

PineStone 鼎石

Pinestone Capital Limited

鼎石資本有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8097)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE
STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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This announcement, for which the directors of Pinestone Capital Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

The board of directors (the “**Board**”) of the Company is pleased to announce that the unaudited condensed consolidated interim results of the Group for the three months and the six months ended 30 June 2015, together with the comparative unaudited figures for the corresponding periods in 2014, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

		Three months ended 30 June		Six months ended 30 June	
		2015	2014	2015	2014
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE	3	8,548	5,907	16,019	12,478
Other income	5	27	3	52	4
Employee benefit expenses		(1,007)	(848)	(1,963)	(1,502)
Depreciation		(52)	(51)	(103)	(102)
Other operating expenses		(5,853)	(688)	(9,564)	(1,262)
Finance costs	7	(34)	–	(44)	–
PROFIT BEFORE INCOME TAX	6	1,629	4,323	4,397	9,616
Income tax expense	8	(1,181)	(721)	(2,194)	(1,602)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		448	3,602	2,203	8,014
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		–	–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		448	3,602	2,203	8,014
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
EARNINGS PER SHARE					
Basic and diluted	10	0.12	1.00	0.59	2.23

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	<i>Notes</i>	As at 30 June 2015 (Unaudited) <i>HK\$'000</i>	As at 31 December 2014 (Audited) <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	<i>11</i>	235	315
Intangible asset		500	500
Statutory deposits placed with stock exchange and clearing house		230	230
Total non-current assets		965	1,045
Current assets			
Trade receivables	<i>12</i>	140,041	101,938
Other receivables, deposits and prepayments		461	861
Amounts due from a related company	<i>19(c)(ii)</i>	–	547
Tax recoverable		316	64
Trust bank balances held on behalf of customers	<i>13</i>	17,439	19,174
Cash and bank balances	<i>14</i>	27,345	40,512
Total current assets		185,602	163,096
Current liabilities			
Trade payables	<i>15</i>	20,915	38,618
Other payables and accruals		1,396	767
Amounts due to a related company	<i>19(c)(iii)</i>	–	90,441
Tax payable		5,240	3,256
Total current liabilities		27,551	133,082
Net current assets		158,051	30,014
Total assets less current liabilities/Net assets		159,016	31,059
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital	<i>16</i>	4,800	1,000
Reserves		154,216	30,059
Total equity		159,016	31,059

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Share capital <i>HK\$'000</i>	Share premium* <i>HK\$'000</i>	Capital reserves* <i>HK\$'000</i>	Retained profits* <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2014	–	–	–	8,842	8,842
Profit for the period	–	–	–	8,014	8,014
Other comprehensive income for the period	–	–	–	–	–
Total comprehensive income for the period	–	–	–	8,014	8,014
Transaction with owners:					
Issue of shares (<i>note 16</i>)	1,000	–	–	–	1,000
At 30 June 2014 (unaudited)	1,000	–	–	16,856	17,856
At 1 January 2015	1,000	–	–	30,059	31,059
Profit for the period	–	–	–	2,203	2,203
Other comprehensive income for the period	–	–	–	–	–
Total comprehensive income for the period	–	–	–	2,203	2,203
Transactions with owners:					
Dividend approved in respect of previous year (<i>note 9</i>)	–	–	–	(30,000)	(30,000)
Re-organisation	(1,000)	105,307	(4,866)	–	99,441
Issue of ordinary shares by way of placing (<i>Note 16g</i>)	1,200	58,800	–	–	60,000
Capitalisation (<i>Note 16f</i>)	3,600	(3,600)	–	–	–
Share issuance expense (<i>Note 16g</i>)	–	(3,687)	–	–	(3,687)
	3,800	156,820	(4,866)	(30,000)	125,754
At 30 June 2015 (unaudited)	4,800	156,820	(4,866)	2,262	159,016

* The total of these balances represents “Reserves” in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
Notes	HK\$'000	HK\$'000
Net cash flows (used in)/generated from operating activities	(40,328)	44,063
Net cash flows generated from investing activities	29	4
Net cash flows generated from/(used in) financing activities	<u>27,132</u>	<u>(21,635)</u>
Net (decrease)/increase in cash and cash equivalents	(13,167)	22,432
Cash and cash equivalents at beginning of period	<u>40,512</u>	<u>14,815</u>
Cash and cash equivalents at end of period	<u>27,345</u>	<u>37,247</u>
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	14 <u>27,345</u>	<u>37,247</u>

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 14 January 2015. 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 Company was listed on GEM of the Stock Exchange on 12 June 2015.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2015 have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of the GEM Listing Rules. They have been prepared under the historical cost basis. These unaudited condensed consolidated interim financial statements are presented in Hong Kong dollar (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

The condensed consolidated financial statements are unaudited, but have been reviewed by the Audit Committee of the Company. The unaudited condensed consolidated financial statements were approved for issue on 13 August 2015.

The unaudited condensed consolidated financial statements do not include all the information required for annual financial statements and thereby should be read in conjunction with the Group’s audited annual financial statements for the year ended 31 December 2014 (“**2014 Financial statements**”) set out in Appendix I to the prospectus issued by the Company on 29 May 2015 (the “**Prospectus**”) which have been prepared in accordance with accounting policies which conforms to Hong Kong Financial Reporting Standards. The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the 2014 Financial statements, except for the new standards, amendments and interpretations (“**the New HKFRSs**”) issued by the HKICPA that are adopted for the first time for the current financial statements. The adoption of the New HKFRSs had no material impact on the Group’s financial statements. The Group had not early adopted any new or revised standards or interpretations that have been issued but are not yet effective.

3. REVENUE

The Group is principally engaged in provision of securities brokerage services, securities-backed lending services as well as placing and underwriting services. Breakdown of the Group's revenue, which is also the Group's turnover, is set out as follows:

	Three months ended		Six months ended	
	30 June		30 June	
	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Commission income from securities brokerage services	3,389	2,039	5,538	3,684
Interest income from securities backed lending services	5,045	3,436	10,329	8,288
Handling fee	7	11	44	46
Income from placing and underwriting services	71	420	71	458
Others	36	1	37	2
	<u>8,548</u>	<u>5,907</u>	<u>16,019</u>	<u>12,478</u>

4. SEGMENT INFORMATION

(a) Operating segment information

The information reported to the executive directors, who are the chief operating decision makers for the purpose of resource allocation and assessment of performance, is the financial information of the Group as a whole as reported under HKFRSs. Such information does not contain profit or loss information of particular product or service line or geographical area. Therefore, the executive directors 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 revenue from external customers and non-current assets of the Group are derived from activities or 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:

	Three months ended		Six months ended	
	30 June		30 June	
	2015	2014	2015	2014
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Customer I	2,675	N/A	4,534	N/A
Customer II	940	N/A	1,975	N/A
Customer III	601	1,517	1,040	2,922
Customer IV	184	1,487	584	1,698

5. OTHER INCOME

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank interest income	27	3	52	4

6. PROFIT BEFORE INCOME TAX

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

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Auditor's remuneration	47	46	93	92
Listing expenses	5,173	–	8,181	–
Operating lease charges in respect of building	341	341	682	638

7. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on borrowings wholly repayable within five years	34	–	44	–

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group spent approximately HK\$23,000 on acquisition of office equipment in Hong Kong (2014: Nil).

12. TRADE RECEIVABLES

	As at 30 June 2015 (unaudited) HK\$'000	As at 31 December 2014 (audited) HK\$'000
Trade receivables arising from securities dealing and margin financing		
– Cash clients	–	49
– Margin clients	<u>140,041</u>	<u>101,889</u>
	<u>140,041</u>	<u>101,938</u>

Notes:

- (a) The settlement terms of trade receivables arising from the business of securities dealing are two days after trade date.
- (b) Trade receivables from cash clients as at 31 December 2014 are past due within 30 days.
- (c) 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. Margin loans due from margin clients are current and repayable on demand for those margin clients subject to margin calls. Margin clients are required to pledge securities collateral to the Group in order to obtain credit facilities for securities trading. As at 30 June 2015 and 31 December 2014, the total market value of securities pledged as collateral in respect of the receivables from margin clients are approximately HK\$308 million (31 December 2014: HK\$258 million). Margin loans as at 30 June 2015 is interest bearing at a fixed rate of 12.5% to 20.0% per annum (31 December 2014: 12.5% to 20.0% per annum). Subject to certain conditions, the Group is allowed to repledge collateral from margin clients. There was no repledge of collateral from margin clients as at 30 June 2015 and 31 December 2014.
- (d) The Group has in place policy for impairment allowance which is based on the evaluation of collectability of accounts and on management's judgement, including the current creditworthiness and the past collection history of each client or receivable. As assessed by the directors, no impairment allowance is necessary in respect of trade receivables at 30 June 2015 (31 December 2014: nil).

13. TRUST BANK BALANCES HELD ON BEHALF OF CUSTOMERS

In respect of the Group's business of dealing in securities, the Group maintains segregated trust accounts with authorised financial institutions to hold clients' monies. The Group classifies clients' monies separately under current assets in the condensed consolidated statement of financial position and has recognised the corresponding trade payables to respective clients (note 15) on the grounds that it is liable for any loss or misappropriation of clients' monies and does not have a currently enforceable right to offset those payables with the deposits placed.

14. CASH AND BANK BALANCES

	As at 30 June 2015 (Unaudited) <i>HK\$'000</i>	As at 31 December 2014 (Audited) <i>HK\$'000</i>
Short-term time deposit	10,025	–
Cash in bank and on hand	<u>17,320</u>	<u>40,512</u>
	<u>27,345</u>	<u>40,512</u>

At 30 June 2015, approximately HK\$10.0 million was placed in time deposit with maturity period of 3 months carrying interest at fixed rate of 0.85% (31 December 2014: nil) per annum. This time deposit is subject to a charge for the overdraft facilities granted by a bank to the Group. As at 30 June 2015, the Group has not drawn down any amount under such banking facility. The bank balances are deposited with creditworthy authorised financial institutions of high credit ratings in Hong Kong.

15. TRADE PAYABLES

	As at 30 June 2015 (Unaudited) <i>HK\$'000</i>	As at 31 December 2014 (Audited) <i>HK\$'000</i>
Trade payables arising from securities dealing:		
– Cash clients	1,156	1,538
– Margin clients	14,495	18,209
– Clearing house	<u>5,264</u>	<u>18,871</u>
	<u>20,915</u>	<u>38,618</u>

The settlement terms of trade payables arising from the business of dealing in securities are two days after the trade date. The trade payables to certain margin and cash clients arising from the business of dealing in securities are repayable on demand subsequent to settlement date.

Included in trade payables as at 30 June 2015 were payables to clients of approximately HK\$17.4 million (31 December 2014: HK\$19.2 million) in respect of trust and segregated bank balances received and held for the clients in the course of the conduct of regulated activities.

Included in margin and cash client payables as at 31 December 2014 were balances payable to Ms. Rowena Chick of HK\$83,000. Ms. Rowena Chick is a related party as set out in note 19. As at 30 June 2015, the Group had no balance payable to Ms. Rowena Chick.

Margin and cash client payables as at 30 June 2015 and 31 December 2014 also included balances payable to Mr. Cheung Yan Leung Henry (“**Mr. Henry Cheung**”) and Mr. Jonathan Cheung, the Company’s Directors, and a related company. Further details of these balances are set out in note 19.

16. SHARE CAPITAL

The share capital balance as at 31 December 2014 in the condensed consolidated statement of financial position represented the issued share capital of Pinestone Investment Group Limited and Pinestone Capital Group Limited.

The share capital balance as at 30 June 2015 in the condensed statement of financial position represented the issued share capital of the Company. Details of the authorised and issued and fully paid share capital of the Company are summarised as follows:

The Company

	Number of Shares	Share Capital HK\$
<i>Authorised:</i>		
Ordinary share of HK\$0.1 each as at date of incorporation (<i>Note a</i>)	3,800,000	380,000
Subdivision of HK\$0.1 each into 10 shares of HK\$0.01 each (<i>Note d</i>)	34,200,000	–
Increase in authorised share capital (<i>Note e</i>)	49,962,000,000	499,620,000
	<u>50,000,000,000</u>	<u>500,000,000</u>
<i>Issued and fully paid:</i>		
Ordinary share of HK\$0.1 each at the date of incorporation (<i>Note b</i>)	100	10
Issue and allotted during the period (<i>Note c</i>)	100	10
Subdivision of HK\$0.1 each into 10 shares of HK\$0.01 each (<i>Note d</i>)	1,800	–
Capitalisation issue (<i>Note f</i>)	359,998,000	3,599,980
Issue of shares on placing (<i>Note g</i>)	120,000,000	1,200,000
	<u>480,000,000</u>	<u>4,800,000</u>

Notes:

- (a) The Company was incorporated on 14 January 2015. The initial authorised share capital of the Company was HK\$380,000 divided into 3,800,000 shares of HK\$0.10 each.
- (b) On 14 January 2015, 100 shares of HK\$0.10 each were allotted and issued as fully paid on the date of incorporation.
- (c) On 6 May 2015, 100 new shares of HK\$0.10 each were allocated and issued at par to HCC & Co Limited and Snail Capital Limited by the Company for completion of acquisition of Pinestone Capital Group Limited by Pinestone International Limited and Pinestone Investment Group Limited by the Company.
- (d) On 22 May 2015, each of all existing issued and unissued shares of HK\$0.10 each in share capital of the Company was subdivided into 10 shares of HK\$0.01 each.
- (e) On 22 May 2015, the authorised share capital of the Company was increased from HK\$380,000 to HK\$500,000,000 divided into 50,000,000,000 shares of HK\$0.01 each by the creation of an additional 49,962,000,000 shares.
- (f) On 12 June 2015, the Company issued 359,998,000 ordinary shares of HK\$0.01 each to the shareholders by way of capitalisation of HK\$3,599,980 from the share premium account arising from the placing of 120,000,000 ordinary shares of the Company. Such shares were issued on 12 June 2015, being the date of completion of the Placing.
- (g) On 12 June 2015, the Company issued a total of 120,000,000 ordinary shares of HK\$0.01 each at a price of HK\$0.50 per share in relation to the Placing. Of the gross total proceeds of HK\$60,000,000, HK\$1,200,000 representing the par value was credited to the Company's share capital, and HK\$58,800,000 before reduction of the share issuance expenses, was credited to the share premium account. The Company's total number of issued shares was increased to 480,000,000 shares upon completion of the Placing.

The share issuance expenses, which amounted to HK\$3,687,000, was deducted from share premium account.

17. COMMITMENTS

(a) Operating leases commitments – the Group as lessee

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases following due as follows:

	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
Within one year	341	1,162
Later than one year and not more than five years	—	—
	<u>341</u>	<u>1,162</u>

(b) Capital commitments

The Group did not have any material capital commitments as at 30 June 2015 (31 December 2014: nil).

18. CONTINGENT LIABILITIES

As at 30 June 2015, the Group did not have any significant contingent liabilities (31 December 2014: Nil).

As at 30 June 2015, the Company has provided guarantee to a bank for a banking facility granted to Pinestone Securities Limited.

19. RELATED PARTY TRANSACTIONS

The Group has the following transactions with related parties.

- (a) During the six months period end 30 June 2015 and 2014, the Group entered into the following transactions with related parties:

Name of related party	Related party relationship	Type of transaction	Transaction amount	
			Six months ended	
			30 June	
			2015	2014
			HK\$'000	HK\$'000
Mr. Henry Cheung	Director	Brokerage income	192	37
Mr. Jonathan Cheung	Director	Brokerage income	40	14
Ms. Rowena Chick	Close family member of key management (<i>note (ii)</i>)	Brokerage income	3	165
Blackbox Capital Limited	Related company (<i>note (i)</i>)	Brokerage	–	1

Notes:

- (i) Blackbox Capital Limited is wholly-owned subsidiaries of Gryphuz Group Limited (“GGL”). Mr. Henry Cheung and Mr. Jonathan Cheung have equity interests in GGL.
- (ii) Ms. Rowena Chick is the spouse of Mr. Wong Chi Kan, a member of the key management of the Group.
- (b) As at 31 December 2014, Mr. Henry Cheung and Mr. Jonathan Cheung, Directors of the Company provided personal guarantee to secure for the banking facilities granted to the Group amounting to HK\$22,000,000.

As at 30 June 2015, the personal guarantee provided by Mr. Henry Cheung and Mr. Jonathan Cheung to secure for a banking facility has been released and replaced by corporate guarantee provided by the Company.

As at 30 June 2015 and 31 December 2014, the Group has not drawn down any amount under the aforementioned facility.

(c) As at 30 June 2015 and 31 December 2014, the Group had the following balances with related companies, directors and other related party:

(i) Balances arising from securities dealing transactions included in trade payables (note 15).

Name of related party	Related party relationship	As at	As at
		30 June 2015	31 December 2014
		HK\$'000	HK\$'000
		(unaudited)	(audited)
Mr. Henry Cheung	Director	3,047	5,554
Mr. Jonathan Cheung	Director	1	1,904
Ms. Rowena Chick	Close family member of key management	–	83
		<u>3,048</u>	<u>7,541</u>

The securities dealing accounts of Mr. Henry Cheung, Mr. Jonathan Cheung and Ms. Rowena Chick are secured by marketable securities

(ii) Amounts due from a related company

Balance as at 31 December 2014 represented amount due to Gryphuz Advisory Limited, which was unsecured, interest-free and repayable on demand. The amount has been fully settled during the six months ended 30 June 2015.

(iii) Amounts due to a related company

The amount due as at 31 December 2014 was unsecured, interest-free and repayable on demand.

(d) Compensation of key management personnel

The remuneration of directors and other members of key management during the periods was as follows:

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
		(Unaudited)	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000	HK\$'000
Salaries, allowances and benefits	626	371	1,322	758
Contributions to defined contribution retirement plan	28	16	55	30
		<u>654</u>	<u>387</u>	<u>1,377</u>
				<u>788</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company and its subsidiaries (collectively referred to as the “**Group**”) principally engaged in providing bespoke services encompassing securities brokerage, securities-backed lending and placing and underwriting businesses. Since the Company’s successful listing on GEM of the Stock Exchange on 12 June 2015 (the “**Listing**”) by way of placing (the “**Placing**”), there has been no significant change in the business operations of the Group.

During the period under review, we recognised commission income from our securities brokerage services, interest income from our securities-backed lending services as well as income from placing and underwriting services.

During the six months ended 30 June 2015, our securities brokerage business had continued to expand, recording an approximately 36.3% increase in transaction volume to HK\$2,315 million during the period (transaction volume for the six months ended 30 June 2014: HK\$1,698 million) which was attributable to the vibrant investing environment in the first half of 2015.

On the other hand, the growth in our securities-backed lending business during the period under review was mainly attributable to our margin financing activities, which benefited from the expansion of our loan portfolio. In particular, we recorded an average month-end margin finance loan balance of approximately HK\$118.8 million for the six months ended 30 June 2015 compared to approximately HK\$74.0 million for the corresponding period in 2014. During the period under review, the Group did not undertake any money lending transactions.

As mentioned in the Company’s prospectus dated 29 May 2015 (the “**Prospectus**”), commission income derived from our placing and underwriting services is subject to the number of placing exercises we are involved in and/or the amount of funds the customers intend to raise. Since our Group did not participate in any significant placing or underwriting exercise during the first half of 2015, contribution from such activities had been minimal.

OUTLOOK

During the first half of 2015, with the implementation of the Shanghai-Hong Kong Stock Connect programme, the Hong Kong stock market had been affected by changing investors’ sentiment arising from changes in regulations of the securities market in the People’s Republic of China. In this connection, the Hang Seng Index recorded a significant increase in April followed by a general decline in June, albeit still recording a higher level by the end of June compared to the beginning of the period under review in January. This was subsequently followed by a deep drop in early July with the Hang Seng Index hovering around the mid 20,000s throughout the rest of the month.

In view of this, the Directors consider that no modification of the business strategies stated in the Prospectus is required and the Group will continue to proactively strengthen the foundation and competitive strength of our existing businesses so as to capture opportunities arising from Shanghai-Hong Kong Stock Connect programme which was that initiated in November 2014 as well as the upcoming Shenzhen-Hong Kong Stock Connect programme currently pending approval. We will focus on developing our competitive advantages and strengthening our market position in our industry.

FINANCIAL REVIEW

Revenue

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Commission income from securities brokerage services	5,538	3,684
Interest income from securities-backed lending services	10,329	8,288
Income from placing and underwriting services	71	458
Others	81	48
	16,019	12,478

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

Total revenue for the six months ended 30 June 2015 was approximately HK\$16.0 million (2014: HK\$12.5 million) representing an increase of approximately HK\$3.5 million or 28% compared to the same period in 2014. Such growth was mainly attributable to an increase in HK\$1.9 million in commission income from securities brokerage services and increase in interest income from margin financing lending services of HK\$2.0 million. The increase in commission income from brokerage services was due to increase in trading volume in first half of year in 2015 as compared with the respective period in 2014. The increase in interest income from securities-backed lending services was mainly contributed by our margin financing activities, the growth of which is attributable to the increase in loan portfolio up to HK\$140.0 million as at 30 June 2015 (As at 30 June 2014: 86.4 million). As abovementioned, there were no outstanding loans under our money lenders licence during the period under review, as such no related interest income was recorded.

Employee benefits expenses

For the six months ended 30 June 2015, the Group recorded approximately HK\$2.0 million employee benefit expenses, representing an increase of approximately 30.7% from the corresponding period in 2014. Employee benefits expenses include staff salaries and allowances and benefits, directors' emoluments and contribution to defined contribution retirement scheme. The increment was due to directors' emoluments to executive directors which commenced from 2015, increase in number of staff and general salaries increment in the first half of 2015.

Other operating expenses

At approximately HK\$9.6 million, other operating expenses represented 81.9% of the total expenses during the six months ended 30 June 2015 (30 June 2014: 44%). The increase in other operating expenses were attributable to one-off listing expense of approximately HK\$8.2 million incurred in relation to the Listing (excluding issue of new shares expense being accounted for as deduction from equity) accounting for 70.1% of total expenses for the six months ended 30 June 2015 (30 June 2014: Nil).

Listing expenses

The total listing expenses incurred in the six months ended 30 June 2015 was approximately HK\$11.9 million. After excluding the expenses directly attributable to the issue of new shares of approximately HK\$3.7 million, the remaining listing expenses of approximately HK\$8.2 million had been recognised in statement of profit and loss.

Income tax expenses

The income tax expenses was provided for the six months ended 30 June 2015 was approximately HK\$2.2 million (30 June 2014: HK\$1.6 million). Such increase is consistent with the increase in assessable profits during the period ended 30 June 2015 as compared to the corresponding period last year.

Profit for the period

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	2,203	8,014
Add: listing expense	8,181	–
Reconciled profit for the period	<u>10,384</u>	<u>8,014</u>

The Group recorded a net profit attributable to equity shareholders of approximately HK\$2.2 million which was lower than the comparative period in 2014 (30 June 2014: HK\$8.0 million). The decrease was mainly due to the one-off listing expenses incurred during the period as mentioned. After adjusting for this exceptional item, the Group recorded approximately HK\$10.4 million net profit for the six months ended 30 June 2015, representing a growth of 30.2% from the comparative period in 2014.

CAPITAL STRUCTURE

The Group has no bank borrowing or other borrowings as at 30 June 2015 and 31 December 2014. During the period under review, the Group's operations, capital expenditure and other capital requirements were funded by internal resources, credit facilities from banks and net proceeds raised from the Placing.

As aforementioned, the Company successfully listed on GEM in June 2015. Based on the placing price of HK\$0.50 per placing share and 120,000,000 placing shares issued, the net proceeds from the placing was approximately HK\$45.0 million, deducting all listing expenses.

The Directors are of the view that as 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 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
Current assets	185,602	163,096
Current liabilities	27,551	133,082
Current Ratio	6.74	1.23

The Group recorded a current ratio of 6.7 times as at 30 June 2015 (31 December 2014: 1.2 times), reflecting a significant improvement in the Group's liquidity. The substantial increase in current ratio was due to fund raising from the Placing and settlement of related company balance of approximately HK\$90.4 million during reorganisation of the Group's corporate structure, details of which are set out in the Prospectus.

As at 30 June 2015, the Group's cash and bank balances amounted to approximately HK\$27.3 million (31 December 2014: HK\$40.5 million). Cash and bank balances as at 30 June 2015 included a time deposit of HK\$10.0 million, which is subject to a charge for the overdraft facilities granted by a bank to the Group (31 December 2014: Nil). As at 30 June 2015, the Group has not drawn down any amount under such facility.

Since the Group did not have any interest bearing liabilities as at 30 June 2015 and 31 December 2014, no gearing ratio is presented herein.

FOREIGN CURRENCY EXPOSURE

The Group's reporting currency is Hong Kong dollar. During the six months ended 30 June 2015 and year ended 31 December 2014, the Group's transactions were denominated in Hong Kong dollars ("HK\$"). The Group had no exposure to foreign currency risk.

CONTINGENT LIABILITIES

As at 30 June 2015 and 31 December 2014, the Group did not have any material contingent liabilities.

SIGNIFICANT INVESTMENTS

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

PLEDGE OF ASSETS

As at 30 June 2015, a HK\$10.0 million time deposit is subject to a charge for the overdraft facility granted by a bank to the Group for daily operation (31 December 2014: Nil). As at 30 June 2015, the Group has not drawn down any amount under such facility.

CAPITAL COMMITMENTS

As at 30 June 2015 and 31 December 2014, the Group did not have any significant capital commitments.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2015, the Group had 15 staff (31 December 2014: 11). The Group's remuneration policy is based on the relevant director or member of senior management's duties, responsibilities, experiences, skills, time commitment, performance of our Group and are made with reference to those paid by comparable companies. Our employees are remunerated with monthly salaries and discretionary bonuses based on individual performance, market performance, our Group's profit as a whole and comparable market levels. Apart from salary payments, other staff benefits included provident fund contributions, medical insurance coverage, other allowances and benefits. The Group has adopted a share option scheme (the "**Share Option Scheme**") for the purpose of providing incentives and rewards to eligible persons who contributed to the success of the Group's operation. Up to 30 June 2015, no share option had been granted.

USE OF PROCEEDS FROM THE PLACING

The net proceeds from the Placing are estimated to be approximately HK\$45.0 million. The Group intends to deploy such net proceeds with approximately HK\$41.0 million (around 91.1%) used for the expansion of the securities-backed lending services with HK\$36.0 million for margin financing and approximately HK\$5.0 million for money lending. The remaining amount of HK\$4.0 million (around 8.9%) is intended for the working capital and other general corporate purposes.

As at the date of this announcement, the Directors of the Company (the "**Directors**") do not anticipate any change to the above intention. Up to the date of this announcement, approximately HK\$36.0 million has been deployed for the expansion of securities-backed lending services for margin financing, with unutilised net proceeds being placed with an authorised financial institution in Hong Kong.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2015, the Directors and chief executive of the Company and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules:

Long positions in the shares of the Company:

Name of directors	Number of the shares interested and nature of interest			Approximate percentage of the total issued share capital of the Company (%)
	Personal	Corporate	Total	
Henry Cheung (<i>Note 1</i>)	–	252,000,000	252,000,000	52.5
Jonathan Cheung (<i>Note 2</i>)	–	108,000,000	108,000,000	22.5

Notes:

1. The interests disclosed includes 252,000,000 Shares of the Company beneficially held by HCC & Co. Limited ("HCC"), which is wholly owned by Mr. Henry Cheung.
2. The interests disclosed includes 108,000,000 Shares of the Company beneficially held by Snail Capital Limited ("SCL"), which is wholly owned by Mr. Jonathan Cheung.

Save as disclosed above, as at 30 June 2015, none of the Directors and chief executive of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Directors' Interests in shares and underlying shares" above and "Share Option Scheme" below, at no time during the period for the six months ended 30 June 2015 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors and chief executive of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2015, the following persons (not being the Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the shares of the Company:

Name of shareholders	Capacity and nature of interest	Notes	Number of the shares interested	Approximate percentage of the total issued share capital of the Company (%)
HCC	Directly beneficially owned	1	252,000,000	52.5
SCL	Directly beneficially owned	2	108,000,000	22.5

Notes:

1. HCC is 100% owned by Mr. Henry Cheung, who is the beneficial owner of 252,000,000 shares in the Company. Mr. Henry Cheung owned 52.5% of the issued shares of the Company.
2. SCL is 100% owned by Mr. Jonathan Cheung, who is the beneficial owner of 108,000,000 shares in the Company. Mr. Jonathan Cheung owned 22.5% of the issued shares of the Company.

Save as disclosed above, the Directors and chief executive of the Company are not aware that there is any party who, as at 30 June 2015, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

The Share Option Scheme was adopted by the shareholders of the Company and was effective on 22 May 2015. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years from the date of its adoption. As at 30 June 2015, no share option was outstanding under the Share Option Scheme.

During the period from 22 May 2015 to 30 June 2015, no share options were granted by the Company.

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

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the listed shares of the Company from the date of listing on 12 June 2015 to the end of the reporting period, being 30 June 2015.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Corporate Governance Practices

The Company is committed to maintaining a high standard of corporate governance practices. In this regard, the Company has established and implemented the corporate governance guidelines containing principles and the code provisions of Corporate Governance Code (“**CG Code**”) set out in Appendix 15 of the GEM Listing Rules to ensure the decision making processes and business operations are regulated in a proper manner. In particular, the Group has adopted our own corporate governance guidelines which provides general guidance standards of audit for Directors, employees, the Company and its subsidiaries.

In accordance to the requirements of the GEM Listing Rules, the Company has established an audit committee, a remuneration committee and a nomination committee with specific written terms of reference. The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightening regulatory requirements and to meet the rising expectations of shareholders and prospective investors.

During the period from the date of Listing (the “**Listing Date**”) up to the date of this announcement, the Company has met all the code provisions of the CG Code set out in Appendix 15 of the GEM Listing Rules.

Nomination Committee

The Company has established a nomination committee (the “**Nomination Committee**”) with specific written terms of reference in line with the code provisions under the CG Code. The Nomination Committee consists of four members comprising three INEDs, namely Mr. Yeung King Wah, Mr. Lai Tze Leung, George and Mr. So Stephen Hon Cheung, and executive director, namely Mr. Henry Cheung. Mr. Henry Cheung is the chairman of the nomination committee.

Remuneration Committee

The Company has established a remuneration committee (the “**Remuneration Committee**”) with specific written terms of reference in line with the code provisions under the CG Code. The Remuneration Committee consists of four members comprising three INEDs, namely Mr. Yeung King Wah, Mr. Lai Tze Leung, George and Mr. So Stephen Hon Cheung, and one executive director, namely Mr. Jonathan Cheung. Mr. Yeung King Wah is the chairman of the remuneration committee.

Audit Committee

The Company has established an audit committee (the “**Audit Committee**”) with specific written terms of reference formulated in accordance with the requirements of the GEM Listing Rules. The primary duties of our audit committee are mainly (i) to make recommendations to the Board on the appointment and removal of external auditors; (ii) to review and supervise the financial statements and material advice in respect of financial reporting; (iii) to oversee internal control procedures and corporate governance of our Company; (iv) to supervise internal control systems of our Group; and (v) to monitor any continuing connected transactions.

The Audit Committee consists of three members comprising all the INEDs, namely Mr. Yeung King Wah, Mr. Lai Tze Leung, George and Mr. So Stephen Hon Cheung, two of whom are qualified accountants and has extensive experience in accounting and financial matters. Mr. Yeung King Wah is the chairman of our audit committee. All members of the Audit Committee hold the relevant industry or legal, accounting and financial experience necessary to advise on the Board’s strategies and other related matters. All members of the Audit Committee have complete and unrestricted access to the external auditors and all employees of the Company.

The Audit Committee has reviewed the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2015, 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.

The Company has published its Nomination Committee’s, Remuneration Committee’s and Audit Committee’s terms of reference on its website and that of the Stock Exchange pursuant to the GEM Listing Rules on 11 June 2015.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors (the “**Required Standard of Dealing**”).

Having made specific enquiries of all the Directors, each of them have confirmed that they have complied with the Required Standard of Dealings throughout the period from the Listing Date to the date of this announcement. The Company has not been notified of any incident of non-compliance during such period.

INTEREST OF THE COMPLIANCE ADVISER

As notified by the Company's compliance adviser, Altus Capital Limited (the “Compliance Adviser”), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser nor its directors, employees or associates had any interests in relation to the Company as at 30 June 2015 which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

BOARD OF DIRECTORS

As at the date of this announcement, the directors of the Company are:

Executive Directors:

Mr. Cheung Yan Leung Henry
Mr. Jonathan Cheung

Independent Non-executive Directors:

Mr. Yeung King Wah
Mr. Lai Tze Leung George
Mr. So Stephen Hon Cheung

By Order of the Board of
PINESTONE CAPITAL LIMITED
Cheung Yan Leung Henry
Chairman

Hong Kong, 13 August 2015

This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Listed Company Information” page for at least seven days from the day of its publication and posting and will be published and remains on the website of the Company at <http://www.pinestone.com.hk>.