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 2020

FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2020, the Group's revenue amounted to approximately HK$31.8 million, representing an increase of approximately 23% compared to approximately HK$25.9 million in 2019. The increase was mainly driven by the increase of commission income generated from the brokerage securities and placing and underwriting services. Commission income from the securities brokerage services for the year ended 31 December 2020 increased to HK$1.4 million, an increase of approximately 250% from HK$0.4 million for the year ended 31 December 2019. In 2020, the Group derived an income of approximately HK$6.8 million from placing and underwriting services, representing an approximately 62 times of increment as compared to an income of approximately HK$108,000 in 2019.

- For the year ended 31 December 2020, loss before income tax is approximately HK$19.3 million, as compared to a profit before income tax of approximately HK$9.6 million in 2019. Net loss for the year ended 31 December 2020 was HK$18.8 million, compared to a net profit of HK$7.2 million in 2019. The loss was mostly attributable to impairment losses on trade and loans receivables of approximately HK$31.3 million in aggregate made during the year.

- If excluding the impairment losses (net of tax), the Group would have recorded a net profit of approximately HK$11.4 million for the year ended 31 December 2020. The Group would have resulted in an increase of 58% in net profit when compared to net profit of HK$7.2 million in 2019.

- Basic loss per share was HK0.42 cents for the year ended 31 December 2020, compared to basic earnings per share of HK0.15 cents for the year ended 31 December 2019.

- The Directors do not recommend the payment of any final dividend for the year ended 31 December 2020.

CONSOLIDATED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020 together with the comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020	2019
		HK$'000	*HK$'000*
Revenue	*5*	**31,808**	25,917
Other income		**60**	68
Commission and fee expenses		**(6,084)**	–
Employee benefit expenses		**(6,820)**	(6,496)
Depreciation	*6*	**(2,036)**	(2,039)
Impairment losses on trade and loans receivables, net	*10&11*	**(31,314)**	–
Other operating expenses		**(4,808)**	(7,649)
Finance costs		**(117)**	(179)
(Loss)/Profit before income tax	*6*	**(19,311)**	9,622
Income tax credit/(expense)	*7*	**483**	(2,391)
(Loss)/Profit for the year		**(18,828)**	7,231
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year		**(18,828)**	7,231
		HK cents	*HK cents*
(Loss)/Earnings per share			
Basic and diluted	*9*	**(0.42)**	0.15

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Notes	**2020** **HK$'000**	2019 *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**1,740**	3,725
Intangible asset		**500**	500
Statutory deposits placed with stock exchange and clearing house		**1,205**	1,205
Deferred tax assets		**3,741**	2,647
		7,186	8,077
Current assets			
Trade receivables	*10*	**96,581**	174,626
Loans receivable	*11*	**50,609**	34,229
Other receivables, deposits and prepayments		**1,200**	1,173
Tax recoverable		**1,689**	487
Trust bank balances held on behalf of customers		**4,169**	6,140
Cash and bank balances		**66,868**	29,212
		221,116	245,867
Current liabilities			
Trade payables	*12*	**28,311**	8,193
Other payables and accruals		**1,077**	581
Lease liabilities		**1,745**	2,025
Tax payable		**513**	75
		31,646	10,874
Net current assets		**189,470**	234,993
Total assets less current liabilities		**196,656**	243,070
Non-current liabilities			
Lease liabilities		**–**	1,745
Net assets		**196,656**	241,325
CAPITAL AND RESERVES			
Share capital	*13*	**4,512**	4,710
Reserves		**192,144**	236,615
Total equity		**196,656**	241,325

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 are 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.

In the opinion of the directors, the Company's parent is HCC & Co Limited ("**HCC & Co**"), a limited liability company incorporated in the British Virgin Islands ("**BVI**") and Mr. Cheung Yan Leung and his son Mr. Cheung Jonathan are the ultimate controlling parties of the Company.

The financial statements for the year ended 31 December 2020 were approved and authorised for issue by the directors on 19 March 2021.

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 Standards, 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 "**Listing Rules**").

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 2020

In the current year, the Group has applied for the first time the following amendments of standards issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2020:

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

These amended HKFRS that are effective from 1 January 2020 did not have any significant impact on the Group's accounting policies.

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.

(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 HKAS 1	Classification of Liabilities as Current or Non-current[5]
HK Int 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[5]
Amendments to HKAS 16	Proceeds before Intended Use[3]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[4]
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[2]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions[1]
Annual Improvements to HKFRS 2018-2020	Amendment to HKFRS 1 First – Time Adoption of International Financial Reporting Standard, Amendment to HKFRS 9 Financial Instruments, Illustrative Example accompany Amendment to HKFRS 16 Leases and HKAS 41 Agriculture[3]

1 Effective for annual periods beginning on or after 1 June 2020.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for annual periods beginning on or after 1 January 2022.
4 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.
5 Effective for annual periods beginning on or after 1 January 2023.

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 HKAS 1 Classification of Liabilities as Current or Non-current

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by likelihood that an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of "settlement" to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

Amendments to HKAS 16 Proceeds before Intended Use

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

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

The amendments clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both incremental costs of fulfilling that contract (e.g. direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs).

Amendments to HKFRS 3 Reference to the Conceptual Framework

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

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

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

Amendment to HKFRS 16, Covid-19-Related Rent Concessions

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the Covid-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 pandemic and only if all of the following criteria are satisfied:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

Annual Improvements to HKFRS 2018-2020

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

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

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

Amendments to HKFRS 9 Financial Instruments

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

Amendments to HKFRS 16 Leases

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

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 of the Company, who are the chief operating decision makers of the Group 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 Group has only one single operating 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 of the business of the Group 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:

	2020	2019
	HK$'000	*HK$'000*
Customer I	**N/A**	3,263
Customer II	**N/A**	3,014

N/A : not applicable as revenue from these customers 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:

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
– Commission income from securities brokerage services	**1,410**	419
– Fee income from placing and underwriting services	**–**	108
– Fee income from sub-underwriting services*	**6,810**	–
– Handling fee income	**23**	84
	8,243	611
Revenue from other sources		
– Interest income from margin financing services	**15,277**	23,069
– Interest income from money lending services	**8,288**	2,237
	31,808	25,917

Revenue from contracts with customers derived by the Group for the year ended 31 December 2020 amounting to HK$8,243,000 (2019: HK$611,000) are recognised at a point in time.

* In relation to the sub-underwriting undertaken by the Group, sub-underwriting fees of HK$6,084,000 (2019: nil) were incurred during the year ended 31 December 2020 and presented as "commission and fee expenses" in the consolidated statement of comprehensive income.

6. (LOSS)/PROFIT BEFORE INCOME TAX

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

	2020	2019
	HK$'000	*HK$'000*
Depreciation charge		
Owned property, plant and equipment	**4**	5
Right-of-use assets included in property, plant and equipment	**2,032**	2,034
Auditor's remuneration	**607**	598
Legal and professional fee	**2,743**	5,310

7. INCOME TAX (CREDIT)/EXPENSE

The amount of income tax (credit)/expense in the consolidated statement of comprehensive income represents:

	2020	2019
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
– tax for the year	**660**	2,326
– over-provision in respect of prior years	**(49)**	(20)
	611	2,306
Deferred tax		
– current year	**(1,017)**	119
– attributable to change in applicable tax rate	**(77)**	(34)
	(1,094)	85
Income tax (credit)/expense	**(483)**	2,391

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 profits 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

	2020	2019
	HK$'000	*HK$'000*
Interim dividend (2019: HK0.1 cent 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 2020 (2019: nil).

9. (LOSS)/EARNINGS PER SHARE

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

	2020	2019
	HK$'000	*HK$'000*
(Loss)/Earnings		
(Loss)/Profit for the year attributable to owners of the Company	**(18,828)**	7,231

	2020	2019
	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	**4,519,686**	4,865,777

The weighted average number of ordinary shares for the purpose of calculating the basic earnings per share for the year ended 31 December 2020 is based 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 (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

	2020	2019
	HK$'000	*HK$'000*
Trade receivables arising from securities dealing and margin financing *(note (a))*		
– Margin clients *(note (b))*	**97,213**	189,253
– Clearing house *(note (c))*	**1,895**	1
Trade receivables arising from placing and underwriting services *(note (d))*	**250**	–
	99,358	189,254
Less: Loss allowance *(note (e))*	**(2,777)**	(14,628)
	96,581	174,626

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.

In 2019, the Group entered into repayment agreements with certain margin clients to agree on a repayment schedule to settle their outstanding balances by monthly instalment. The aggregated gross carrying amount of trade receivables due from these margin clients as at 31 December 2019 was HK$22,009,000, which were interest-bearing at 12.5% per annum and not yet past due based on the repayment schedules. The gross carrying amount of remaining trade receivables 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.

During the year ended 31 December 2020, certain margin clients who had entered into repayment agreements with the Group in 2019 fulfilled their obligations under repayment agreements mainly by way of depositing additional securities collateral. The gross carrying amount of trade receivables as at 31 December 2020 were HK$97,213,000, of which HK$88,325,000 were current and HK$8,888,000 were repayable on demand. These margin loans were interest bearing at fixed rates ranging from 8% to 24% per annum.

None of the trade receivables due from margin clients as at 31 December 2020 with gross carrying amount of HK$97,213,000 were considered as credit impaired whereas total gross carrying amount of HK$43,849,000 were considered as credit-impaired as at 31 December 2019.

Instead, the Group had written off balances due from certain margin clients amounted to HK$24,090,000 (2019: nil) as those margin clients were in severe financial difficulties and there is no realistic prospect of recovery.

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 2020 (2019: 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) Trade receivables arising from placing and underwriting services was past due within 30 days and interest free.

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

	2020	2019
	HK$'000	*HK$'000*
At 1 January	**14,628**	16,627
Impairment losses/(Reversal of impairment losses)	**12,239**	(1,999)
Amounts written off as uncollectible	**(24,090)**	–
At 31 December	**2,777**	14,628

11. LOANS RECEIVABLE

	2020	2019
	HK$'000	*HK$'000*
Loans receivable arising from money lending *(notes (a) & (b))*	**70,572**	37,409
Less: Loss allowance *(note (c))*	**(19,963)**	(3,180)
	50,609	34,229

Notes:

(a) The borrowers, which are 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 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.

(b) The loans receivable as at 31 December 2019, with the gross carrying amount of 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 with the gross carrying amount of 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.

The loans receivable as at 31 December 2020, with the gross carrying amount of HK$70,572,000 were interest-bearing at 15.0% per annum, of which HK$13,374,000 were current whereas the remaining balances of HK$57,198,000 were past due within one year.

None of the gross carrying amount of loans receivables as at 31 December 2020, with the gross carrying amount of HK$70,572,000 were considered as credit impaired whereas a sum of HK$10,768,000 was considered as credit-impairment as at 31 December 2019.

Instead, during the year ended 31 December 2020, the Group had written off a loan receivable balance amounting to HK$2,292,000 (2019: nil) as the borrower was in severe financial difficulties and there is no realistic prospect of recovery.

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

	2020	2019
	HK$'000	*HK$'000*
At 1 January	**3,180**	1,181
Impairment losses charged to profit or loss	**19,075**	1,999
Amounts written off as uncollectible	**(2,292)**	–
At 31 December	**19,963**	3,180

12. TRADE PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables arising from securities dealing		
– Cash clients	**1,371**	1,181
– Margin clients	**2,798**	4,648
– Clearing house	**24,142**	2,364
	28,311	8,193

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 2019, 31 December 2019 and 31 December 2020	**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 2019	0.001	4,910,000,000	4,910
Cancellation of shares repurchased *(note)*	0.001	(199,510,000)	(200)
At 31 December 2019 and 1 January 2020	**0.001**	**4,710,490,000**	**4,710**
Cancellation of shares repurchased *(note)*	**0.001**	**(198,600,000)**	**(198)**
At 31 December 2020	**0.001**	**4,511,890,000**	**4,512**

Treasury shares

	Number of ordinary shares	Amount
		HK$'000
At 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 and 1 January 2020	**13,000,000**	**1,959**
Repurchase of shares *(note)*	**185,600,000**	**25,841**
Cancellation of shares repurchased *(note)*	**(198,600,000)**	**(27,800)**
At 31 December 2020	**–**	**–**

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 during 2019, 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 and the corresponding amount was included in treasury shares in the Company's equity.

During the year ended 31 December 2020, the Company further repurchased an aggregate of 185,600,000 of its own shares on the Stock Exchange at total consideration plus transaction costs of HK$25,841,000. Total sum of 198,600,000 repurchased shares including 13,000,000 shares repurchased during 2019 were cancelled during the year ended 31 December 2020 at cost of HK$27,800,000, of total repurchased costs amounting to HK$27,800,000, an amount of HK$198,000 representing the par value of cancelled shares was deducted from share capital whereas the remaining amount of HK$27,602,000 was deducted from share premium.

Upon cancellation of the 198,600,000 repurchased shares during 2020, the number of issued ordinary shares of the Company was reduced from 4,710,490,000 to 4,511,890,000.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The global pandemic of COVID-19 has heavily disrupted all types of activities and hit the economy hard. With the stringent measures of lock-down, quarantine for travellers and social distancing, global business activities have slowed down drastically. The Hang Seng Index lost 958 points year-on-year basis to close at 27,231 points on 31 December 2020. To manage the unprecedented macroeconomic conditions, major governments have implemented further monetary easing policies to prevent the downfall of economies. The loosening on monetary policy, coupled with the worsening Sino-US relationship and the COVID-19 pandemic, have caused higher fluctuation and volatility in the market.

BUSINESS REVIEW

Securities Brokerage Services

Commission income from securities brokerage services is highly correlated to the overall trading volume of the Hong Kong Stock Market and the demand of our customers. In 2020, securities brokerage services had performed well. For the year ended 31 December 2020, our securities brokerage services marked a remarkable increase of approximately 195% in total transaction value to HK$624.4 million in 2020, compared to HK$211.6 million in 2019. Commission income from securities brokerage services for the year ended 31 December 2020 surged to HK$1.4 million, an increase of approximately 250% from HK$0.4 million for the year ended 31 December 2019.

Securities-backed lending Services

In 2020, securities-backed lending services remained as core-profit generator for the Group. Interest income from securities-backed lending services for the year ended 31 December 2020 amounted to HK$23.6 million, compared to approximately HK$25.3 million in 2019.

(A) Margin Financing

As at 31 December 2020, the Group recorded a total loan balance of approximately HK$97.2 million while total loan balance in 2019 was HK$189.3 million. Due to a decrease in size of the loan balance, interest income from our margin financing services decreased to approximately HK$15.3 million in 2020 from approximately HK$23.1 million in 2019.

(B) Money Lending

The Group recognised interest income of approximately HK$8.3 million from money lending services in 2020, representing an increase as compared to HK$2.2 million in 2019.

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. In 2020, placing and underwriting services had performed well. For the year ended 31 December 2020, the Group generated income of approximately HK$6.8 million from placing and underwriting services, representing an approximately 62 times of increment as compared to an income of approximately HK$108,000 derived in 2019.

Major Customers

During the year, the Group's five largest customers accounted for approximately 36% (2019: 50%) of the total revenue of the Group and the largest customer of the Group accounted for approximately 9% (2019: 13%) 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$'million)/Year	**2020**	2019
Total Assets (HK$'million)	**228.3**	253.9
Trust Bank Balances (HK$'million)	**4.2**	6.1
Cash and Bank Balances (HK$'million)	**66.9**	29.2
Trade Receivables (HK$'million)	**96.6**	174.6
Loans Receivable (HK$'million)	**50.6**	34.2

As at 31 December 2020, total assets of the Group decreased to approximately HK$228.3 million from approximately HK$253.9 million as at 31 December 2019. The decrease was mainly attributable to write-off on trade and loans receivables of HK$26.4 million in total. As at 31 December 2020, loans receivable increased to approximately HK$50.6 million in 2020, representing an increase of approximately 48% from HK$34.2 million in 2019. Cash and bank balances increased by approximately 129% to HK$66.9 million as at 31 December 2020 from approximately HK$29.2 million as at 31 December 2019. Trade receivables decreased to HK$96.6 million as at 31 December 2020 from approximately HK$174.6 million on a year-on-year basis in 2019.

Net Loss for the Year

For the year ended 31 December 2020, the Group's consolidated net loss was approximately HK$18.8 million, compared to a net profit of HK$7.2 million in 2019. The loss was mostly attributable to impairment losses on trade and loans receivables of approximately HK$31.3 million in aggregate made during the year. If excluding the impairment losses (net of tax), the Group would have recorded a net profit of approximately HK$11.4 million in for the year ended 31 December 2020, which would have resulted in an increase of 58% in net profit when compared to net profit of HK$7.2 million in 2019.

OUTLOOK

2020 was a challenging year for the global economy, amidst the unprecedented COVID-19 pandemic, coupled with the worsening Sino-US relationship, the market was volatile and economic activities were slow and weak. The Group has continued to managed our positions prudently and diligently; maintaining a healthy level of cash on hand in a volatile economy. The Group has managed to achieve solid growth in revenue, and a healthy development in the brokerage, placing and underwriting business segments. Looking forward, with the Group's solid financial position and healthy business development, we will continue to seek for profitable business opportunities to broaden our business reach, strengthen our market position and continue to grow the Group's business for the long term.

FINANCIAL REVIEW

Revenue

Total revenue in 2020 was HK$31.8 million, representing an increase of approximately 23% from HK$25.9 million in 2019. The increase was mostly attributable to an increase of commission income from securities brokerage services and placing and underwriting services.

Commission income from securities brokerage services increased by approximately 250% to HK$1.4 million in 2020, compared to HK$0.4 million in 2019. Interest income from securities-backed lending services decreased to HK$23.6 million in 2020 from HK$25.3 million in 2019. For the placing and underwriting services, the Group generated income of HK$6.8 million in 2020, representing an approximately 62 times of increment as compared to an income of HK$108,000 in which was derived in 2019.

Employee Benefit Expenses

Employee benefit expenses accounted for approximately 13% (2019: 40%) out of the total expenses in 2020, which is a major expense item for the Group. Employee benefit expenses include staff salaries, allowances, benefits, directors' emoluments and contribution to defined contribution retirement scheme. Employees benefit expenses recorded an increase of approximately 5% from approximately HK$6.5 million in 2019 to approximately HK$6.8 million in 2020. The increase was mostly attributable to general increases for staff salaries and directors' emoluments. The increment partially net off the decreased discretionary bonus to general staff.

Other Operating Expenses

Unit: (HK$'million)/Year	**2020**	2019
Other operating expenses	**4.8**	7.6
Impairment losses on trade and loans receivables, net*	**31.3**	0.0
Total other operating expenses	**36.1**	7.6

* Of the amount of impairment losses of HK$31.3 million, HK$12.2 million were attributable to trade receivables from margin clients whereas HK$19.1 million were attributable to loans receivable as set out in note 10 & 11 respectively.

Other operating expenses in 2020 amounted to HK$4.8 million, compared to HK$7.6 million in 2019 (excluding charge for impairment losses on trade and loans receivables) which accounted for about 41% (2019: 54%) of the total expenses (which only included employee benefit expenses and other operating expenses). The decrease was mostly attributable to the decrease in compliance, professional and administrative expenses incurred during the year. Taking into account of net amount of impairment losses on trade and loans receivables of HK$31.3 million made in 2020 (2019: nil), total other operating expenses in 2020 was HK$36.1 million, compared to HK$7.6 million in 2019.

Income Tax Credit/Expense

The income tax credit for 2020 was approximately to HK$483,000 (2019: income tax expense of HK$2.4 million) and such changes was consistent with an increase in adjusted losses under Hong Kong Profits Tax.

Loss for the Year

For the year ended 31 December 2020, the Group recorded loss before tax of approximately HK$19.3 million and a net loss of approximately HK$18.8 million, as compared to a profit before tax of approximately HK$9.6 million and a net profit of HK$7.2 million in 2019. The loss was mostly attributable to impairment losses of HK$31.3 million made in respect of trade and loans receivables relating to the securities-backed lending services.

Dividend

Directors did not recommend payment of any dividend for the year ended 31 December 2020 whereas interim dividend of HK0.1 cent per ordinary share with aggregate amount of HK$4.9 million were paid in 2019.

Capital Structure

As at 31 December 2020, other payables and accruals plus lease liabilities was HK$2.8 million compared to HK$4.4 million in 2019. The Group maintained a healthy cash position with total cash and bank balances amounted to HK$66.9 million as at 31 December 2020 (2019: HK$29.2 million). As at 31 December 2020, the Group did not have any non-current lease liabilities (2019: HK$1.7 million) and did not have capital commitments. Its gearning ratio is zero times in 2020 (2019: 0.01 times).

During 2020, 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 2020 *HK$'000*	As at 31 December 2019 *HK$'000*
Current assets	**221,116**	245,867
Trade receivables	**96,581**	174,626
Cash and bank balances	**66,868**	29,212
Current liabilities	**31,646**	10,874
Trade payables	**28,311**	8,193
Lease liabilities	**1,745**	3,770
Current Ratio (times)	**6.99**	22.6
Gearing Ratio (times)#	**0.00**	0.01
Interest Coverage (times)*	**N.A.**	54.8

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

\# Long-term debts (including non-current lease liabilities) over total equity

Foreign Currency Exposure

The Company's functional and presentation currency is Hong Kong dollar ("**HK$**"). During the years ended 31 December 2020 and 2019, the Group's transactions were denominated in HK$. 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 2020 and 31 December 2019, the Group did not have any material contingent liabilities.

Significant Investments

The Group did not acquire or hold any significant investment during the year 2020 (2019: nil).

Pledge of Assets

As at 31 December 2020, the Group did not pledge any of its assets (31 December 2019: nil).

Capital Commitments

As at 31 December 2020, the Group did not have any significant capital commitments (31 December 2019: 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. Staff turnover rate of the Company has remained low. In 2020, one staff had left the Company. As at 31 December 2020, the Group had 12 employees, (31 December 2019: 13 employees). Apart from basic salaries, other staff benefits include discretionary bonus, provident funds and medical scheme.

Sufficiency of Public float

Based on the information that is publicly available and within the knowledge of the Directors of the Company, the Company has maintained sufficient public float of 25% issued shares which worth more than HK$30 million under the Listing Rules 17.38A as at the latest practicable date and prior to the issue of this announcement.

Events after the reporting period

The Directors are not aware of any significant event requiring disclosure that have been taken place subsequent to 31 December 2020 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 prospective 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.

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 2020 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 annual general meeting ("**AGM**") for the financial year 2020 of the Company will be held at 11:00 a.m. on Tuesday, 11 May 2021 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 Wednesday, 5 May 2021 to Monday, 10 May 2021, 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 Tuesday, 11 May 2021, 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 4:30 p.m. on Tuesday, 4 May 2021.

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 2020, the Company repurchased an aggregate of 185,600,000 of its own shares on the Stock Exchange for a total cash consideration of HK$25,813,000. All repurchased shares including 13,000,000 treasury shares held as at 31 December 2019 were 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 2020 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 2020 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, 19 March 2021

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.