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

SUPPLEMENTAL AND CLARIFICATION ANNOUNCEMENT (1) KEY FINDINGS OF THE INDEPENDENT INVESTIGATION; AND (2) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO PROVISION OF FINANCIAL ASSISTANCE

Reference is made to the announcement of Pinestone Capital Limited (the "**Company**") dated 10 December 2024 in respect of the Loan to Capital Realm Financial Holdings Group Limited (the "**Borrower**") (the "**Loan Announcement**") and the announcements of the Company dated 9 April 2025 and 10 April 2025 in respect of the suspension of duties of Mr. Shi Zhu, the former non-executive Director and co-chairman of the Company (the "**Suspension Announcements**") (the Loan Announcement and Suspension Announcements, collectively, the "**Announcements**"). Unless otherwise stated herein, terms and expressions used herein shall have the same meaning as used in the Announcements.

The Company further notes that, the consolidation of the issued and unissued ordinary shares of HK$0.02 each in the share capital of the Company on the basis of twenty (20) existing shares into one (1) consolidated share with a par value of HK$0.40 each took effect on 18 August 2025. For ease of reference, the number of shares referred to in this announcement represents the number of existing shares of HK$0.02 each in the share capital of the Company prior to the said consolidation becoming effective.

BACKGROUND

On 10 December 2024 (after trading hours of the Stock Exchange), the Lender, an indirect wholly-owned subsidiary of the Company, entered into a Loan Agreement with the Borrower. Pursuant to this agreement, the Lender agreed to grant a loan of HK$17,800,000 to the Borrower at an annual interest rate of 24% for a term of 12 months from the date of the agreement. Under the Loan Agreement, the Borrower drew down HK$4,000,000 on 6 January 2025, HK$1,000,000 on 13 January 2025, and HK$1,000,000 on 15 January 2025.

The Borrower acquired shares of the Company on multiple occasions and filed the corresponding Disclosures of Interest as required. On 4 December 2024, it purchased 26,135,000 shares at HK$0.2239, after which it was interested in 41,135,000 shares (approximately 10.13% of the Company's issued shares), as such, the Borrower was deem to be the substantial shareholder of the Company on 4 December 2024; on 5 December 2024 it purchased a further 8,240,000 shares at HK$0.2370, increasing its cumulative holding to 49,375,000 shares (approximately 12.16% of the Company's issued shares), and the Disclosure of Interest for the acquisitions on 4 and 5 December 2024 was filed on 8 January 2025. Subsequently, on 23 January 2025, it purchased 34,195,000 shares at HK$0.2224, raising its holding to 83,570,000 shares (approximately 17.15% of the Company's issued shares); and on 27 January 2025 it purchased 5,075,000 shares at HK$0.2193, increasing its cumulative holding to 88,645,000 shares (approximately 18.19% of the Company's issued shares), and the Disclosure of Interest for the acquisitions on 23 and 27 January 2025 were filed on 13 February 2025. Thereafter, on 17 March 2025, it purchased a further 23,130,000 shares at HK$0.2090, increasing its shareholding to approximately 22.94% of the Company's issued shares, and filed a Disclosure of Interest in respect of this acquisition on 26 March 2025. In late March 2025, the Company received the enquiry from the Stock Exchange dated 26 March 2025 regarding the Loan Announcement and became aware that the Borrower had become a substantial shareholder of the Company as at the date of the Loan Announcement.

As disclosed in the Loan Announcement, it was stated that, to the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Borrower is an independent third party of the Company. As disclosed in the Suspension Announcements, the Company was notified that the Borrower held 34,375,000 shares of the Company, representing approximately 12.16% of the issued share capital of the Company as at the date of the Loan Announcement and had thereby become a substantial shareholder of the Company. In light of this, the Board considered that the Loan should have constituted a connected transaction to the Company under Chapter 14A of the Listing Rules (the "**Incident**"). In addition, the Company noted that Mr. Shi Zhu, who has served as an independent non-executive Director of the Borrower since 6 August 2021, may have the potentially breached the regulatory requirements in connection with his role as Director, including disclosure obligations as defined under Rule 3.08 of the Listing Rules (the "**Potential Breach**"). In response to the above, the Company has (i) issued the repayment notice on 7 April 2025 to the Borrower demanding full repayment of the outstanding principal amount and accrued interest, and (ii) established an independent investigation committee (the "**Independent Investigation Committee**") of the Company on 9 April 2025, comprising independent non-executive Directors, namely Mr. Lau Kelly, Mr. Wong Chun Peng Stewart and Mr. Cheng Man Pan, to commence independent investigation (the "**Independent Investigation**") on the Incident and the Potential Breach. The purpose of this announcement is to provide the Shareholders and potential investors of the Company with key findings of the Independent Investigation and the views of the Independent Investigation Committee and the Board of the findings and provide the supplemental and clarification information in relation to the Loan in the Loan Announcement.

(1) KEY FINDINGS OF THE INDEPENDENT INVESTIGATION

Summary of key investigation findings

On 30 December 2024, Mr. Shi Zhu was appointed as a director of the Company and duly signed a confirmation acknowledging his understanding and commitment to comply with all applicable provisions of the Listing Rules and relevant legal requirements, particularly those concerning disclosure obligations (as defined under Rule 3.08 of the Listing Rules). For the purposes of the annual audit, Mr. Shi Zhu subsequently provided a signed declaration of independence on 7 February 2025, confirming that he was not connected with any director, chief executive, or substantial shareholder of the Company within the two years preceding his appointment.

At the time of his appointment, Mr. Shi Zhu disclosed his directorship with the Borrower to the Company. However, he did not notify the Board regarding the Borrower's acquisition of a substantial shareholding (exceeding 10%) in the Company on 4 December 2024, nor was any written disclosure or discussion of this matter brought to the Board's attention during meetings.

Prior to and at the time of entering into the Loan, the Board undertook reasonable due diligence measures, including online and credit searches, as well as a review of relevant corporate and shareholding records. The Company also relied on verbal confirmations provided by the Borrower to identify any potential connected relationships. Despite these efforts, the fact that the Borrower's shares were held through HKSCC and the absence of any public disclosure meant that the Company was not made aware of the connected relationship at the material time. The Board would have complied with all necessary disclosure requirements under the Listing Rules if complete information have been provided by the Borrower and the Board would have notice the connected relationships earlier if such information have been provided by the Mr. Shi Zhu during his appointment.

Consequently, the Company entered into the Loan Agreement with the Borrower without classifying the Borrower as a connected person. The Incident was only brought to light following enquiries from the Stock Exchange, which revealed that the transaction should have been treated and disclosed as a connected transaction under Chapter 14A of the Listing Rules.

The primary factors contributing to this breach were the Board's reliance on independence confirmations from individual directors and the absence of contractual terms obliging the Borrower to provide a written independence confirmation at the time of the transaction or to notify the Company of any change in its independence status. In response, the Company intends to (i) implement regular monitoring of changes in substantial shareholdings, (ii) enhance internal notification and escalation protocols between subsidiaries and the Board, and (iii) engage external legal counsel to review and strengthen the Company's documentation and compliance procedures, including requirements for counterparties to provide written confirmations of their independence.

Scope of the Independent Investigation

The scope of the Independent Investigation is as follows:

– ***Review of Due Diligence and Internal Procedures:***

  Examine the Company's internal processes and due diligence measures undertaken prior to entering into the Loan Agreement, including the assessment of the Borrower's independence status.

– ***Assessment of Listing Rule Compliance:***

  Determine whether the Company complied with the relevant requirements under Chapter 14A of the Listing Rules, particularly in relation to connected transactions, and identify any breaches or oversights.

– ***Evaluation of Director Conduct and Oversight***

  Review the responsibilities and actions of relevant directors, including any potential failure to identify or disclose connected relationships, particularly in view of the timing of the Borrower's acquisition of shares and the role of Mr. Shi Zhu as non-executive director of the Company and as independent non-executive director of the Borrower.

– ***Recommendations for Remedial Actions***

  Provide recommendations to the Board on appropriate remedial measures, including disclosure obligations, corporate governance enhancements, and regulatory reporting, if necessary.

– ***Reporting and Disclosure***

  Prepare findings of the investigation for review by the Board and ensure timely and transparent disclosure to the shareholders and regulators, where applicable.

The Major Investigation Procedures

The major investigation procedures conducted by the Independent Investigation Committee include but are not limited to:

– ***Review of Due Diligence and Internal Procedures:***

(a) *Objective*

To examine the adequacy and effectiveness of the Company's internal processes and due diligence conducted prior to entering into the Loan Agreement, including the assessment of the Borrower's independence and identification of any potential connected relationships.

(b) *Document Collection & Review*

The Independent Investigation Committee has completed a review of all relevant documentation, including:

- The Company's internal policies and procedures governing counterparty due diligence and independence assessments in connection with the Loan Agreement;
- Minutes of Board and committee meetings at which the Loan Agreement was discussed;
- Correspondence and communications between the Company and the Borrower regarding the terms of the Loan;
- Documentation regarding the Borrower's directorships and shareholding structure;
- Securities account records of the Borrower held with Pinestone Securities Limited, a wholly-owned subsidiary of the Company;
- Shareholder reports produced by the Company's share registrar, covering periods both before and after execution of the Loan Agreement;
- Public disclosures and Disclosure of Interests ("**DI**") filings as published on the Stock Exchange website; and
- Results of the TE Credit Reference System search on the Borrower.

(c) Due Diligence Steps Taken

The Independent Investigation Committee noted that prior to enter into the Loan Agreement, the Company undertook the following steps:

i. Online background search

– Conducted a background search on the Borrower using publicly accessible platforms (including Google) as part of internal control procedures to assess independence and identify potential relationships with the Company, its directors, or substantial shareholders.

– Reviewed corporate registration details, directors, substantial shareholders, and any disclosed relationships with the Company.

– Searched published disclosures by the Borrower on the HKEXnews website.

ii. DI search

– Reviewed DI filings available on the Stock Exchange website as at the date of the Loan Agreement (10 December 2024) and confirmed that no DI filings indicated the Borrower's interest in the Company at that time.

iii. Credit search

– Conducted a loan search on the Borrower through the TE Credit Reference System by TransUnion Hong Kong Limited, covering credit history, litigation records, legal proceedings, winding-up or restructuring matters, and any history of defaults or enforcement actions.

iv. Shareholding checks

– Checked the Company's share registrar report dated 2 December 2024 for any record of the Borrower as a shareholder.

– Monitored any changes in substantial shareholding through periodic review of share registrar report.

v. Independence confirmation

– Obtained a verbal affirmation from the Borrower that it was an independent third party and not connected with the Company or any of its directors, chief executives, or substantial shareholders.

- No written independence confirmation was obtained at the time, as the transaction was structured as a standard commercial transaction and no connected party concerns had been identified.

During the abovementioned review, the Independent Investigation Committee has the below findings:

- The Company's pre-transaction checks did not systematically identify the potential connected relationship with the Borrower, as reliance was primarily placed on self-disclosure by the Borrower;

- There was no public information or notification indicating that the Borrower was a substantial shareholder prior to the execution of the Loan Agreement. The Borrower's shares were held via HKSCC, making direct identification of beneficial ownership challenging;

- On 4 December 2024, it purchased 26,135,000 shares at HK$0.2239, after which it was interested in 41,135,000 shares (approximately 10.13% of the Company's issued shares), as such, the Borrower was deem to be the substantial shareholder of the Company on 4 December 2024. Mr. Shi Zhu did not notify the Board of the purchase at the relevant time;

- On 5 December 2024 it purchased a further 8,240,000 shares at HK$0.2370, increasing its cumulative holding to 49,375,000 shares (approximately 12.16% of the Company's issued shares). Mr. Shi Zhu did not notify the Board of the purchase at the relevant time;

- On 23 January 2025, it purchased 34,195,000 shares at HK$0.2224, raising its holding to 83,570,000 shares (approximately 17.15% of the Company's issued shares). Mr. Shi Zhu did not notify the Board of the purchase at the relevant time;

- On 27 January 2025 it purchased 5,075,000 shares at HK$0.2193, increasing its cumulative holding to 88,645,000 shares (approximately 18.19% of the Company's issued shares). Mr. Shi Zhu did not notify the Board of the purchase at the relevant time;

- On 17 March 2025, the Borrower purchased a further 23,130,000 shares at HK$0.2090 (representing approximately 5.70% of the Company's issued shares), increasing its shareholding to approximately 22.94%. Mr. Shi Zhu did not notify the Board of these purchases at the relevant time; and

- No contractual obligation existed requiring the Borrower to confirm its independence prior to the granting of the Loan or to notify the Company of any subsequent changes in its independence status.

Based on the review of the relevant documents, the review of the steps the Company taken prior entering into the Loan Agreement; and the findings in the Review of Due Diligence and Internal Procedures, the Independent Investigation Committee has conclusion that, the Board carried out reasonable due diligence procedures, including online background and credit checks, as well as a review of pertinent corporate and shareholding records, in an effort to identify any connected relationships and to monitor subsequent changes in the Borrower's shareholding position. And the Independent Investigation Committee recommends the following measures to strengthen internal controls:

Written confirmation of independence

– The Company will introduce a formal policy requiring all counterparties to material transactions[note 1], such as loans, investments, acquisitions, disposals, or any other significant agreements, to provide a written confirmation of their independence. This confirmation must explicitly state that the counterparty is not a connected person as defined under Chapter 14A of the Listing Rules, does not act in concert with any director, chief executive, substantial shareholder, or their associates, and is not otherwise connected with the Company. The signed independence confirmation must be obtained before any binding agreement is executed and will form part of the transaction documentation. These confirmations will be retained in the due diligence file for each transaction and will be available for inspection by the Audit Committee. To facilitate consistent implementation, the Company will develop a standard form for such confirmations, which will be regularly reviewed by the Board.

Monitoring of changes in shareholding

– The Company will strengthen its monitoring of changes in shareholding. The Company will conduct monthly reviews of both the share registrar's reports and Disclosure of Interests (DI) filings published on the Stock Exchange to identify any changes in the Company's shareholding structure. This process will include identifying new or increased substantial shareholders, and cross-checking for counterparties or directors that may have become shareholders, with follow-up enquiries where necessary. A summary of key findings will be provided to the Board if there is any material changes, such as the emergence of a new substantial shareholder or a counterparty becoming a shareholder, and will be escalated to the Board immediately for further review.

– To ensure effective and timely monitoring of changes in the Company's shareholding structure, the Company will implement a periodic review of share registrar reports and Disclosure of Interests (DI) filings. The Company will obtain updated share registrar reports from the Company's share registrar on a bi-weekly basis. These reports will be reviewed to identify any new or increased substantial shareholders (i.e., those holding 10% or more of the issued shares), as well as any changes involving directors, senior management, counterparties to material transactions, or their associates. Simultaneously, the Company will conduct bi-weekly reviews of DI filings available on the Stock Exchange's website, cross-referencing these filings against the Company's internal records and share registrar data. Special attention will be paid to any DI filings made by entities that may be counterparties to ongoing or proposed transactions, or by directors and their connected parties. In addition, when a new DI filing is submitted to the system, the system will automatically generate a notification and report to the designated staff. The staff-in-charge must then promptly report the new DI filing to the Board. Whenever a material change in shareholding or a new substantial shareholder is identified, the Company will immediately notify the Board and escalate the matter for further review. The periodic review process and its outcomes will be discussed regularly at Board to ensure continuous awareness and oversight.

<u>Internal review and escalation protocols for transactions</u>

– The Company will improve its internal review and escalation protocols for material transactions. Every proposed material transaction[note 1] will undergo a thorough internal review, which will include verification of counterparty independence, cross-referencing against the latest shareholding and DI data, and an assessment for any connected transaction implications. If any potential conflict, connected relationship, or material change in shareholding is identified during this process, the matter will be immediately escalated to the Board for further review and approval prior to proceeding.

Training programme

- The Company will implement a training programme for directors, senior management and key operation personnel to ensure clear understanding and compliance with the enhanced internal controls. This training will be conducted at least annually and within one month upon the onboarding of new directors, senior executives or key operation personnel, with all attendees required to complete a declaration of understanding after each session, and attendance records maintained by the Company. The programme will cover a comprehensive range of topics, including the requirements for connected transactions under the Listing Rules, directors' duties and disclosure obligations, internal control procedures such as due diligence and shareholding monitoring, and the Model Code for Securities Transactions by Directors of Listed Issuers.

- Specific topics to be covered include key regulatory requirements for listed issuers (such as definitions of connected persons and substantial shareholders, and obligations under Chapters 13, 14, and 14A), identification and approval of connected transactions, timely and accurate, compliance with the Disclosure of Interests regime (Part XV of the Securities and Futures Ordinance), and the prohibition of dealings during blackout periods under the Model Code. The training will also address internal control and reporting procedures, including the Company's processes for due diligence, transaction approval, shareholding monitoring, escalation protocols, and the specific roles and responsibilities of directors and management in maintaining robust internal controls.

Note 1: A material transaction refer to any transaction or series of related transactions with an individual counterparty that, on an aggregated basis, exceeds 5% of any of the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules, or involves an amount of HK$1,000,000 (representing approximately 1% of the Group's total loan book) the or above, whichever is lower.

– ***Assessment of Listing Rule Compliance:***

(a) Objective

To determine whether the Company breached any provisions under Chapter 14A of the Listing Rules (connected transactions), in particular relating to the disclosure and approval requirements in respect of the Loan Agreement, and to assess the adequacy of internal controls in identifying and responding to such obligations.

(b) Regulatory Analysis

The Independent Investigation Committee has reviewed:

– The timing, nature, and terms of the Loan Agreement, including the principal, interest rate, security, and parties involved.

– The appointment history and directorships of Mr. Shi Zhu at both the Company and the Borrower, and the Borrower's shareholding position to the Company before and after the execution of the Loan Agreement.

– The requirements under Chapter 14A (Connected Transactions) of the Listing Rules, including the definitions of "connected person" (Rule 14A.07 and Rule 14A.12), thresholds for disclosure and approval (Rule 14A.34, Rule 14A.35), and available exemptions.

– The Company's prior understanding and basis for treating the Borrower as an independent third party, and the eventual discovery of its status as a substantial shareholder after the Loan Agreement was entered into.

(c) Key Findings

During the abovementioned review, the Independent Investigation Committee has the below findings:

i. Confirmed the "connected relationship" as defined under Chapter 14A of the Listing Rules between the Company and the Borrower

    – The Committee's review confirmed that, with the Borrower's identification of a substantial shareholding (over 10%) in the Company through HKSCC, established a "connected relationship" as defined under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.12, a substantial shareholder is deemed a connected person, and any transaction with such a party is subject to Chapter 14A compliance requirements.

ii. The Loan triggered the disclosure and approval requirements as a connected transaction set out in Chapter 14A of the Listing Rules

    – The size of the loan under review exceeded the materiality thresholds set out in Rule 14A.34, thereby triggering the disclosure and approval requirements as a connected transaction. At the time the Loan Agreement was executed, the Company did not recognize the Borrower as a connected person, as available public information and internal checks, complicated by the Borrower's shareholding being held via HKSCC, did not reveal the connected relationship. The Company only became aware of the issue following enquiries from the Stock Exchange.

iii. The transaction did not qualify for any exemption under Chapter 14A of the Listing Rules

– The transaction did not qualify for any exemption under Chapter 14A, such as those for transactions conducted in the ordinary and usual course of business or on normal commercial terms, as no independent benchmarking or fairness assessment was conducted.

iv. A non-compliance with the requirements of Chapter 14A of the Listing Rules

– As a result, the Company failed to classify, disclose, and seek requisite approvals for the Loan Agreement as a connected transaction at the time of execution, resulting in non-compliance with the requirements of Chapter 14A. This breach was attributable primarily to the reliance on verbal affirmations and the difficulties inherent in identifying beneficial ownership through HKSCC structures. Following identification of the issue, the Company has taken steps to rectify the non-compliance, including issuing a clarification announcement, demanding repayment of the loan, and strengthening internal procedures.

Base on the review and the findings in Assessment of Listing Rule Compliance, the Independent Investigation Committee concludes that the Company breached Chapter 14A of the Listing Rules by failing to identify and disclose the Loan Agreement as a connected transaction at the relevant time. Key contributing factors to this breach included reliance on incomplete information, the absence of written independence confirmations, and lack of robust monitoring of changes in shareholding. The Committee is taking into account mitigating factors, including the timing of share acquisitions and subsequent remedial actions, which will be reflected in the final report and recommendations to the Board.

– ***Evaluation of Director Conduct and Oversight***

(a) Objective

The objective of this evaluation is to assess the conduct, responsibilities, and actions of the relevant directors, particularly Mr. Shi Zhu. This includes an examination of compliance with the Listing Rules, the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**"), and the Company's internal policies on conflict of interest and disclosure.

(b) Documentation

The Independent Investigation Committee has thoroughly reviewed the following material:

– Director disclosures and declarations, including annual confirmations of independence and interests;

– Minutes and supporting documentation of Board and committee meetings relating to the consideration and approval of the Loan Agreement; and

– Records of correspondence between directors and management concerning the independence and potential conflicts of interest.

(c) Key Findings

During the abovementioned review, the Independent Investigation Committee has the below findings:

i. Conduct and Disclosures of Mr. Shi Zhu –

– Mr. Shi Zhu served as a non-executive director of the Company and, concurrently, as an independent non-executive director of the Borrower at the relevant time.

– Although Mr. Shi Zhu was not directly involved in the negotiation or approval of the Loan Agreement, his dual directorships gave rise to a potential conflict of interest.

– Mr. Shi Zhu failed to proactively disclose to the Board or management that the Borrower was a substantial shareholder of the Company, contrary to Rule 3.08 of the Listing Rules and the director's duty to avoid conflicts of interest.

– The Company's public announcements at the time of Mr. Shi Zhu's appointment stated that he had no interests in the shares of the Company and no relationships with its directors, senior management, or substantial shareholders. Subsequent investigations revealed that these disclosures were incomplete.

ii. Potential Breach of Listing Rules

- The Company's blackout period policy prohibits dealings in its securities by directors and their associates during specified periods. During such a blackout period, the Borrower, in which Mr. Shi Zhu served as an independent non-executive director of the Borrower, acquired 23,130,000 shares in the Company on 17 March 2025. This may constitute a contravention of Rule A.3 in Appendix C3 of the Listing Rules.

Base on the review and the findings in Evaluation of Director Conduct, the Independent Investigation Committee has identified lapses in both individual director conduct and Board oversight in relation to the Loan Agreement:

- Mr. Shi Zhu did not fulfill his duty to proactively disclose the Borrower's substantial shareholding, resulting in insufficient transparency and a failure to identify potential conflicts of interest as required by the Listing Rules and the Model Code.

- The Board and management relying primarily on self-declarations and management representations for verifying the potential connected person relationships.

- These issue may have resulted in breaches of Rule 3.08 and Rule 13.51(2)(g) of the Listing Rules.

The Committee recognizes the need for enhanced training to directors, senior management and key operation personnel, more comprehensive disclosure protocols, and improvements to the Company's internal procedures for monitoring and verifying director interests and relationships. Further remedial actions and recommendations will be finalized and submitted to the Board for timely implementation.

Recommendations for Remedial Actions

Based on the findings of the Independent Investigation Committee regarding the provision of financial assistance and the suspension of Mr. Shi Zhu's duties and powers, the following remedial actions are recommended for consideration and implementation by the Board. The Board agrees with all of the recommended measures, and has instructed the senior management to implement all of them, with the respective working progress specified as below:

Strengthening internal controls and due diligence procedures

– The Company should enhance its internal control framework, with particular emphasis on the assessment of counterparty independence and the identification of connected persons prior to entering into any material transaction.

– All counterparties to material transactions must be required to provide written confirmations verifying their independence from the Company, its directors, chief executives, and substantial shareholders as a condition precedent to transaction approval.

– The development and adoption of enhanced internal control policies, particularly the requirement for written independence confirmations from all counterparties to material transactions, will be completed by October 2025.

Enhanced monitoring and reporting of shareholding structure

– The Company should implement systems for the periodic review of share registrar reports and Disclosure of Interests (DI) filings, with findings to be reported regularly to the Board and compliance function.

– Any material changes in shareholding structure or the emergence of new substantial shareholders must be promptly identified and escalated for immediate review to ensure ongoing compliance with the Listing Rules.

– The implementation of the periodic review of share registrar reports and Disclosure of Interests filings, as well as the establishment of escalation protocols for material shareholding changes, will be operational by October 2025.

Training for Directors and senior management

– The Company should arrange regular governance and compliance training for directors, senior management and key operation personnel, focusing on obligations under the Listing Rules, directors' duties, connected transactions, disclosure requirements, and the Model Code.

– Specialized training should also be provided to staff of relevant subsidiaries, highlighting the importance of timely internal reporting and escalation of significant changes in shareholding.

– The Company will arrange the annual training for this year and provide specialized training for relevant staff by December 2025.

Strengthened internal reporting mechanisms

To promote transparency and ensure timely information flow, the Company will establish clear reporting procedures with substantial shareholders. When the Company identifies a substantial shareholder (i.e., holding 10% or more of the Company's issued shares) through the monitoring mechanisms implied, that individual or entity will be formally notified in writing of their statutory and regulatory obligations, including the duty to file Disclosure of Interests (DI) notifications under Part XV of the Securities and Futures Ordinance as well as any continuing disclosure requirements under the Listing Rules. Substantial shareholders will be requested to notify the Company of any material changes in their shareholding interests, including increases, decreases, or transfers of shares.

– The Company will maintain a register of substantial shareholders and regularly update it based on information obtained from the share registrar, DI filings, and direct notifications from shareholders. Periodic reminders will be sent to substantial shareholders, particularly ahead of financial reporting periods to reinforce their reporting obligations and the need for timely updates. Any notifications or information received from the DI system or from the substantial shareholders will be promptly reviewed by the Company, and material changes will be escalated to the Board for consideration if necessary.

– Clear and formalized reporting procedures for substantial shareholders will be drafted and effective by December 2025.

Rectification of historical non-compliance

– Given that the transaction has already been terminated and will not proceed regardless of any shareholder voting outcome, the Company intends to address any potential non-compliance by issuing a clarification announcement. This announcement will outline the background of the transaction, clearly explain the potential implications under the Listing Rules, and expressly confirm that the transaction has been terminated.

– The Company will announce the clarification (i.e. this clarification announcement) regarding the terminated transaction by October 2025.

Upon completion of the remedial actions, the Company will publish a further announcement, and the relevant information will also be included in the corporate governance report in the annual report for the year ending 31 December 2025.

(2) DISCLOSEABLE AND CONNECTED TRANSACTION

As at date of the Loan Announcement (i.e. 10 December 2024), the Borrower holds 34,375,000 shares of the Company, representing approximately 12.16% of the issued share capital of the Company. The Borrower is a substantial shareholder of the Company, and thus a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Loan constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

THE LOAN AGREEMENT

Borrower: Capital Realm Financial Holdings Group Limited (資本界金控集團有限公司), a company incorporated in the Caymans Islands with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 204), a substantial shareholder holding 34,375,000 shares, representing 12.16% of the issued share capital of the Company as at date of the Loan Announcement (i.e. 10 December 2024). As at the date of this announcement, the Borrower does not hold any shares of the Company.

INFORMATION ON THE COUNTERPARTIES

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, (i) the Borrower is a substantial shareholder of the Company, and (ii) Royal Glory and Skillful Plan are a connected subsidiary of the Company.

TERMINATION OF THE LOAN

In response to the Borrower's misrepresentation of its status as a substantial shareholder of the Company, the Group notified the Borrower of the termination of the Loan and issued a formal demand notice on 7 April 2025, requiring immediate repayment of all outstanding principal and accrued interest under the Loan Agreement. As no repayment was received within two months of the demand notice (i.e. by 7 June 2025), a statutory demand dated 27 June 2025 was served on the Borrower in respect of its outstanding obligations under the loan facility, which consist of a principal of HK$6.2 million and accrued interest of approximately HK$690,000.

The Group has considered the liquidity of the charged shares of the Loan and, as an initial step, intends to seek repayment by filing a winding-up petition against the Borrower (the "**Petition**") before enforcing the share charges. In light of the Borrower's failure to satisfy the statutory demand, the Group filed a winding-up petition with the Court of First Instance of the High Court of the Hong Kong Special Administrative Region to wind up the Borrower on 11 August 2025, claiming an outstanding amount which includes the principal of HK$6,200,000 and accrued interest. Subsequently, on 30 September 2025, the Group and the Borrower reached a settlement agreement in respect of the Borrower's outstanding obligations under the loan facility, and on 3 October 2025, the Group and the Borrower have applied to the Hong Kong High Court, by consent, to dismiss the Petition.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios in respect of the amount of the Loan exceeds 5% but all are less than 25%, the Loan constitutes a discloseable transaction of the Company and is subject to the announcement requirement under Chapter 14 of the Listing Rules. As at the date of the Loan Announcement, the Borrower holds 34,375,000 shares of the Company, representing approximately 12.16% of the issued share capital of the Company. The Borrower is a substantial shareholder of the Company, and thus a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Loan constitute connected transactions of the Company and is subject to the reporting, announcement and independent shareholders of the Company's approval requirements under Chapter 14A of the Listing Rules.

Following the termination of the Loan, no circular will be issued and despatched to the Shareholders, and no EGM will be held to consider and approve the Loan.

Save as disclosed above, all information in the Loan Announcement remains unchanged.

By order of the Board
Pinestone Capital Limited
Lee Chun Tung
Chairman

Hong Kong, 6 October 2025

As at the date of this announcement, the Board comprises Mr. Lee Chun Tung, Mr. Wang Han and Ms. Cheung Ka Yi as executive Directors; Mr. Lau Chun Hung as non-executive Director; and Mr. Lau Kelly, Mr. Wong Chun Peng Stewart and Mr. Cheng Man Pan as independent non-executive Directors.