognised in 2018.

Dividend

Directors did not recommend the payment of final dividend for the year ended 31 December 2019 (2018: nil). In September 2019, the Company paid an interim dividend of HK0.1 cent per ordinary share, amounting to approximately HK$4.9 million in aggregate (2018: nil). Total dividend payout by the Company for the year ended 31 December 2019 were HK0.1 cent per share (2018: nil).

Capital Structure

As at 31 December 2019, the Group did not have any bank borrowings. As at 31 December 2019, other payables and accruals plus lease liabilities was HK$4.4 million compared to HK$0.9 million in 2018. The Group maintained a healthy cash position with total cash and bank balances amounted to HK$29.2 million as at 31 December 2019 (2018: HK$22.5 million). As at 31 December 2019, the Group has non-current lease liabilities of HK$1.7 million (2018: HK$0.2 million) and does not have capital commitments. The Group's long term debt to equity ratio is roughly 1% in 2019 as compared to 0% in 2018.

During 2019, the Group's operations, capital expenditure and other capital requirements were funded by cash generated from operations 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 2019 *HK$'000*	As at 31 December 2018 *HK$'000*
Current assets	**245,867**	274,497
Trade receivables	**174,626**	224,115
Cash and bank balances	**29,212**	22,547
Current liabilities	**10,874**	6,687
Trade payables	**8,193**	5,969
Lease liabilities	**3,770**	–
Obligation under finance lease	**–**	269
Current Ratio (times)	**22.6**	41.0
Gearing Ratio (times)#	**0.01**	0.00
Interest Coverage (times)*	**54.8**	N.A.

* N.A. – The company reported a net loss

Debts (including lease liabilities) over total equity

Foreign Currency Exposure

The Company's functional and presentation currency is Hong Kong dollar ("HK$"). During the years ended 31 December 2019 and 2018, the Group's transactions were denominated in HK$. The Group had 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 2019 and 31 December 2018, the Group did not have any material contingent liabilities.

Significant Investments

The Group did not acquire or hold any significant investment during the year 2019 (2018: nil).

Pledge of Assets

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

Capital Commitments

As at 31 December 2019, the Group did not have any significant capital commitments (31 December 2018: nil).

Employees and 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. The Group's remuneration policies are in line with prevailing market practice. The Group's employees are remunerated according to their performance, working experience and market conditions. As at 31 December 2019, the Group had 13 employees, compared to 14 employees in 2018. Apart from basic salaries, other staff benefits include discretionary bonus, provident funds and medical scheme.

Sufficiency of Free Float

Based on the information that is publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this announcement.

Events after the reporting period

The world is faced with the sudden and widespread of the novel coronavirus since early 2020, which led to disruptions and challenges to the global economy in an unprecedented scale. The Group has been closely monitoring the impact of the pandemic on the Group's business and manage our risk exposure with extreme caution and prudence. Based on the information currently available, the management does not foresee any material adverse impacts on the financial position of the Group.

Subsequent to the end of the reporting period, the Company has repurchased and cancelled its own shares and further details are set out in note 13.

Saved as the above, the Directors are not aware of any significant event requiring disclosure that have been taken place subsequent to 31 December 2019 and up to the date of this announcement.

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. 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 nonexecutive 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.

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 2019 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.

Annual General Meeting

The AGM for the financial year 2019 of the Company will be held at 11:00 a.m. on 20 May 2020 (Wednesday) at Unit 1506, 15th Floor, Wheelock House, 20 Pedder Street, Central Hong Kong and a notice of AGM will be published and despatched in due course.

Closure of Register of Members to Ascertain Shareholders' Entitlement to Attend and Vote at the Annual General Meeting

The register of members of the Company for the annual general meeting will be closed from Thursday, 14 May 2020 to Tuesday, 19 May 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attendance at the annual general meeting to be held on 20 May 2020, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than Wednesday, 13 May 2020 at 4:30 p.m..

Competing Interest

The Directors are not aware of any business that they themselves are currently conducting or is being conducted by connected or related parties during the year.

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

During the year ended 31 December 2019, the Company repurchased an aggregate of 212,510,000 of its own shares on the Stock Exchange for a total cash consideration of HK$32,302,000.

Subsequent to the end of the reporting period (i.e. 31 December 2019) and up the date of this announcement, the Company further repurchased 185,600,000 shares of its own shares on the Stock Exchange for a total cash consideration of HK$25,813,000. All these repurchased shares have been cancelled as at the date of this announcement.

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 2019 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.

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 2019 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, 30 March 2020

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.