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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)

**SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO
(1) THE VOLUNTARY ANNOUNCEMENT;
(2) THE STRATEGIC COOPERATION; AND
(3) PLACING UNDER GENERAL MANDATE**

Reference is made to the announcement of Pinestone Capital Limited (the “**Company**”) dated 28 July 2026 and 29 July 2026 in relation to the voluntary announcement (the “**Voluntary Announcement**”) and placing of new shares under general mandate (the “**Placing Announcement**”). This announcement is made to provide supplementary information in relation to the Placing.

FURTHER INFORMATION IN RELATION TO THE PLACING AND USE OF PROCEEDS

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

To address cost pressures from continuously increasing operating expenses, which stood at approximately HK\$57.11 million in 2024 and HK\$41.60 million in 2025, the Board began planning an equity fund-raising exercise in early 2026. The Directors estimate that achieving long-term operational sustainability and completing a strategic transformation into an “AI + Virtual Asset (VA) ecosystem requires total capital of approximately HK\$60.0 million.

Recognizing that key market competitors have actively adopted AI technologies (e.g., facial recognition for account opening), the Board considers it imperative to accelerate the Group’s digital transformation. The Placing proceeds will allow the Group to bridge technological gaps, maintain market competitiveness, capture new high-margin opportunities, and expand its client base.

Out of the net proceeds of approximately HK\$24.2 million earmarked for virtual asset licensing and AI expansion as disclosed below:

Table of allocation of the funds:

Intended Application	Estimated Amount (HK\$ Million)	Expected Timeline for Full Utilisation
A. Virtual Asset Licensing Application		
Statutory Liquid Capital Reserve (SFC Financial Resources Rules)	HK\$5.0M	By Q2 2027
Appointment of compliance consultants, legal advisors, independent cybersecurity auditors, and specialized Responsible Officers (ROs) and Compliance Officers	HK\$3.4M	By Q3 2027
Cold/Hot wallet custody setup, AML/KYC technical system integration	HK\$1.8M	By Q1 2027
Total	HK\$10.2M	
B. Expansion on AI Application Implementation		
Computing infrastructure, cloud computing, and hardware resource leasing for AI model training and real-time execution	HK\$5.5M	By Q4 2027
Financial AI algorithms, automated risk models, and trading/CS automation system development, testing and deployment	HK\$4.5M	By Q2 2027
Recruitment of AI R&D team and algorithm engineers for internal technology platform development and integration	HK\$2.5M	By Q1 2027
Marketing campaigns, digital client acquisition, and operational expenses for AI business commercialization and market expansion	HK\$1.5M	By Q4 2027
Total	HK\$14.0M	

The reasons for additional funds are disclosed as below:

Reference is made to the announcements of the Company dated 10 June 2025 in relation to the Proposed Rights Issue and 13 October 2025 in relation to the results of the Rights Issue. An unutilised balance of HK\$5.1 million from the net proceeds was allocated to the internal project schedule for the ‘Virtual Asset License Upgrade (“VA Uplift”)’ (i.e. the uplift of the Group’s existing SFC licenses to conduct virtual asset-related regulated activities). The Company wishes to clarify the distinction between the VA Uplift (funded by unutilised Rights Issue proceeds of HK\$5.1 million) and the Virtual Asset License Application (funded by the Placing proceeds of HK\$10.2 million).

Regarding the VA Uplift, the HK\$5.1 million allocation from the Rights Issue represents Operating & Maintenance focusing on ongoing operational compliance and system upkeep under the existing Securities and Futures Ordinance framework, with HK\$4.8 million (HK\$400,000 per month over 12 months) strictly earmarked (as itemized in VA Uplift table) to cover recurring monthly operating expenses including monthly retainers for existing specialized Responsible Officers, Compliance Officers, ongoing system maintenance, and regular regulatory reporting fees, rather than constituting a capital reserve or new infrastructure setup. It does not represent a liquid cash surplus that can be reallocated to capital expenditures or buffer requirements.

VA Uplift table

Item	One-off Set-up Cost (A)	Monthly Running Cost	1-Year Running Cost	Total Item Budget (A+B)
			Total (B)	
VA Uplift	HK\$360,000	HK\$400,000	HK\$4,800,000	HK\$5,160,000

Conversely, the HK\$10.2 million allocation from the Placing for the Virtual Asset License Application represents Capital & Reserve Requirements dedicated to meeting the heightened statutory capital requirements and technical infrastructure mandates enforced by the Securities and Futures Commission under the Virtual Asset Service Provider (VASP) regime.

The specific usage differentiated as HK\$5.0 million earmarked strictly as Statutory Liquid Capital Reserve to satisfy the required Financial Resources Rules (FRR) liquidity buffers, HK\$3.4 million allocated for one-off legal, independent cybersecurity audit, and external compliance consultancy fees for the formal submission of the VASP license application, and HK\$1.8 million designated for one-off technical setup for enterprise-grade Cold/Hot wallet custody infrastructure and API integrations for automated AML/KYC screening.

The Company provides the following specific cost breakdowns and deployment details regarding the allocation of HK\$14.0 million for the expansion of AI application implementation:

The Company will allocate HK\$5.5 million for computing infrastructure, cloud computing, and hardware resource leasing, covering the leasing of GPU cloud computing nodes to support model training, back-testing of financial algorithms, and low-latency execution, with cost estimation at approximately HK\$230,000 per month over a 24-month horizon (totaling approximately HK\$5.5 million) covering server rentals, API gateway subscriptions, and secure cloud storage.

The Company will allocate HK\$4.5 million for financial AI algorithms, risk models, and system development by engaging external technology providers and vendors which represents a one-off service fee, covering software engineering, proprietary algorithm customization, system integration, and software licensing fees for real-time margin risk engine integration, automated market data feed integration, and NLP-driven compliance and transaction monitoring modules, with deployment based on milestone payments to external technology vendors and system integrators over Q4 2026 to Q2 2027 which is contingent upon the formal adoption and application of its services and deliverables by the Company on a contractual basis.

As at the date of this announcement, the vendor engagement process remains ongoing.

The Board confirms that the development, algorithm customization, and system integration of the planned AI solutions will be completed primarily by engaging external third-party technology providers, software vendors, and system integrators.

The Company will allocate HK\$2.5 million for the recruitment of an AI R&D team and algorithm engineers, covering the hiring of 2 to 3 specialized personnel or engaging external vendors, with cost estimation at an average annual compensation of approximately HK\$800,000 to HK\$1.2 million per personnel over a 12-to-18-month deployment period.

The Company will allocate HK\$1.5 million for marketing campaigns and AI business commercialization, covering digital marketing, user onboarding incentives for the upgraded smart trading platform, client educational seminars, and promotional campaigns targeting high-net-worth and institutional clients.

AI application implementation:

Following the Group's strategic expansion into AI applications, the initial VA Uplift plan has been upgraded to a comprehensive "AI + VA" ecosystem. The additional Placing proceeds (HK\$24.2 million) are essential to finance computing infrastructure, financial algorithm fine-tuning, and maintain the continuous compliance of SFC statutory capital reserves.

The planned technology upgrade encompasses strategic investments in hardware and software infrastructure. This will significantly bolster the Group's operational capabilities and facilitate the deployment of customized automated solutions across diverse financial services segments as detailed below:

Margin Financing & Money Lending Risk Control: Traditional margin financing relies heavily on manual collateral monitoring that creates latency during high market volatility. The Group will implement an AI-driven dynamic risk engine that leverages AI algorithms to enable real-time monitoring of collateral market liquidity, dynamic loan-to-value (LTV) risk warnings, and automated risk control execution. Upon detecting a decrease in collateral liquidity or volatility breaching preset statistical thresholds, the system will automatically issue dynamic loan-to-value risk warnings and trigger automated margin calls or liquidation protocols, thereby mitigating credit and bad debt exposure.

Securities & Virtual Asset (VA) Brokerage: Integrating AI tools will consolidate market data feeds across traditional securities and virtual assets. Because legacy financial systems operate independently from virtual asset protocols limiting cross-asset efficiency the Group will deploy an AI-driven smart order router and execution engine. By aggregating liquidity from traditional exchanges and licensed virtual asset trading platforms, these AI algorithms will analyze real-time order books and transaction fees to execute trades at optimal prices with minimal market impact. This enables seamless smart order routing, algorithmic execution, and automated market surveillance.

Regulatory Compliance & AML/KYC: To address regulatory compliance, AML, and KYC requirements where manual document verification and transaction surveillance and transaction surveillance remain labor-intensive and costly the Group will deploy NLP and computer vision/OCR engines. Under this framework, facial recognition and OCR technologies will automate remote onboarding and identity verification. Meanwhile, NLP tools will continuously screen sanction lists, PEP databases, and adverse news. These will be complemented by transaction surveillance algorithms that monitor account activity for suspicious trading patterns in alignment with SFC guidelines, reducing compliance overhead and boosting operational efficiency.

Given that market peers have already widely adopted AI capabilities—such as facial recognition for automated securities account opening the Board considers these integrations essential to maintaining the Group's competitive edge.

When determining the capital allocation towards the provision of margin financing and money lending operations, the Board evaluated several quantitative, regulatory, and strategic factors.

Provision of Margin Financing Services:

The Group intends to deploy capital to further expand its margin financing portfolio.

The service primarily targets high-net-worth individuals (HNWI) and institutional clients seeking share-margin financing backed Hong Kong equities. To stringently mitigate credit risk, the business operates under a risk management framework where the loan-to-value (LTV) ratio is typically set at around 20% based on collateral liquidity and market capitalization, with interest rates ranging from 8% to 12% per annum, thereby generating steady, recurring interest income. Furthermore, continuous monitoring is enforced through daily mark-to-market valuations paired with automated margin calls and liquidation mechanisms in the event of breached maintenance margins.

The allocated net proceeds are expected to be fully deployed on or before 30 June 2027.

Provision of Money Lending Services:

The Group deploys capital to grow its money lending operations.

Additionally, the Group offers flexible, short-term bridge financing or asset-backed loans tailored for both corporate and individual clients. Under these loan terms, transaction sizes range between HK\$1.0 million to HK\$3.0 million per transaction, with loan tenors spanning 6 to 12 months at interest rates set between 10% and 15% per annum, ensuring high capital turnover and an enhanced overall return on equity.

The allocated net proceeds are expected to be fully deployed on or before 30 June 2027.

In terms of market demand and client pipeline, the capital allocation directly responds to increasing demand from high-net-worth individuals and corporate clients for margin financing and money lending business, and expanding the lending pool enables the Group to capture high-margin opportunities without over-exposing capital to any single borrower or asset class.

Furthermore, the allocation to these financing arms operates in synergy with the Group's concurrent investment in AI infrastructure, as the deployment of the proprietary AI dynamic risk engine will enable real-time collateral risk monitoring, thereby expand loan capacity while maintain strict control over default rates.

Apart from the HK\$24.2 million aforementioned, the Group will allocate approximately HK\$6.0 million to general working capital and the details of the proposed allocation and estimated timeline for utilisation:

Intended Application	Estimated Amount (HK\$ Million)	Expected Timeline for Full Utilisation
General Working Capital Item		
Staff salaries and employee benefits (excluding dedicated AI/VA R&D team)	HK\$2.5M	By Q4 2027
Office rental, property management, and utility expenses	HK\$1.5M	By Q4 2027
Listing compliance, legal advisory, auditing, and public relations fees	HK\$1.2M	By Q3 2027
General IT maintenance and administrative costs	HK\$0.8M	By Q4 2027
Total	HK\$6.0M	

CLARIFICATION ON THE PREMIUM OF THE PLACING PRICE

The Board would like to clarify that the Placing Price of HK\$5.22 per Placing Share should represent a premium of approximately 38.32% to the average closing price of HK\$3.774 per Share as quoted on the Stock Exchange for the last five trading days of the Shares immediately prior to the date of the Placing Agreement.

Save as disclosed above, all other terms and conditions of the Placing Agreement remain unchanged and in full force and effect.

FURTHER INFORMATION IN RELATION TO THE VOLUNTARY ANNOUNCEMENT

In March 2026, the Board and management evaluated strategic opportunities to explore technology-driven applications in response to market developments within the financial and digital sectors. Recognizing that market peers have increasingly adopted artificial intelligence to optimize operational efficiency, the Board considers that integrating AI computing capabilities is strategic to maintain competitiveness and bridging technological gaps within the Group's existing operations.

Subsequently, in early May 2026, the Executive Directors were introduced to Shanghai Fuquan to explore potential synergies. Between May and June 2026, the Group initiated preliminary feasibility assessments and market research regarding domestic AI computing power infrastructure and ecosystem applications.

Since late July 2026, preliminary commercial discussions have remained ongoing; however, as at the date of this supplemental announcement, no definitive or legally binding commercial agreement has been executed between the Group and Shanghai Fuquan. Accordingly, the AI computing power business and operations have not yet commenced.

STATUS AND DETAILS OF THE PROPOSED STRATEGIC COOPERATION

Regarding to the proposed strategic cooperation, the primary intention is for the Company to leverage its financial technology background to explore potential application scenarios within the Group's existing ecosystem while Shanghai Fuquan is expected to provide technical support and infrastructure resources.

Aforementioned, the cooperation with Shanghai Fuquan remains at a preliminary stage, the specific roles, legal structures, and exact operational involvement of the Group in the potential AI computing power business have not yet been finalized. Subject to the results of ongoing due diligence on Shanghai Fuquan and the execution of definitive agreements, the finalized operational details may vary.

Based on the preliminary strategic planning and discussions between the management of both parties for the AI computing power business is outlined below.

The Group preliminarily expects AI technology to be integrated as an add-on feature into its current product and service offerings, with revenue expected to be generated through the upgrading and optimization of its existing business' revenue sources.

The Group does not currently foresee establishing a separate, capital-intensive infrastructure business. Instead, it expects to utilise existing operational resources complemented by technical input from Shanghai Fuquan upon successful commencement, if any. The Group will also evaluate and strictly comply with applicable regulatory requirements prior to any formal launch.

The Group considers the expansion into the AI computing power sector to be strategically advantageous to its long-term business development; it is premature at this stage to provide a meaningful estimation or breakdown of the expected revenue to be generated from this business. But no concrete revenue targets or financial forecasts have been finalized or quantified as at the date hereof.

The Group intends to explore deploying AI computing capabilities to enhance its Margin Financing and Money Lending Risk Control, leveraging AI algorithms for real-time monitoring of collateral market liquidity, dynamic loan-to-value risk warnings, and automated risk management execution to mitigate credit risk exposure. Additionally, the Group aims to apply Natural Language Processing solutions to automate customer onboarding background checks, Anti-Money Laundering monitoring, and transaction surveillance (such as facial recognition for automated account opening), thereby lowering compliance overhead and upgrading operational efficiency.

While these technological integration objectives align with the Group's operational needs, the exact scope and operational subject to further negotiations and due diligence to be made of how Shanghai Fuquan will collaborate with or support the Group in achieving these potential synergies remain subject to further commercial negotiations.

The Group will make timely publication and further announcements as and when appropriate in compliance with the Listing Rules upon the execution of any formal agreement.

By order of the Board
Pinestone Capital Limited
Lee Chun Tung
Executive Director

Hong Kong, 21 August 2026

As at the date of this announcement, the Board comprises Mr. Lee Chun Tung and Ms. Cheung Ka Yi as executive Directors; Mr. Wang Han and Mr. Lu Weixing as non-executive Directors; and Mr. Lau Kelly, Mr. Wong Chun Peng Stewart and Mr. Wong Chun Yip Gavin as independent non-executive Directors.