Pinestone Capital Limited
鼎石資本有限公司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)
(Stock Code 股份代號：804)

2024
ANNUAL REPORT
年報

Contents

Corporate Information

Board of Directors (The "Board")

Chairman

Mr. Zhu Zheping@

Vice-Chairman

Mr. Li Dapeng (appointed on 1 November 2024)

Executive Directors

Mr. Lee Chun Tung
Mr. Zhu Zheping
Ms. Liu Yundi (appointed on 12 December 2024)
Mr. Yan Ximao (resigned on 30 December 2024)
Mr. Li Dapeng (appointed on 1 November 2024)

Non-Executive Directors

Mr. Lau Chun Hung (appointed on 30 December 2024)
Mr. Shi Zhu (appointed on 30 December 2024)$
Mr. Yau Tung Shing (resigned on 30 December 2024)

Independent Non-Executive Directors

Mr. Lau Kelly
Mr. Wong Chun Peng Stewart
Mr. Cheng Man Pan

Audit Committee

Mr. Cheng Man Pan *(Chairman)*
Mr. Lau Kelly
Mr. Wong Chun Peng Stewart

Nomination Committee

Mr. Lau Kelly *(Chairman)*
Mr. Wong Chun Peng Stewart
Mr. Cheng Man Pan

Remuneration Committee

Mr. Cheng Man Pan *(Chairman)*
Mr. Lau Kelly
Mr. Wong Chun Peng Stewart

Company Secretary

Mr. Au Kin Kee Kinson *ACG HKACG*
Mr. Choi Pun Lap *FCPA* (appointed on 21 October 2024)

Authorised Representatives

Mr. Lee Chun Tung
Mr. Lau Chun Hung (appointed on 30 December 2024)
Mr. Yau Tung Shing (resigned on 30 December 2024)

Trading Stock Code

804

Registered Office

Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman, KY1-1108
Cayman Islands

Headquarter and Principal Place of Business in Hong Kong

Room 1807, 18/F.,
China Resources Building
26 Harbour Road, Wan Chai
Hong Kong

Hong Kong Branch Share Registrar & Transfer Office

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Principal Banker

Bank of China (Hong Kong) Limited
2/F, Wing On House
71 Des Voeux Road Central
Hong Kong

Auditor

BDO Limited
Certified Public Accountants
25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

Solicitors

S.Y. Wong & Co
Room 1207, 12/F,
Harcourt House,
39, Gloucester Road,
Wanchai,
Hong Kong

Company's Website

www.pinestone.com.hk

@ re-designated from Chairman to Co-Chairman on 26 February 2025
# resigned on 10 Jan 2025
$ appointed as Co-Chairman on 26 February 2025

Executive Director's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of Pinestone Capital Limited (the "Company"), I am pleased to present to you details of the Company's (together with its subsidiaries, the "Group") annual performance and business development for the year ended 31 December 2024 (the "Year").

Review

In 2024, geopolitical tensions, interest rates remain high, slowdown of the China economy and the downturn of both China and Hong Kong's property market have clouded uncertainties and added volatility and fluctuations to the Hong Kong Stock Market. Even though the Group's revenue has shown indications of improvement, the Company's results have been hurt by the impairment losses and bad-debts written off on trade and loan receivables of approximately HK$37.1 million made during the period. Given the global geopolitical tensions, stock market volatility and fluctuation, the Group will consolidate and differentiate its service offerings by delivering a wider range of services and managing risk cautiously. This approach aims to enhance the Group's competitive edge by adapting to market changes while ensuring prudent management of risks. By reallocating resources, we can better support growth initiatives and capitalize on new opportunities.

Outlook

The Company's business environment remains challenging. The world has been shocked by the US's extraordinary new tariff measures, which have clouded international trade with uncertainty and unknown outcomes. Trade disputes may escalate among the global countries. Consequently, major economies may need to reassess their strategies to foster stability and cooperation in an increasingly disconnected world. Geographical political tensions, interest rates direction and China's economy continue to be the key concerns regarding Hong Kong Stock market performance in future. China's Production Price Index and Consumption Price Index for February fell short of expectations. Trade war between US and China has been intensified. Amidst this uncertain environment, China has kept its leading edge in the development of platform industries, AI technologies, batteries, solar panels and some other key industries. During the 3rd Session of the 14th National Committee of the Chinese People's Political Consultative Conference and the 3rd Session of the 14th National People's Congress, China government reported that its GDP is expected to reach 5% in 2025. Its Work Report has first time emphasized and written out to stabilize both the real estates and stock markets so as to promote a healthy development in the long run. These factors would help strengthening and restoring investors' confidence on the Hong Kong Stock Market. Looking ahead, the Group will continue to manage our lending portfolios on a balance of risk and return. The Company will keep improving its market positioning in our overall management and maintained a healthy financial position. The Company will adopt a cautious strategy to exploring new business or services while concentrating on and diversifying its service offerings.

In September 2024, the Group has succeeded in granting the Type 9 – (Asset Management) licence of the Securities and Futures Commission.

Executive Director's Statement

In addition, the Company is actively exploring opportunities in the virtual asset industry, including evaluating the potential uplift of its virtual asset trading platform license, with a view to expanding its presence in the digital finance ecosystem. In December 2024, the Group has planned to form a joint venture to operate a digital asset business in virtual real estate.

The Company is also elaborating on business opportunities in the receivables collection and disposal industry, aiming to capture growth potential in this niche yet essential financial service area.

In the meantime, the Company will focus on enhancing its operational efficiencies and fostering stronger relationships with its clients. By prioritizing customer satisfaction and innovative solutions, we aim to solidify our position in the market and ensure sustainable growth.

Last but not least, I would like to take this opportunity to express my sincere gratitude to the Group's shareholders, business partners, clients, and our management and staff members for their continuous support.

By Order of the Board
Mr. Lee Chun Tung
Executive Director

Hong Kong, 28 March 2025

Corporate Milestone

1. On 12 June 2015, the share of the Company was successfully listed on GEM of the Stock Exchange by placing 120 million shares at HK$0.50 each.

2. On 22 December 2015, the Company issued 5% coupon bonds in principal amount of HK$10,000,000 with a maturity period of 2-year as to reinforce the Company's security-backed lending service and its general working capital.

3. On 2 June 2016, the Company issued a total of 110,000,000 ordinary shares at HK$0.55 each by the way of placing to raise fund by approximately HK$60.5 million as to strengthen the Company's financial position.

4. On 8 June 2017, the Company successfully transferred its shares to the Main Board of the Stock Exchange.

5. On 21 December 2017, the Company redeemed the HK$10,000,000 coupon bonds in full.

6. In 2019, the Company turned around from its net loss in 2018 and reported a net profit of approximately HK$7.2 million.

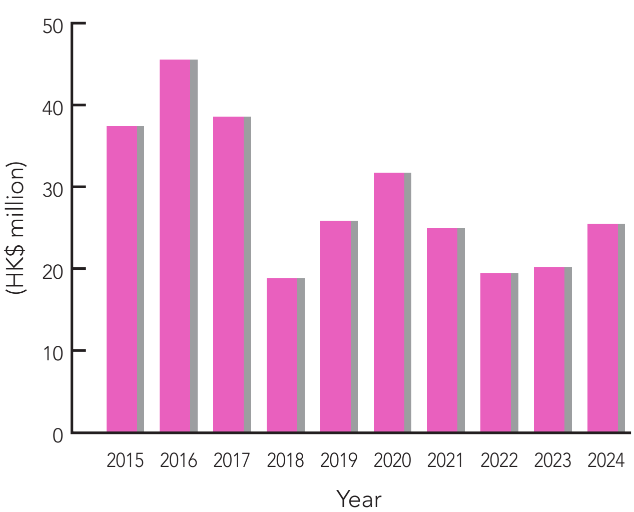
7. In 2021, the Company had relocated its headquarter to Room 1807, 18/F, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong.

8. In 2022, the Company exploited and extended the scope of its Money-Lending Services.

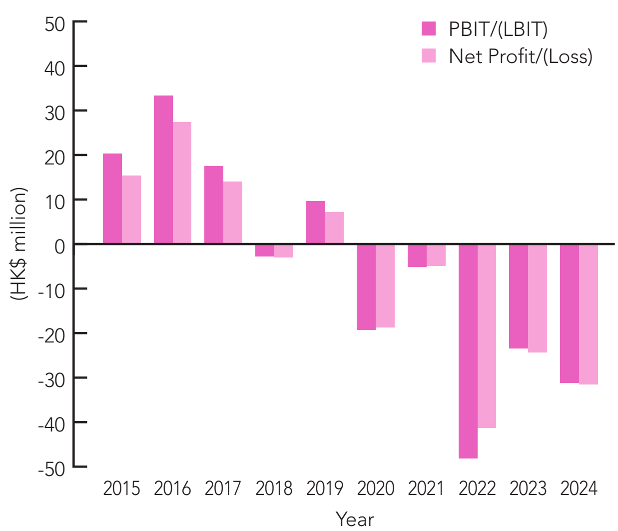
9. In 2023, the Company successfully raised approximately HK$29.95 million from a 1-to-2 rights issue @ HK$0.225 per rights share.

10. In December 2024, the Company proposed a maximum of a total of 81,210,000 Placing Shares at HK$0.176 per Placing Share to raise approximately HK$13.86 million after expenses.

Revenues



PBIT/LBIT and Net Profit/(Loss)



Management Discussion and Analysis

Background

Established in 2015, the Group is a renowned Hong Kong based financial institution providing a wide range of bespoke financial services including (i) securities brokerage, (ii) securities-backed lending and (iii) placing and underwriting businesses. On 12 June 2015, the Company was listed on GEM of the Stock Exchange (the "Listing") by way of placing (the "Placing"). On 8 June 2017, the Company successfully transferred to list on the Main Board of the Stock Exchange. In 2023, the Company exploited and extended the scope of its money lending services (the "Money Lending Services") from securities-backed lending services to other secured lending services. In 2024, the Company planned to leverage its financial expertise and capitalize the market opportunities to exploit other financial services including asset management services, municipal bonds or Local government financing vehicles ("LGFV") services.

During the years, we recognised commission income from our securities brokerage services, interest income from our securities-backed lending services, money lending services as well as income from placing and underwriting services since its debut.

Financial Highlights

Year ended 31 December (HK$'000)	2023	2023 vs 2024 Percentage	2024
Revenue	20,224	26%	**25,500**
Loss before Income Tax	(23,489)	(33%)	**(31,289)**
Net Loss	(24,388)	(30%)	**(31,666)**
Loss per Share (H.K. cents)	(6.87)	(10%)	**(7.56)**
Total Assets	176,014	(12%)	**154,872**
Total Equity	170,038	(19%)	**138,372**
Key Performance Indices			
Net Profit Margin (%)	(120.6)		**(124.2)**
Return on Equity (%)	(14.3)		**(22.9)**
Return on Total Assets (%)	(13.9)		**(20.4)**
Current Ratio (Times)	27.11		**8.21**
Gearing Ratio (Times)#	–		**–**

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

For the year ended 31 December 2024, the Group's revenue amounted to a total of approximately HK$25.5 million, representing an increment of approximately 26% compared to approximately HK$20.2 million in 2023. The increment was mostly attributable to a notable increase in fee income and agency fees of approximately HK$6.9 million from placing and underwriting services (including both bonds and stocks) as compared to HK$87,000 fee income in 2023. Commission income from the securities brokerage services decreased to approximately HK$0.5 million in 2024, compared to HK$1.3 million for the year ended 31 December 2023. Total income generated from securities-backed lending services decreased to approximately HK$17.7 million, representing a decrease of approximately HK$1.0 million or approximately 5% from approximately HK$18.7 million in 2023. For the year ended 31 December 2024, interest income from margin financing services rose by about 21% to approximately HK$11.9 million, while interest income for money lending and other lending services fell by about 34% to about HK$5.9 million.

Management Discussion and Analysis

For the year ended 31 December 2024, loss before income tax increased to approximately HK$31.3 million, compared to a loss before income tax of approximately HK$23.5 million in 2023. Net loss for the year ended 31 December 2024 was HK$31.7 million, compared to a net loss of HK$24.4 million in 2023. The loss was mostly attributable to bad debts written off of approximately HK$16.2 million and impairment losses of approximately HK$20.9 million, thus totalling HK$37.1 million (2023: HK$28.0 million) in respect of trade and loans receivables made related to securities-backed lending services during the year 2024.

Basic loss per share was HK$7.56 cents for the year ended 31 December 2024, compared to basic loss per share of HK$6.87 cents (restated) for the year ended 31 December 2023.

The Directors do not recommend the payment of final dividend for the year ended 31 December 2024.

Market Review

In 2024, Hang Seng Index saw a rebound after a four-year losing streak to close 20,059 on 31 December 2024, recording an increase of approximately 3,016 points or about 17% on a year-on-year basis. The average daily turnover in 2024 was HK$131.8 billion, an increase of 26 per cent when compared with HK$105.0 billion in 2023. The volume of initial public offerings (IPOs) was 71 in 2024, as opposed to 73 during the same period in 2023. Nonetheless, our investors' sentiment have remained weak and fragile preferring to stay on the sidelines. Geopolitical tensions, interest rates remain high, slowdown of the China economy and the downturn of both China and Hong Kong's property market have clouded uncertainties and added volatility and fluctuations to the Hong Kong Stock Market. Even though the Group's revenue has shown indications of improvement, the Company's results have been hurt by the impairment losses and bad-debts written off on trade and loan receivables of approximately HK$37.1 million made during the period. Given the global geopolitical tensions, stock market volatility and fluctuation, the Group will consolidate and differentiate its service offerings by delivering a wider range of services and managing risk cautiously. This approach aims to enhance the Group's competitive edge by adapting to market changes while ensuring prudent management of risks. By reallocating resources, we can better support growth initiatives and capitalize on new opportunities.

Business Review

Securities Brokerage Services

In 2024, there was no discernible improvement in our securities brokerage services since investors' sentiment has remained low. Due to the Hang Seng Index's four-year losing trend from 2019 to 2023, the majority of our clients decided not to trade actively during the year 2024 in an effort to balance on risk and return. In 2024, total transaction values were HK$379.3 million compared to HK$682.3 million in 2023. Commission income from our securities brokerage services was approximately HK$0.5 million for the twelve months ended 31 December 2024, as compared to approximately HK$1.3 million for the twelve months ended 31 December 2023. Nonetheless, the Group was able to expand its clients which may help driving its business throughout the market boom. As at 31 December 2024, the Group had 149 active securities accounts as reported pursuant to SFO (31 December 2023: 127 active securities accounts). During the year, the Group succeeded to conclude about 20 new clients under the Capital Investment Entrant Scheme. With these new clients, the Group can gain service or custodian fees for the Group.

Management Discussion and Analysis

Securities-backed lending Services

Securities-backed lending services, as our key driver and focus, are composed of two major businesses; (i) margin financing; (ii) money lending and other secured lending services. Interest income from securities-backed lending services for the year ended 31 December 2024 recorded a decrease of approximately 5% to HK$17.7 million, compared to approximately HK$18.7 million in 2023. In 2024, a total exclusion of approximately HK$7.8 million interest income were provided for the eight clients of the securities-back lending services who were identified and referred to in our annual reports 2022 and 2023 as having severe losses (2023: HK$14.0 million). Despite experiencing ups and downs and associated with risks, our business of securities-backed lending services has remained resilient and provided a significant contribution to the Group. In 2024, interest income from margin financing services increased by HK$2.1 million or approximately 21% increase to HK$11.9 million (2023: HK$9.8 million) while money lending services decreased by HK$3.0 million or approximately 34% to HK$5.9 million in 2024 compared to HK$8.9 million in 2023.

Breakdown of concentration of loans with major borrowers

The Group has refrained from depending on individual or significant client concentration of its borrowers. As of 31 December 2024, our largest borrower in the securities-backed lending segment had outstanding receivables of approximately HK$20.1 million (31 December 2023: HK$41 million), accounting for approximately 13% (2023: 16%) of the Group's total trade and loan receivables. As of 31 December 2024, the five largest borrowers (in aggregation with loans granted to persons connected with each of them, if any) had outstanding receivables of approximately HK$91.8 million (2023: HK$148 million), representing approximately 61% (2023: 58%) of the Group's total trade and loan receivables as at 31 December 2024.

Securities-backed lending services are categorized into margin financing and money lending and other money lending services respectively.

(A) Margin Financing

The Company receives interest income from our margin financing services as we lend money to our margin financing clients. Before we can offer our margin clients any margin facilities, they must complete the required credit assessment procedures, account openings and KYC processes and deposit an adequate amount of cash or collaterals. The Group would provide these investors with a margin facility individually, allowing them to leverage their investments with expected higher returns. For margin financing services, there is no fixed term of repayment for trade receivables while the term to maturity of the loan receivables ranges from approximately 5 months to 1 year. The interest rates of the aforementioned receivables range from approximately 8% to 35% per annum.

In 2024, interest income from margin financing services increased to approximately HK$11.9 million, representing an increase of approximately 21% from approximately HK$9.8 million in 2023. During the year, we have strengthened client relationships with our clients on discussion of our services and offerings. This enhanced communication has enabled us to better understand our clients' needs and tailor our services accordingly. As a result, some clients have taking advantage of our margin financing services for loans, leading to mutually beneficial agreements. As of 31 December 2024, the Group recorded total trade receivables of approximately HK$76.8 million, representing a decrease of approximately 51% from total trade receivables of approximately HK$156.8 million as of 31 December 2023. The primary reason for the decline in total trade receivables in 2024 was three out of the eight clients that were attributed to the margin financing service and were highlighted in our annual reports 2022 and 2023 were bankrupt. Due to the bankruptcy of these three clients, an amount of approximately HK$54.0 million trade receivables were written-off during the year.

Management Discussion and Analysis

	HK$'million
Trade receivables as at 31 December 2023	**156.8**
Amount written off by the three out of eight clients filed for bankrupt	**(54.0)**
Movements of trade receivables for the year	**(26.0)**
Trade receivables as at 31 December 2024	**76.8**

(B) *Money Lending and Other Secured Lending*

The Group holds a money lender licence in Hong Kong pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) and provides loan facilities including money lending and other secured lending services to clients. Listed securities, non-listed securities, properties, or other valuable assets can all be used as collateral. Through Pinestone Capital Group Limited ("PCGL"), a wholly owned subsidiary of the Company, the Group receives interest revenue from the provision of such loan facilities.

We offer money lending and other secured lending services to corporate and individual borrowers. While listed securities are pledged as collaterals for money lending, other assets or non-listed securities are pledged by our clients for other secured lending services. In 2024, the Group recognised interest income of approximately HK$5.9 million from money lending and other secured lending services, representing a decrease of approximately 34% as compared to HK$8.9 million in 2023. Such a decrease was attributable to the fact that a corporate client had paid back its term loans for the year ended 31 December 2023. Comparatively this repayment reduced the outstanding loans and subsequently lowered the overall interest income for our money lending services this year. Also in 2024, a proportion of the Group's interest income for money lending and other secured lending services was accounted by several smaller loans and shorter borrowing periods. For the year 2024, a total exclusion of approximately HK$3.0 million (2023: HK$4.6 million) was provided for the interest income of money lending services.

As at 31 December 2024, the Group recorded total loan receivables attributable to our money lending and other secured lending clients of approximately HK$74.5 million, representing a decrease of approximately 26% when compared to HK$100.2 million as at 31 December 2023. Despite some new loans have been made, there was a decrease in total loan receivables because a total of approximately HK$59.8 million loan amount was written off. During the course of the year, four out of the eight clients that were attributed to the money lending and other secured lending services referred to in our annual reports 2022 and 2023 were declared bankrupt.

	HK$'million
Loans receivable as at 31 December 2023	**100.2**
Amount written off by the four out of eight clients filed for bankrupt	**(59.8)**
Movements of loans receivable for the year	**34.1**
Loans receivable as at 31 December 2024	**74.5**

Management Discussion and Analysis

1. A breakdown of our current clients' profiles, interest rates, loans receivable and amount of impairments with regard to our money lending and other secured lending services under PCGL as at 31 December 2024:

Client (Rank by book value of loans receivable)	Type and Source of Client	Background and Relationship among the borrowers *(note 1)*	Date of loans agreement	Principal Amount HK$'million (Approximately)	Interest rate % p.a.	Term	Collateral as at 31 December 2024 HK$' million	Book value of loans receivable as at 31 December 2024 HK$' million	Accumulated impairment losses (included unwinding of discount) as at 31 December 2024 HK$' million	Net amount of loan receivable as at 31 December 2024 HK$' million	Proportion out of the Group's total loan receivable as at 31 December 2024 %
1st client	Individual By client referral	CEO of Corporate Services None	6 Oct 2023 and 2 Jul 2024	19.0	16 and change to 12	6 months	Share charge with a property valuation of approximately 19.0	19.2	1.9	17.3	25.8
2nd client	Corporate By client referral	Holding company None	19 Jan 2024 and 21 Oct 2024	16.5	12	6 months	Share charge with properties valuation of approximately 238.0	16.6	0	16.6	22.3
3rd client	Individual By client referral	Director of trading company None	23 Jun 2021	8.8	12	12 months	No collaterals in the margin account (non-termed) for the client's termed loan	12.4	12.4	0	16.6
4th client	Individual By client referral	Director of investment company None	23 Jun 2021	8.8	12	12 months	No collaterals for the client's termed loan	12.4	12.4	0	16.6
5th client	Individual By client referral	Merchant for trading investment None	19 Dec 2024	6.0	24	12 months	3rd party personal guarantee with collateral of 17.0	6.0	0	6.0	8.1
6th client	Corporate By client referral	Transportation business None	23 Apr 2024	3.5	13	12 months	Share charge of 33.9	3.6	0	3.6	4.8
7th client	Individual By client referral	Shareholder of private company None	8 Nov 2024	3.0	34.8	1 month extended to 7 April 2025	Share charge of 3.0	3.1	0	3.1	4.2
8th client	Individual By client referral	Company Director of catering industry None	13 Dec 2024	1.2	30	1 month	Share charge of 1.7	1.2	0	1.2	1.6
							Total	74.5	26.7	47.8	100

Management Discussion and Analysis

Notes:

1. The business model of the Money Lending Business involves the Group granting loans to individual and corporate clients generating interest income as one of the Group's revenue sources. The Group's principal business focus for its Money Lending Business are investors, high net worth individuals, substantial shareholders of Hong Kong listed companies, etc. who can be individual or corporate clients with investment appetites for the securities of small to medium sized companies listed on the Stock Exchange. Source of funding for this business is mainly paid-up capital contributed by the Company's shareholders and internal resources of the Group.

2. According to the credit policy of the money lending business, the Group's responsible officers, senior management and office staff are responsible for the ongoing monitoring repayments and loan recoverability. Internal control procedures for loan collection include, on a case-by-case basis, steps such as (i) a margin call (if applicable) or a demand for partial repayment to restore the Group's credit risk to an acceptable level; (ii) in the event that step (i) above does not yield tangible results, the Group may proceed to force liquidation of collateral (if applicable) to reduce the Group's exposure; (iii) in the event that the Group's credit risk after taking steps (i) and (ii) above remains unacceptably high, the Group may proceed to negotiation of a repayment schedule with the client; (iv) should steps (i), (ii) and (iii) above fail to restore the Group's credit risk to an acceptable level, the Group may issue formal demand letter via its legal adviser demanding repayment of the outstanding loan within a stated time period; and (v) in the event that no tangible outcome arose out of the aforementioned steps, the Group may proceed to commencement of legal action against the client.

3. Based on the best information and knowledge of the Group as at the date hereof, the Group is not aware that there is any relationship amongst the Group's clients with outstanding loan receivables as at 31 December 2024.

4. The list still includes two of the eight clients we mentioned in our 2022 and 2023 annual reports as being related to money lending or other secured lending services. The Company continued to liaise with the clients and pushed for loan recovery. Statutory demand letters were sent in January 2025 and further legal actions are proceeding. We have made provisions for 100% impairment on these two money lending borrowers.

5. The 1st client has made 10% impairment provision as his loan has entered into the 2-stage of the ECL model. The client has partially paid interest but failed to payback the loan when the contract becomes due. On-going discussion and negotiations on the loan settlement have been made.

6. The 3rd and 4th clients have made 100% impairment provisions.

Management Discussion and Analysis

2. **Loans Receivable under Money Lending and Other Secured Lending Business**
The following table shows the Group's loans receivable as at 31 December 2024, and 31 December 2023 in the book of PCGL categorized by nature of relevant loans:

Loans by Nature	**Loans receivable as at 31 December 2024 HK$'000**	**Term**	**Interest rate per annum %**	**% of total loans receivable as at 31 December 2024 %**
Secured loans, with collaterals	49,668	12 months	12-34.8	66.74
Loans, with personal guarantee	24,748	Overdue	12	33.26
Total loans receivable	74,416			100.00
Less: Impairment losses under ECL model	(26,667)			
Net loans receivable	47,749			

	31 December 2023 HK$'000		%	31 December 2023 %
Secured loans, with collaterals	19,666	6 months	16	19.62
Loans, with personal guarantee	80,563	Overdue	12-15	80.38
Total loans receivable	100,229			100.00
Less: Impairment losses under ECL model	(63,108)			
Net loans receivable	37,121			

Based on the PCGL's loan portfolio, there are a total of 8 outstanding loans as at 31 December 2024. Approximately 66.74% of the total amount of outstanding loans are secured by collateral with interest rate of 12-34.8% per annum. For those unsecured loans (with personal guarantee), which account for 33.26% of the total outstanding loans, annual interest rates are charged at 12%.

Based on the PCGL's loan portfolio, there are a total of 7 outstanding loans as at 31 December 2023. Approximately 20% of the total amount of outstanding loans are secured by collateral with interest rates of 16% per annum. For those unsecured loans (with personal guarantee), which account for 80% of the total outstanding loans, annual interest rates are charged from 12% to 15%.

Management Discussion and Analysis

3. In relation to aforesaid movement, summary of the recovering actions and status of the overdue loans receivable under Money Lending and other secured lending services under `PCGL' Businesses is set out in the Table below:

Client (Rank by book value of loans receivable)	**Reason of enforcement**	**Recovering action**	**Status**
The 1st client	1) Cannot repay the loan amount in full upon expiry	1) Negotiate and demand the client to have the loan repayment 2) Partially repay interest but not the loan	1) Ongoing negotiation and discussion to have the loan settle
The 3rd client@	1) The total value of collateral dropped significantly below the outstanding amount on the date of enforcement	1) Instructed a solicitor to issue demand letter on 25 January 2025	1) Ongoing liaise with the client but still unable to pay the loan
	2) Despite repeated demands, the client fails to settle the loan	2) Legal proceeding actions are further taken	
The 4th client@	1) The total value of collateral dropped significantly below the outstanding amount on the date of enforcement	1) Instructed a solicitor to issue demand letter on 25 January 2025	1) Ongoing liaise with the client but still unable to pay the loan
	2) Despite repeated demands, the client fails to settle the loan	2) Legal proceeding actions are further taken	

\# Continuing seeking legal advice and a demand letter was issued by a solicitor on 25 January 2025

(1) The Group reserves the rights to commence legal proceedings against the above-mentioned money lending clients to recover the shortfall of outstanding loans.

@ Refer to our table on page 10

Management Discussion and Analysis

4. **Ageing Analysis of the Outstanding Loans of Money Lending Business**

Net loan receivables with ageing analysis presented below per maturity dates:

	As at 31 December 2023 HK$'000	As at 31 December 2024 HK$'000
Not due yet	19,666	**30,477**
Overdue (after impairment)	17,455	**17,272**
	37,121	**47,749**

The loans, which are not due yet, will be matured within 4 months. There is no outstanding loan being rolled over as at 31 December 2023.

As of 31 December 2024, total amount of HK$19.1 million of loans are rolled over.

5. **Customer Profiles**

The customers of the Money Lending Business include both corporate and individual and are referred by member companies of the Group, Directors, employees or clients. The PCGL clientele as of December 31, 2023, and December 31, 2024, is displayed in the following table:

Type of Customers	Number of customers 2023	Number of customers 2024
Corporate	0	**2**
Individual	7	**6**
Total	7	**8**

Management Discussion and Analysis

Placing and Underwriting Services

The business of our placing and underwriting services correlates with the market sentiment and demand or requests of our customers. In 2024, our underwriting and placement services have seen notable improvements, in both placing of securities and bonds. In China, a local government financing vehicle (LGFV) (Chinese: 地方政府融資平台), is a funding mechanism for local governments. An LGFV is usually an investment company that borrows money to finance real estate development and other local infrastructure projects by selling bonds known as "municipal investment bonds" or "municipal corporate bonds" (城市投資債券 or 城投債). The Company is acting as a placing agent and joint book runners in arranging the settlement and receiving fee income or agency fee in return. During the year 2024, the Group engaged in 14 placing and underwriting activities in contrast to 1 placement activity in 2023. In 2024, the Group's placement and underwriting operations generated about HK$6.9 million in revenue, compared to HK$87,000 in 2023. As long as the market sentiment improves, we anticipate that the fee income of placing or underwriting services for both stocks and bonds will significantly contribute to the Group's revenue.

Revenues of Placing and underwriting services	**2024** **HK$'000**
Fee income from Placing and underwriting of Securities	**1,258**
Agency fee income from Placing of Bonds	**5,645**
Total income	**6,903**

Major Customers and Major Suppliers

During the year 2024, the Group's five largest customers accounted for approximately 47% (2023: 49%) of the total revenue of the Group and the largest customer of the Group accounted for approximately 11% (2023: 12%) of the total revenue. None of the Directors or any of their close associates, or any shareholder (which to the knowledge of the Directors own 5% or more of the Company's issued share capital) had any beneficial interest in the Group's five largest customers. The Group's principal activities are securities brokerage services, securities-backed lending services and placing and underwriting services. In the Board's opinion, the Group has no major suppliers due to the nature of the Group's principal activities.

Management Discussion and Analysis

Fundraising Activities and Use of Proceeds in the last two years

For the Twelve Months ended 31 December 2024

Placing of Shares

On 18 December 2024, the Company entered into a Placing Agreement for Placing of a maximum of 81,210,000 new shares to not less than six independent placees under the general mandate at a placing price of HK$0.176 each. The Placing Price of HK$0.176 per Placing Share represented: (i) a discount of approximately 19.63% to the closing price of HK$0.219 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) a discount of approximately 19.93% to the average closing price of approximately HK$0.2198 per Share for the last five trading days of the Shares immediately prior to the date of the Placing Agreement. The gross and net proceeds of the placing were approximately HK$14.29 million and HK$13.86 million respectively.

The placement was completed on 13 January 2025. It was proposed that the raising proceeds would be used as general working capital and strengthen the financial position of the Group for future development.

Set out below is the intended use and expected timeline for the use of the proceeds.

Intended Use of Net Proceeds HK$'000	Proceeds Amount HK'000	Net proceeds utilized during the year 31 December 2024 HK$'000	Expected timeline on fully utilization of the net proceeds
General working capital	13,860	N.A. – placing not complete yet	By 3Q 2025
Total	13,860		

(PS: * The Placing was completed on 13 January 2025 with 81,210,000 new shares allotted at a placing price of HK$0.176 each. Details of the Placing were set out in the Company's announcement dated 18 December 2024 and 13 January 2025.)

Management Discussion and Analysis

For the Twelve Months ended 31 December 2023

Rights Issue

On 13 April 2023, the Company proposed a one (1) Rights Share for every two (2) Shares at the Subscription Price of HK$0.225 each to raise up to approximately HK$29.95 million after expenses.

The Subscription Price represents:

(i) a discount of approximately 25% to the closing price of HK$0.3 per Share as quoted on the Stock Exchange on (8 June 2023: - the Latest Practicable Date prior to the printing of the prospectus);

(ii) a discount of approximately 40.79% to the closing price of HK$0.38 per Share as quoted on the Stock Exchange on (13 April 2023 – being the Last Trading Day prior to the release of the announcement);

(iii) a discount of approximately 39.68% to the average closing price of HK$0.373 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day of 13 April 2023;

(iv) a discount of approximately 39.43% to the average closing price of approximately HK$0.3715 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day of 13 April 2023;

(v) a discount of approximately 31.47% to the theoretical ex-rights price of approximately HK$0.3283 per Share.

The use of the net proceeds of the rights issue is set out below. There is no material difference between the intended and actual use of the net proceeds of the rights issue as originally planned.

Use of Net Proceeds	Proceeds Amount HK$'000	Net proceeds utilized during the year ended 31 December 2023 HK$'000	Unutilized net proceeds as at 31 December 2024 HK$'000	Expected timeline on utilization of unutilized net proceeds HK$'000
Securities-backed lending services	14,975	14,975	Nil	N/A
Other secured lending services	14,975	14,975	Nil	N/A
Total	29,950	29,950		

Management Discussion and Analysis

Total Assets

Unit (HK$'million)/Year	2024	2023
Total Assets	**154.9**	176.0
Trust Bank Balances	**12.6**	3.0
Cash and Bank Balances	**15.9**	23.4
Trade Receivables	**55.1**	97.8
Loans Receivable	**47.8**	37.1
Trade Payables	**(12.2)**	(2.7)
Net Assets	**138.4**	170.0

As at 31 December 2024, the total assets of the Group decreased to approximately HK$154.9 million, representing a decrease of approximately 12% from approximately HK$176.0 million as at 31 December 2023. The decrease was primarily caused by a decline of trade receivables, which saw a drop of about 44% to HK$55.1 million as of 31 December, 2024, from HK$97.8 million as of the same date in 2023. The substantial drop is mostly attributable to the write off of three out of the eight margin financing clients who were filed bankrupt. Loans receivables were increased to HK$47.8 million as of 31 December 2024, representing an increase of approximately 29% from HK$37.1 million in the corresponding period of 31 December 2023. Additionally, as of 31 December 2024, the cash and bank balance dropped to HK$15.9 million as compared to HK$23.4 million as at 31 December 2023 on a year-to-year basis. Combined with these factors, the Group's net assets decreased by about 19% to approximately HK$138.4 million as at 31 December 2024 from approximately HK$170.0 million as at 31 December, 2023.

Financial Review

Revenue

For the year ended 31 December 2024, the Group's revenue amounted to a total of approximately HK$25.5 million, representing an increment of approximately 26% compared to approximately HK$20.2 million in 2023. The increment was mostly attributable to a notable increase in fee income and agency fees of approximately HK$6.9 million from placing and underwriting services (including both bonds and stocks) as compared to HK$87,000 fee income in 2023. Commission income from the securities brokerage services decreased to approximately HK$0.5 million in 2024, compared to HK$1.3 million for the year ended 31 December 2023. Total income generated from securities-backed lending services decreased to approximately HK$17.7 million, representing a decrease of approximately HK$1.0 million or approximately 5% from approximately HK$18.7 million in 2023. For the year ended 31 December 2024, interest income from margin financing services rose by about 21% to approximately HK$11.9 million, while interest income for money lending and other lending services fell by about 34% to about HK$5.9 million.

In 2024, interest income from securities backed lending services have been negatively impacted by the eight clients who were unable to fulfill their repayments due to significant losses as mentioned in our annual reports 2022 and 2023. The overall revenue of HK$25.5 million has already adjusted with the exclusion interest of approximately HK$7.8 million (2023: HK$14.0 million).

Management Discussion and Analysis

Exclusion Policy for the Securities-backed lending services

The Group's normal practice, policy and procedures on the adoption of Exclusion. The adoption of the expected credit loss (ECL) model has been implemented for situations where

(i) any clients of the Group have failed with their repayment obligations according to the agreed terms and conditions;

(ii) after consultation with the management, the Board of Directors and professionals, it was then decided that the impairments are deemed appropriate.

The Board has examined and assessed the amount of impairments that are considered fair, reasonable, and compatible with the Group's accounting policies on the use of the ECL model. The Board and management had considered and took into account interest income received by securities-backed lending service clients who had suffered severe losses. It was determined that interest income of these affected clients should be excluded in order to avoid distorting the performance of the Company. This decision has been in place in the past three years.

The Exclusion Policy has taken a realistic and conservative approach.

I. The issue pertaining these "eight clients" commenced in 2022. In 2022, exclusion had been implemented, albeit with a softer approach.

II. In 2023, the issue become worse as these "eight clients" had entered into Stage 3 of our ECL model. Credit impairment has been incurred. Total exclusion of HK$14.0 million were provided in 2023.

III. In 2024, the problems remained and these "eight clients" were still unable to pay back their loans. Of these clients, four were bankrupt. The Directors have decided to adopt a cautious stance when it comes to the exclusion of interests for the remaining clients' incapacity to meet their interest or principal repayment obligations. Their attributed interest income was not accounted for, resulting in a total exclusion of HK$7.8 million.

Revenue from other sources: (HK$'000)	2022	2023	**2024**
Interest income from margin financing services	11,907	9,823	**11,866**
Interest income from money lending services	7,333	8,874	**5,883**
Total interest income	19,240	18,697	**17,749**
Exclusion amount	4,100	14,000	**7,800**
If include	23,340	32,697	**25,549**
Approximately percentage attributable	18%	43%	**31%**

Employee Benefit Expenses

Employee benefit expenses include staff salaries, allowances, benefits, directors' emoluments and contribution to defined contribution retirement scheme. To sustain and drive our Company's long-term growth, cost control and effectiveness are also important areas that the management has revealed and examined. In 2024, our employee benefit expenses recorded a remarkable decrease of approximately 22% to approximately HK$6.9 million in 2024 from approximately HK$8.9 million in 2023. The primarily cause of the decline was due to the reduction in Directors' fees in which a Director had left the Company. Employee benefit expenses accounted for approximately 12% (2023: 20%) out of the total expenses in 2024.

Management Discussion and Analysis

Other Operating Expenses

Unit: (HK$'million)/Year	2024	2023
Other operating expenses *(note a)*	**11.8**	5.1
Impairment losses on trade and loans receivables, net *(note b)*	**37.1**	28.0
Total other operating expenses	**48.9**	33.1

Note a: Other operating expenses in 2024 amounted to HK$11.8 million, compared to HK$5.1 million in 2023 (excluding charge for impairment losses on trade and loans receivables) which accounted for about 63% (2023: 36%) of the total expenses (which only included employee benefit expenses and other operating expenses). The remarkable increase of other operating expenses of approximately 131% to HK$11.8 million in 2024 over the year 2023 was mostly attributable to the increase in compliance, professional and administrative expenses incurred during the year 2024.

Note b: For the year ended 31 December 2024, net impairment losses of HK$37.1 million (the "Impairments") (31 December 2023: HK$28.0 million) were recognised under expected credit loss ("ECL") model required under HKFRS 9, of which HK$16.7 million (2023: HK$12.0 million) were attributable to trade receivables from margin clients whereas the remaining HK$20.4 million (2023: HK$16.0 million) were attributable to loans receivables.

Risk Management Policies

The Group has set up a credit committee (the "Credit Committee") which has full authority to handle all credit related matters. The primary duties of the Credit Committee are, among other things, to approve and oversees the Group's credit policy and to monitor its loan portfolio. The Credit Committee consists of senior management, responsible officer and Directors which is responsible for formulating credit policies and guidelines to ensure the Group's business risks are contained within calculated levels.

The Group's credit risk is mainly arising from its trade receivables from margin clients and loans receivable from money lending or other money lending clients. To monitor credit risk, the Group set out the following credit policies for the securities-backed lending services:

(i) The Group's credit policy in respect of the margin financing business

In respect of the Group's non-termed loan business, the representative staff is responsible for applying a credit line, which is the maximum loan facility granted to the non-termed loan client which is set after taking into account of both current and potential credit risks, from the Credit Committee for individual non-termed loan client. The representative staff must submit relevant documents such as proof of financial standing, proof of income, proof of asset, tax return, etc. to the Credit Committee for proper evaluation of the client's creditworthiness. The Credit Committee is then responsible for approval of the credit line based on the client's occupation, his/her track record, his/her trading pattern, proof of income, financial standing, repayment ability and credit history of the client with the Group.

In addition, the Group's responsible officers are responsible for reviewing the daily margin call report generated by the trading system and initiate the margin call as appropriate. Clients subject to margin calls are not allowed to execute further securities purchases unless they have deposited additional funds, sold their pledged securities or pledged additional securities to top up their margin value. After having considered factor such as the client's profile, track record, credit and repayment history or value and liquidity of the collateral, the Group's responsible officer may grant approval for extending mandatory liquidation, the repayment arrangement and/or special monitoring and handling procedures for such client.

Management Discussion and Analysis

(ii) The Group's credit policy in respect of the money lending business

The Credit Committee examines and decides on every term loan application. Before a loan can be awarded – which requires approval from the Credit Committee – all new clients must successfully complete the Group's credit and financial background checks.

In terms of credit monitoring, the Credit Committee will check for irregularities and report to the directors as necessary. The directors will perform sample check on the loan files to ascertain that loan approval procedures and documentations are properly performed by the front office team. For loans with collateral, the Credit Committee will identify possible irregularities in the credit quality of the loan portfolio. If the Loan to Securities Ratio (if applicable) increased to or above a pre-determined accepted ratio, the borrower may be required to deposit additional collateral or partially repay the loan outstanding in order to bring the Loan to Security Ratio below the accepted ratio.

In cases where the borrower requests a restructuring of the repayment schedule, approval has to be obtained from the Credit Committee on a case-by-case basis. The approved restructured loans will be monitored by the front office team and reviewed by the Credit Committee to ensure timely repayment.

The Company confirmed that the aforementioned credit policies have been strictly followed during the year ended 31 December 2024.

Loan Impairment Policies

Impairment review has been performed by management to assess impairment loss on trade receivables from margin clients as well as loans receivable from money lending or other secured lending customers. According to the Group's accounting policies, ECL are probability-weighted estimate of credit losses. Credit losses are measured at the difference between the contractual cash flows due in accordance with the contract and the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancement that are integral to the contract terms.

The ECL are measured on either of the following bases:

- 12-month ECL: these are the ECL that result from possible default events within the 12 months after the reporting date; and

- lifetime ECL: these are the ECL that result from all possible default events over the expected life of a financial instrument.

The measurement of ECL is a function of the following variables:

1. Probability of Default;

2. Loss Given Default ("LGD") (i.e. the magnitude of the loss if there is a default); and

3. Exposure at Default. (The gross receivable balance)

Management Discussion and Analysis

ECL = Exposure at Default * Probability of Default * Loss Given Default (LGD)

The assessment of the probability of default and LGD is based on historical data adjusted by forward-looking information.

(a) Trade receivables due from margin clients

For trade receivables from clearing houses, the Group applies the simplified approach in measuring ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets, including trade receivables due from margin clients, loans receivable, deposits, trust bank balances held on behalf of customers and cash and bank balances, the Group applies the general approach to measure ECL, i.e. is to recognise a loss allowance based on 12-months ECL. However, when there has been a significant increase in credit risk since origination, the loss allowance will be based on the lifetime ECL. In summary, the measurement of ECLs under general approach is based on the "3-stage model" as follows:

Stage 1:	12 month ECL For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.
Stage 2:	Lifetime ECL – not credit-impaired For exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired, a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset) is recognised.
Stage 3:	Lifetime ECL – credit-impaired Exposures are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit-impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

Management Discussion and Analysis

Below is our assessment of each types of the Group's financial assets:

a. *Trade receivables due from margin clients*

The Group applies general approach in measuring loss allowance for ECL on trade receivables due from margin clients. Firstly, the Group has to assess whether the risk of default has increased significantly since initial recognition. The Group considers both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

In view of the business nature of securities trading and margin financing, management considers that ageing analysis is not meaningful as the probability of default is highly correlated with the collateral value rather than the past due days. In this regard, management would consider other relevant factors, including but not limited to the followings, in assessing the default risk:

Quantitative factors:

Collateral Ratio:	Outstanding loan amount/Market value of securities collateral
Actual Shortfall	Market value of securities collateral – Outstanding loan amount

Other factors:

– an actual or expected downgrade of the external or internal credit rating of the borrower;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligation;

– significant changes in the expected performance and behavior of the borrower, in particular the responsiveness of the margin clients in response to the margin call or similar request made by the Group;

– significant changes in external market indicators of credit risk for a particular financial asset or similar financial assets with similar characteristics; and

– significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancement, if applicable.

Management Discussion and Analysis

Management closely monitors the default risk of each client throughout the year based on the assessment of the aforesaid factors.

Further, the Group would base on the assessment of the aforesaid relevant factors, to classify the margin clients into 3 stages. ECL for margin clients under Stage 1 are measured on collective basis whereas ECL for margin clients under Stages 2 and 3 are measured on individual basis.

To identify the indication of impairment, Management classifies the receivable balances into Stage 1, 2 and 3 as follows:

Stage 1:	For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination.
Stage 2:	For exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired. Below are indicators of significant increase in credit risks: a. If Collateral Ratio exceeds 70%; b. If the margin client is in negotiations for credit enhancement measures* with the Group (i.e. not able to maintain the margin requirement up front)
Stage 3:	Exposures are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. When the below criteria has taken place then it would indicated that the balance is credit-impaired: a. The Group makes liquidation call to margin clients to liquidate their securities collateral to settle the outstanding balances; AND b. The margin client is not fulfilling their obligation according to the credit enhancement measures (if any); OR c. The Group loses contact with the margin clients.

Management Discussion and Analysis

Remark*:

Credit enhancement measures with the Group usually include entering into a separate repayment agreement with the client or other forms of agreement to settle the balance.

After classifying the balances into 3 stages, management calculated the ECL which has the following formula:

ECL = Exposure at Default * Probability of Default (%) * Loss Given Default (%)

Exposure at default = gross margin loan receivable

Probability of default ("PD") = a rate that is assessed by management

Loss Given Default ("LGD") = shortfall/gross margin loan receivable

Management assesses the probability of default by each stage 3 client individually and classifies them into the following 2 groups and assigns a default rate according to the following criteria:

	Probability of Default adopted	
Criteria	**2024**	2023
• Responsive to the Group's calls	**N/A**	60.00%
• Non-responsive to the Group's calls for more than 6 months	**100.00%**	90.00%

(b) Loans receivable

During the year, the Group has engaged in two types of money lending. Securities-backed lending and other secured lending.

For securities-backed lending receivables

Similar to the calculation of margin receivable's ECL, the Group applies general approach in measuring loss allowance on these receivables and considers a significant increase in credit risk not by the receivable's aging but by the collateral value held.

The assessment of client stage type and impairment provision rate is the same as stated in note a.

For other secured lending receivables

Management is of the view that the probability of default is correlated with the past due days in accordance to HKFRS9's assumption instead of correlated to the collateral value similar to the margin receivables.

In determining the LGD to these new clients, management would consider (i) the background information of the loanee; (ii) the financial information of the loanee; (iii) the estimated value of collaterals provided by the loanee; (iv) the estimates cash recoverable from the loanee without resorting to liquidation of collaterals; (v) whether the loanee could provide any personal commitment such as guarantee to the loan, if applicable; (vi) assets proofs of the loanee.

Management Discussion and Analysis

The following table shows the current status, circumstances, type and outstanding amount for the eight (8) individual clients ("eight clients") or ("relevant clients A, B,C, D, E, F, G and H below (the "Relevant Client(s)") who have been referred to our annual reports 2022 and 2023 as of 31 December 2024:

	Name of Relevant Client A to H	Relationship (either existing or prior) with the Company and its connected person	Status	Type of loan	Term of the loan	Outstanding amount (HK$' million) *(note 1)*	Interest rate per annum
1.	A	Independent third party	Remains	Non-Term Loan	N/A	0.2	12.5%
2.	B	Independent third party	Remains	Non-Term Loan	N/A	6.4	12.5%
3.	C	Independent third party	Bankrupt	Non-Term Loan	N/A	written-off	N/A
4.	D	Independent third party	Bankrupt	Non-Term Loan	N/A	written-off	N/A
5.	E	Independent third party	Bankrupt	Non-Term Loan	N/A	written-off	N/A
6.	F	Independent third party	Remains	Non-Term Loan	N/A	17.5	24%
7.	E	Independent third party	Bankrupt	Term Loan	9 months and 12 months	written-off	N/A
8.	G	Independent third party	Bankrupt	Term Loan	5 months	written-off	N/A
9.	D	Independent third party	Bankrupt	Term Loan	8 months and 12 months	written-off	N/A
10.	H	Independent third party	Remains	Term Loan	12 months	12.4	12%
11.	A	Independent third party	Remains	Term Loan	12 months	12.4	12%
12.	C	Independent third party	Bankrupt	Term Loan	12 months	written-off	N/A

Note:

1. Relevant Clients include both margin financing (non-term) and money lending (term) loans clients.

2. Outstanding balance with accrued interest as at 31 December 2024 for both term and non-term loans.

3. A borrower that owes money and is unable to pay back his debt obligation. He or the creditors then issue the bankruptcy petition against him. After the legal proceedings, the High Court of Hong Kong declared the individual borrower bankrupt with his assets share out fairly and orderly amongst his creditors.

4. During 2024, the High Court of Hong Kong declared that Relevant Clients C, D, E, G bankrupt. Their loans were written off.

5. Relevant Clients, A, B, F and H are remained on the list. The Group has done credit impairment assessment, liaised and discussed with the client to get back the loans, Despite repeated demands, the client still fails to pay back the delinquent loans. The Group has made 100% impairment provisions for their loans. We have taken further legal actions. In January, the solicitor delivered formal demand letters, and these four cases are still pending.

Management Discussion and Analysis

Status and events happened for the Relevant Clients and movement of Impairments in 2024

Reference to our annual report 2023, these eight relevant clients have respectively pledged with the shares of companies listed on the Stock Exchange. They were originally margin financing clients of non-term loans. The Group's risk management procedures were strictly followed during the approval process of these secured loans. The market values of the securities collateral fell dramatically in early January 2022 in which their Loans to Securities ratios had reached unacceptable levels. From January 2022, we have continued to make margin calls and demanded these clients fulfill the margin loan requirement either by depositing additional cash or collaterals. These clients were not able to fulfill the margin loans respectively. According to the Group's credit policy, the Group enforced to sell the collaterals in 2022. The amount collected from the enforcement were insufficient to repay the outstanding amounts of the loans, respectively. As the result, the nature of the loans has inevitably changed to unsecured loan. The Group has persisted in collecting the delinquent loans.

In 2024, we continued to discuss and demanded repayments with these clients but they were still unable to pay back the delinquent loans. Thus, the Directors and the management sought professional advice from the lawyers. Demand letters were sent, and legal actions were further taken against them. During the year, the High Court of Hong Kong declared that four of these eight clients bankrupt. For the remaining four relevant clients, we adopted the "3-stage" ECL model and made 100% provisions impairment against these loans. For the four clients declaring bankrupt, their trade or loans receivables were written off and we made specific impairment provision for their outstanding balance as they were in severe financial difficulties and we have no realistic chance of recovery.

In 2024, the Group has also adopted the ECL model on producing 10% impairment provision for one money lending and three other margin financing borrowers. The money lending client has only partially paid and failed to pay back his loans in total amount upon contract expiry. Further negotiations and discussion to settle the loan are in progress. For the three other margin financing borrowers, the values of their collaterals have declined, which had caused their loans to enter the "2-stage" of the ECL model. The Group initiated margin calls. These three clients were informed but failed to payback their margin shortfall. Thus, we made 10% impairment provision on the actual shortfall (i.e. market value of securities collateral – Outstanding loan amount) giving a sum total of approximately HK$4.3 million for all the four borrowers who have been assessed as the 2-Stage of the ECL Model. We thus made a total impairment provision of approximately HK$53.0 million for the year 2024.

Management Discussion and Analysis

Impairment provisions for our margin financing and money lending clients that have been adopted by the ECL Model on impairment assessment for the year 2024

Clients	Nature of loan	Outstanding Amount (HK$'million)	Type of guarantee/ security/net realizable value (HK$' million)	Amount of impairment provision as at 31 December 2024 (HK$' million)	Percentage adoption of impairment provision (percentage)	Indication of significant increase in credit risk/ events trigger	Stages of ECL model
Client (i)	Non-Term	20.1	11.3	0.9	10	Margin shortfalls and margin calls	2-stage
Client (ii)	Term	19.20	approx. 19.0	1.9	10	Partially paid interest, failed to repay the total loan amount	2-stage
Client (iii)	Non-Term	18.4	6.3	1.2	10	Margin shortfalls and margin calls	2-stage
Client (iv)	Non-Term	17.5	Nil	17.5	100	Repeated demands, fails to repay the loans and legal actions taken	3-stage
Client (v)	Term	12.4	Nil	12.4	100	Repeated demands, fails to repay the loans and legal actions taken	3-stage
Client (vi)	Term	12.4	Nil	12.4	100	Repeated demands, fails to repay the loans and legal actions taken	3-stage
Client (vii)	Non-Term	6.4	Nil	6.4	100	Repeated demands, fails to repay the loans and legal actions taken	3-stage
Client (viii)	Non-Term	3.4	0.8	0.3	10	Margin shortfalls and margin calls	2-stage
Client (vi)	Non-Term	0.2	Nil	0.2	100	Repeated demands, fails to repay the loans and legal actions taken	3-stage
Total		110.0	37.4	53.0#			

Note:

1. Outstanding Amount – Loan amount with accrued interests as of 31 December 2024
2. Total sum of provision made for Clients (i) (iii) and (viii) who are non-term margin financing clients entering 2-stage of ECL accounted for HK$2.4 million.
3. Client (iv), Client (v), Client (vi), and Client (vii) refer to Relevant Client F, Relevant Client H, Relevant Client A, and Relevant Client B, respectively.
4. # – rounding down

Income Tax Expenses/Credit

The income tax expenses for 2024 was approximately HK$0.4 million (2023: income tax expenses of HK$0.9 million).

Loss for the Year

The Company's performance has been adversely affected by the impairment made in relation to those eight clients who have failed to fulfill their repayments on a consecutive basis. For the year ended 31 December 2024, the Group recorded loss before income tax of approximately HK$31.3 million (2023: HK$23.5 million) and a net loss of approximately HK$31.7 million (2023: 24.4 million). The loss was mostly attributable to bad debts written off of approximately HK$16.2 million and impairment losses of approximately HK$20.9 million, thus totalling HK$37.1 million (2023: HK$28.0 million) made in respect of trade and loans receivables relating to the securities-backed lending services, in which HK$16.7 million (2023: HK$12.0 million) were attributable to trade receivables from margin clients and the remaining HK$20.4 million (2023: HK$16.0 million) were attributable to loans receivables from money lending clients for the year ended 31 December 2024.

Management Discussion and Analysis

Dividend

Directors did not recommend the payment of final dividend for the year ended 31 December 2024 (2023: nil). Total dividend payout by the Company for the year ended 31 December 2024 was nil (2023: nil).

Capital Structure

As at 31 December 2024, the Group did not have any bank borrowings. As at 31 December 2024, other payables and accruals and lease liabilities were HK$4.3 million compared to HK$3.2 million in 2023. The Group maintained a net cash position with total cash and bank balances amounted to HK$15.9 million as at 31 December 2024 (2023: HK$23.40 million). As at 31 December 2024, the Group had nil amount of non-current lease liabilities (2023: nil) and did not have capital commitments. The Group's long term debt to equity ratio was approximately 0% in 2024 (2023: 0%).

Nevertheless, the Group's capital and cashflow were constrained due to the impairment losses. The board of Directors recognizes the need to expand the Company's capital as there is a direct correlation between the size of the fund and the revenue generated from our lending business.

On 18 December 2024, the Company announced the Placing of a maximum of 81,210,000 new shares to not less than six independent placees under the general mandate at a placing price of HK$0.176 each. The Company would raise for net proceeds of approximately HK$13.86 million for the use of general working capital. Save for the event of this, the Group's operations, capital expenditure and other capital requirements were funded by cash generated from operations and working capital in the year 2024. The Directors are of the view that at the date hereof, the Group's financial resources are sufficient to support its business and operations. Notwithstanding this, the Group may consider other financing activities when appropriate business opportunities arise under favourable market conditions.

Liquidity and Financial Resources

	As at 31 December 2024 HK$'000	As at 31 December 2023 HK$'000
Current assets	**135,471**	162,011
Trade receivables	**55,134**	97,822
Cash and bank balances	**15,929**	23,394
Current liabilities	**16,500**	5,976
Trade payables	**12,243**	2,732
Lease liabilities	**–**	622
Current Ratio (times)	**8.21**	27.11
Gearing Ratio (times)#	**–**	–

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

Management Discussion and Analysis

Foreign Currency Exposure

The Company's functional and presentation currency is Hong Kong dollar ("HK$"). During the years ended 31 December 2024 and 2023, the Group's transactions were denominated in HK$. The Group had no material exposure to foreign currency risk. The Group has not used any derivatives to hedge against its exposure to foreign exchange risks.

Contingent Liabilities

As at 31 December 2024 and 31 December 2023, the Group did not have any material contingent liabilities.

Significant Investments

The Group did not acquire or hold any significant investment during the year 2024 (2023: nil).

Pledge of Assets

As at 31 December 2024, the Group did not pledge any of its assets (31 December 2023: nil).

Capital Commitments

As at 31 December 2024, the Group did not have any significant capital commitments (31 December 2023: nil).

Employees and Remuneration Policy

The Remuneration Committee reviews the executive Directors' compensation, which is based on the Directors' credentials, expertise, roles, and responsibilities as well as the performance and results of the Company. The Group's remuneration policies are in line with prevailing market practice. The Group's employees are remunerated according to their performance, working experience and market conditions. In 2024, the Group has hired 16 new employees (2023: 9 new employees) with 5 (2023: 5) employees left. As at 31 December 2024, the Group had 27 employees (31 December 2023: 16 employees). Apart from basic salaries, other staff benefits include discretionary bonus, provident funds and medical scheme.

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 11 of the consolidated financial statements.

Management Discussion and Analysis

Outlook

The Company's business environment remains challenging. The world has been shocked by the US's extraordinary new tariff measures, which have clouded international trade with uncertainty and unknown outcomes. Trade disputes may escalate among the global countries. Consequently, major economies may need to reassess their strategies to foster stability and cooperation in an increasingly disconnected world. Geographical political tensions, interest rates direction and China's economy continue to be the key concerns regarding Hong Kong Stock market performance in future. China's Production Price Index and Consumption Price Index for February fell short of expectations. Trade war between US and China has been intensified. Amidst this uncertain environment, China has kept its leading edge in the development of platform industries, AI technologies, batteries, solar panels and some other key industries. During the 3rd Session of the 14th National Committee of the Chinese People's Political Consultative Conference and the 3rd Session of the 14th National People's Congress, China government reported that its GDP is expected to reach 5% in 2025. Its Work Report has first time emphasized and written out to stabilize both the real estates and stock markets so as to promote a healthy development in the long run. These factors would help strengthening and restoring investors' confidence on the Hong Kong Stock Market.

Looking ahead, the Group will continue to manage our lending portfolios on a balance of risk and return. The Company will keep improving its market positioning in our overall management and maintained a healthy financial position. The Company will adopt a cautious strategy to exploring new business or services while concentrating on and diversifying its service offerings. In September 2024, the Group has succeeded in granting the Type 9 – (Asset Management) licence of the Securities and Futures Commission.

In addition, the Company is actively exploring opportunities in the virtual asset industry, including evaluating the potential uplift of its virtual asset trading platform license, with a view to expanding its presence in the digital finance ecosystem. In December 2024, the Group has planned to form a joint venture to operate a digital asset business in virtual real estate.

The Company is also elaborating on business opportunities in the receivables collection and disposal industry, aiming to capture growth potential in this niche yet essential financial service area.

In the meantime, the Company will focus on enhancing its operational efficiencies and fostering stronger relationships with its clients. By prioritizing customer satisfaction and innovative solutions, we aim to solidify our position in the market and ensure sustainable growth.

Corporate Governance Report

Good corporate governance practices improve the transparency of the Company, optimize the Company's performance, and help to enhance stakeholders' confidence and support. The board of directors (the "Board") of the Company is committed to achieve good corporate governance practices and procedures. During the year under review, the Company has adopted and complied with the code provisions prescribed in the establishment and implementation of the Corporate Governance Code ("CG Code") as set out in Appendix C1 of the Corporate Governance Code of the main board listing rules by the Stock Exchange of Hong Kong Limited to ensure that the Company's business operations are operated and regulated in a proper manner. The Company will continuously review its corporate governance practices so as to enhance its corporate governance standards, comply with the increasingly complicated regulatory requirements, and meet with the rising expectations of the shareholders and respective investors.

Corporate Culture

Our goal is to sustain and develop our Company to become a prestigious integrated financial services provider by providing services with conscience, honesty and integrity. "Our collaborative team's agility, hard work, and dedication are the foundation of our success." We cultivate an environment that values openness, equity, morality, and an unrelenting commitment to acting in the best interests of our Company in long term.

Chairman and Chief Executive

According to CG Code provision A.2.1, the roles of chairman and chief executive shall be kept separate and not undertaken by the same individual. Mr. Zhu Zheping ("Mr. Zhu") was named the Chairman of the Company on 15 September 2023 while Mr. Lee Chun Tung ("Mr. Lee"), joined in September 2022, was assigned for the executive Director and chief executive officer of the Company. Mr. Zhu serves as the figurehead, focusing on the overall strategy of the Company. Mr. Lee's primary responsibilities include identifying new business possibilities as well as overseeing the Company's operations and administration. The chairman and CEO perform separate functions. Their roles are clearly defined and established. The chairman oversees the Board of Directors and acts in the best interests of the company's future. Executive Directors make decisions, which are occasionally addressed with management prior to execution. The Board feels that this model allows the Company to make decisions, operate, and carry out follow-up actions rapidly. This arrangement can help the Company achieve its goals more efficiently and effectively in response to a changing environment. The Board also believes that the Company already has a solid corporate governance structure in place to ensure successful management and operation of the Company.

(PS: On 26 February 2025, Mr. Zhu Zheping was redesignated to act as co-chairman of the Company. Mr. Shi Zhu was also acted as co-chairman of the Company.)

The Board

During the period, the Board has been redesigned and now consists of * three executive Directors, two non-executive Directors and three independent non-executive Directors with a variety of experience and skills. The Composition of the Board ensures a balance of skills and experience appropriate to the requirements of the development of business and exercising fiduciary duties for the Company. All the Directors of the Board have been employed with their own specific terms, unless terminated earlier by either side by giving not less than three months' prior written notice and subject to retirement by rotation and re-election at the Company's AGM. Their brief biographical particulars and their relationship among the Board are set out on page 40 of this annual report. Pursuant to the requirement of the Listing Rules, the Company has reviewed and received written confirmation from each independent non-executive Director of his independence for an annual review. During the year 2024 under review, the Company considered that all independent non-executive Directors were independent in accordance with the independence guidelines set out in the Listing Rules.

Executive Director

The Board is currently composed of three executive Directors, who can benefit and contribute to the Company based on their experience, skillset, and expertise. Our executive Directors are responsible for the Group's operation, marketing and executing the strategies adopted by the Board. They make sure that an appropriate internal control system is in place and that the Group's operations are comply with applicable laws and regulations. While Mr. Lee is an expert in the money lending industry, Mr. Zhu Zheping, Mr. Li Dapeng and Ms. Liu Yundi all have strong relationships and extensive experience doing business with entrepreneurs and companies in China.

* Mr. Li Dapeng ("Mr. Li"), was resigned on 10 January 2025

Corporate Governance Report

Executive Director's Fees and Commencement Date

Name	Annual Director's Fees HK$'000	Commencement Date of Employment
Mr. Lee Chun Tung	240	14 September 2022
Mr. Zhu Zheping	320	15 September 2023
Mr. Yan Ximao @	359	10 August 2023
Mr. Li Dapeng #	60	1 November 2024
Ms. Liu Yundi	13	12 December 2024

@ resigned on 30 December 2024
# joined on 1 November 2024 and resigned on 10 January 2025

Non-Executive Director

A non-executive Director is a member of a company's Board who does not hold an executive office. To replace Mr. Yau Tung Shing as non-executive Director of the Company, Mr. Lau Chun Hung ("Mr. Lau") is employed as non-executive Directors on 30 December 2024 for an initial fixed term of three years and is a registered representative under Type 6 (corporate finance) under the SFC's regulated activity. Mr. Lau also acts as one of our authorized representatives of the Company. Beside Mr. Lau, Mr. Shi Zhu is employed as non-executive Director on 30 December 2024 for an initial fixed term of one year. Mr. Shi Zhu has enriched China business experience and directorship of listing companies in Hong Kong.

Non-executive Director's Fees and Commencement Date

Name	Annual Director's Fees HK$'000	Commencement Date of Employment
Mr. Yau Tung Shing (*)	239	2 September 2022
Mr. Lau Chun Hung ($)	1	30 December 2024
Mr. Shi Zhu ($)	1	30 December 2024

(*) resigned on 30 December 2024
($) joined on 30 December 2024

Independent Non-Executive Directors

During the year, the existing three independent non-executive Directors have joined the Company for the third year. The commencement dates of the independent non-executive Directors are as follows:

Independent Non-Executive Directors' Fees and Commencement Date

Name	Annual Directors' Fees HK$'000	Commencement date of Appointment
Mr. Lau Kelly	144	2 September 2022
Mr. Wong Chun Peng Stewart	144	7 September 2022
Mr. Cheng Man Pan	144	14 November 2022

Corporate Governance Report

Mr. Cheng Man Pan, possesses the appropriate professional qualifications, or accounting or related financial management expertise as required under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules. Mr. Wong Chun Peng Stewart is a qualified solicitor in Hong Kong with extensive experience in businesses both in Hong Kong and China. Mr. Lau Kelly has enriched his experience in anti-corruption and anti-money-laundering crime. All independent non-executive Directors bring their wealth of experience to the Board and serve the important function of advising the management on strategy development to ensure that the Board maintains high standards in financial and other mandatory reporting as well as providing adequate checks for safeguarding the interests of the shareholders and the Company as a whole. Except as otherwise disclosed in this annual report, none of the independent non-executive Directors have any business or financial interests with the Company and all independent non-executive Directors confirmed their independence to the Group as at 31 December 2024 in accordance with Rule 3.13 of the Listing Rules.

Board Diversity Policy

Pursuant to the CG Code provision B.1, the Board has adopted a board diversity policy with diversity of skills. The Company recognizes and embraces the benefits of having a diverse Board. All nominations to the Board are made on merits and candidates will be evaluated based on the Board's objective standards while taking into account the advantages of the Board's diversity. On 12 December 2024, the Company engaged Ms. Liu Yundi as an executive Director to work with other Directors to avoid a single gender Board. Listing Rule 13.92 requires a listing Company to have a policy concerning the diversity of board Members. The Company acknowledges the importance of mixed gender diversity for sustainability and long-term prospects and will continue to abide by this regulation.

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 Rule 3.21 and Appendix C1 of Listing Rules. The Audit Committee currently consists of all the three Independent non-Executive Directors ("INEDs"), namely Mr. Cheng Man Pan, Mr. Lau Kelly and Mr. Wong Chun Peng Stewart. Mr. Cheng Man Pan is the chairman of our Audit Committee. 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 provide advices 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.

During the year 2024, the Audit Committee held three meetings to review and assess our risk management and internal control management functions of the Group. It has also reviewed, assessed and comment on our interim and consolidated final results. The preparation of the consolidated results is in compliance with applicable accounting principles and practices adopted by the Company and the requirements of the Stock Exchange of Hong Kong Limited, and adequate disclosure had been made.

Nomination Committee

The Company has established a nomination committee (the "Nomination Committee") with specific written terms of reference in line with the Rule 3.27A and Appendix C1 of Listing Rules. The Nomination Committee consists of three members comprising all three INEDs, namely Mr. Lau Kelly, Mr. Wong Chun Peng Stewart and Mr. Cheng Man Pan respectively. Mr. Lau Kelly is the chairman of the Nomination Committee. The primary duties of our Nomination Committee are mainly (i) to review the structure, size, composition and diversity of the Board on a regular basis; (ii) to identify individuals suitable to become Board members; (iii) to assess the independence of INEDs; (iv) to make recommendations to the Board on matters relating to the appointment or re-appointment of directors; and (v) to make recommendations to the Board regarding the candidates to fill vacancies of our Board. When identifying suitable director candidates, and making recommendation to the board, the Nomination Committee would take into consideration of various candidates in views of his/her background of education, experiences, expertise with the industry and his/her past directorships. During the year under review, the Nomination Committee had reviewed the structure, size, composition and diversity of the Board. The Nomination Committee will continue to review the necessity of more competent staff to join in the expansion of the Group.

Corporate Governance Report

Remuneration Committee

Pursuant to the Rule 3.25 and Appendix C1 of Listing Rules, the Company has set up a remuneration committee (the "Remuneration Committee") with establishing authority and duties under its specific terms of reference. The Remuneration Committee consists of three members comprising three INEDs, namely Mr. Cheng Man Pan, Mr. Wong Chun Peng Stewart and Mr. Lau Kelly respectively. Mr. Cheng Man Pan is the Chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are mainly (i) to review and make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; (ii) to review other remuneration matters, including benefits in kinds and other compensation payable to our Directors and senior management; and (iii) to review performance based remunerations and to establish a formal transparent procedure for developing policy in relation to remuneration. During the year, the Remuneration Committee has reviewed and revised the remuneration package of the Directors of the Company.

During the year, the attendance of each member of the above committees meetings and the board meetings are recorded as below:

Directors/Board Committees^	AGM	*Board Meetings	Audit Committee	Remuneration Committee	Nomination Committee
Mr. Zhu Zheping	1/1	11/11	–	–	–
Mr. Li Dapeng (^)	–	3/3	–	–	–
Mr. Yan Ximao (#)	1/1	9/10	–	–	–
Ms. Liu Yundi (@)	–	2/2	–	–	–
Mr. Yau Tung Shing (#)	1/1	10/10	M (3/3)	M (3/3)	M (3/3)
Mr. Lee Chun Tung	1/1	11/11	–	–	–
Mr. Shi Zhu ($)	–	1/1	–	–	–
Mr. Lau Chun Hung ($)	–	1/1	–	–	–
Mr. Lau Kelly	1/1	11/11	M (3/3)	M (3/3)	C (3/3)
Mr. Wong Chun Peng Stewart	1/1	11/11	M (3/3)	M (3/3)	M (3/3)
Mr. Cheng Man Pan	1/1	11/11	C (3/3)	C (3/3)	M (3/3)

(^) appointed on 1 November 2024 and resigned on 10 January 2025

(#) resigned on 30 December 2024

(@) appointed on 12 December 2024

($) appointed on 30 December 2024

(-) not applicable

Notes:

C – Chairman of the relevant Board committee
M – Member of the relevant Board committee

* The Board had also obtained consents/approval of the Board by way of written resolutions on resolving on a number of matters.

Corporate Governance Report

Auditor's Remuneration

BDO Limited provided services in respect of the audit of the Company's consolidated financial statements which were prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the year ended 31 December 2024.

The analysis of the auditor's remuneration for the financial year under review is presented as follows:

Fee Amount	HK$'000
Audit Services	734
Non-audit Services	–
Total	734

The statement of the auditor regarding their reporting responsibilities for the financial statements is set out in the Independent Auditor's Report on pages 70 to 74 of this Annual Report.

Remuneration Policy

The remuneration of the executive directors is subject to review by the Remuneration Committee and their remuneration is determined with reference to the Directors' qualifications, experience, duties, responsibilities and performance and results of the Company. The Group's remuneration policies are in line with prevailing market practice. The Group's employees are remunerated according to their performance, working experience and market conditions. During the year 2024, the Group recorded 23% (2023: 38%) turnover rate with 5 employees left (2023:5) and an additional 11 new employees (2023:4) joining the Group. As at 31 December 2024, the Group had 27 employees, compared to 16 in 2023. Apart from basic salaries, other staff benefits include discretionary bonus, provident funds and medical scheme.

Sufficiency of Public float

Based on the information that is publicly available and within the knowledge of the Directors of the Company, the Company has maintained sufficient public float of 25% issued shares under the Listing Rules 8.08 as at the latest practicable date and prior to the issue of this report.

Environmental, Social and Governance Report ("ESG")

We have envisaged and adopted the Environmental, Social and Governance Reporting Code of the Listing Rules (Appendix C2) in the writing of our reports. Please refer to pages 51 to 69.

Non-Competition Undertaking

Details of the Non-Competition Undertakings are set out in the section headed "Relationship with our Controlling Shareholders" of the Prospectus. None of the Directors or Controlling Shareholders or their respective close relatives had any interests in a business which competes or is likely to compete either directly or indirectly, with the business of the Group, nor any other conflict of interest which any such person has or have with the Group.

Directors' Securities Transactions

The Company has adopted Appendix C3 Model Code for Securities Transactions by Directors of Listed Issuers for dealing in securities of the Company (the "Required Standard of Dealing"). Following specific enquiries to all the Directors, each of them have confirmed that they have complied with the Required Standard of Dealings throughout the year 2024. The Company has not been notified of any incident of non-compliance during such period.

Corporate Governance Report

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

During the year ended 31 December 2024, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the listed shares of the Company.

Directors' Training and Professional Development

It is mandatory for all newly appointed directors of the Company to seek legal advice from a Hong Kong-qualified solicitors firm regarding the Exchange Listing Rules requirements that apply to them as directors of listed issuers and the potential repercussions of providing false information or making a false declaration to the Exchange. In accordance with main board Listing Rule 3.09D, both Mr. Li Dapeng and Ms. Liu Yundi were provided an introduction briefing by a solicitor on 13 November 2024 and 19 December 2024 respectively. They have subsequently held meetings with the management and fellow directors to help them comprehend the business operations of the Company and carry out their directors' duties.

Pursuant to the Code Provision C.1.4 under Appendix C1 of the Listing Rules, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Reading materials on relevant topics are sent to the directors where appropriate. All directors and employees are encouraged to attend relevant training courses to keep abreast of the latest market and regulation changes. All directors confirmed that they had attained the Continuous Professional Training ("CTP") during the Year.

Anti-Money Laundering & Corruption

The Company applies a high ethical standard in conducting its business and has adopted industry good practices in anti-money laundering, combating finance of terrorism, anti-bribery and anti-corruption. Any form of payment, gift or offer in the form of a bribe or corrupt act under respective laws and regulations are strictly prohibited.

Risk Management and Internal Control

The Group's principal businesses are exposed to two major types of business risks, namely financial and non-financial risks. Financial risks include liquidity risk, credit risk, market risk and operational risk, whereas non-financial risks mainly cover legal and compliance risks. The Company has developed its systems of internal control and risk management for its needs and to mitigate the risks. Both the Directors and management have periodically (at least annually) assessed and reviewed the effectiveness of the Group's internal control system, including, in particular, credit, financial, operational and compliance controls and risk management functions to assure that it is adequate to protect the interests of all stakeholders. A formal policy has been established in light of business risk, and it offers clear guidance on practical considerations for setting credit lines, trading limits, concentration limits, and procedures for investigating possible breaches. The policy also addresses the quality, liquidity, and volatility of securities collateral, as well as the credit worthiness of clients. In order to quickly detect and reduce risk exposure, a credit committee has been established to oversee and administer a strong control structure that includes stress testing, credit risk analysis, and collateral assessment. It is important for the management to regularly update the Directors on significant advancements in their field of expertise as well as the execution of the Board's policies and strategies. Any deficiency of individual client's pledged securities or collaterals, it may prompt follow up actions on margin calls, request repayment, portfolio diversification request, liaise with the margin clients on various solutions or any other actions senior management deems essential. For non-financial risks, the management ensures our Group's compliance is in line with relevant rules and regulations and to oversee and rectify internal control matters.

The Company conducted an annual review for the need of setting up an internal audit department. Given the Company's simple operating structure, it was decided by the Board that the Board be directly responsible for the internal control system of the Company and for reviewing its effectiveness. The board is of the view that the Group's risk management and internal control systems is effective and adequate.

Corporate Governance Report

The management has consequently reviewed, revised and improved our risk and internal control systems. The Board has considered that our current risk management and control systems to be effective and adequate. The Board will conduct periodically reviews so as to improve the risk management and internal control systems.

Investors' Relations

The Company has encouraged two ways of communications with both its investors and shareholders. Extensive information about the Company's activities is provided in our interim and annual reports which are sent to the shareholders. Enquiries from individuals on matters relating to their shareholdings or the business of the Company are welcomed and are dealt with in an informative and timely manner. In order to promote effective communication, the Company maintains its website on which financial and other information relating to the Group and its business are disclosed.

The Board's review of the implementation and effectiveness of the shareholders' communication policy conducted is satisfied during the year. There is no significant changes in the Company's constitutional documents during the year at end of 31 December 2024.

Shareholders' Rights to Nominate a Director

If a shareholder of the Company (the "Shareholder") wishes to propose a person other than a director, (the "Director") for election as a new Director of the Company, the Shareholder must send a written notice (the "Notice") to the principal place of business of the Company in Hong Kong at Room 1807, 18/F., China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong, or the branch share registrar of the Company, Tricor Investor Services Limited ("Share Registrar"), at 17/F, Far East Finance Centre, 16 Harcourt Road, Central, Hong Kong, for the attention of the company secretary of the Company (the "Company Secretary").

The Notice must state clearly the name, the contact information of the Shareholder and his/her/their shareholding, the full name of the person proposed for election as a Director, and the person's biographical details. Such Notice must be signed by the Shareholder concerned (other than the person to be proposed), accompanied by a letter of consent (the "Letter") signed by the person proposed to be elected on his/her willingness to be elected as a Director.

The period for lodgment of the Notice and the Letter will commence no earlier than the day after the despatch of the notice by the Company of the general meeting arranged for election of Directors and end no later than seven (7) days prior to the date of such general meeting.

The Notice will be verified by the Company's branch share registrar and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Nomination Committee and the Board to consider to include the resolution in the agenda for the general meeting proposing such person to be elected as a Director.

Shareholders' Rights on Convening an Extraordinary General Meeting

Pursuant to article 64 of the Articles of Association of the Company, any one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company and carrying the right of voting at general meetings of the Company, shall at all times have the rights, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requested shareholder(s) ("Requested Shareholders") himself/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the Requested Shareholders as a result of the failure of the Board shall be reimbursed by the Company.

Corporate Governance Report

Enquiries to the Board

Shareholders may send an enquiry to the Company's Company Secretary who is responsible for forwarding communications relating to the Board or ordinary business matters, such as suggestions, inquiries and complaints, to the Directors of the Company, provided that such information is publicly available. Shareholders may also send their enquiries to our enquiry email at enquiry@pinestone.com.hk or send them directly to our office at Room 1807, 18/F., China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong.

Putting forward proposals at a general meeting

Shareholders are welcomed to put forward proposals relating to the operations and management of the Group to be discussed at shareholders' meeting. Proposal shall be sent to the company secretary at our office or the Share Registrar "Tricor Investor Services Limited" at the abovementioned address of the Company by written requisition. Shareholders who wish to put forward a proposal should convene an extraordinary general meeting by following the procedures set out in "Shareholders' Rights on Convening an Extraordinary General Meeting" above.

Directors' Responsibility

The Directors acknowledge their responsibilities for preparing the financial statements of the Company are to give a true and fair view and comply with the Listing Rules Appendix C1 D.1.3., HKFRS, other regulatory requirements and accounting standards. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern as at 31 December 2024. Accordingly, the Directors have prepared the consolidated financial statements for the year ended 31 December 2024 on a going concern basis.

Biography of Directors and Senior Management

Chairman

Mr. Zhu Zheping ("Mr. Zhu"), aged 64, has been appointed as the Chairman and Executive Director of our Company on 15 September 2023. He is primarily responsible for formulating the corporate strategy, managing the Group's overall business development and client referrals. Mr. Zhu has a variety of expertise in the fields of biotechnology, real estate development, agricultural machinery, sales and business development. From April 2019 to October 2022, Mr. Zhu served as general manager of Shenzhen C.B.H. Biological Engineering Company Limited. From February 2013 to February 2019, Mr. Zhu acted as deputy general manager of Taizhou Xinzhong Real Estate Company Limited. From January 2001 to January 2013, Mr. Zhu served as sales manager of Zhejing Huangyan Yannian Melatonin Company Limited. In May 2023, Mr. Zhu was granted a Master degree in Business Administration from Asia Metropolitan University in Malaysia.

Vice Chairman

Mr. Li Dapeng, ("Mr. Li"), aged 69, has been appointed as the Vice Chairman and Executive Director of our Company on 30 November 2024. Mr. Li graduated from University of Science and Technology Beijing (formerly Beijing Steel Institute) with a Bachelor degree in Computing and a Master degree in Engineering and the University of Cincinnati with a PhD degree in Computer Engineering. He possesses extensive experience relating to system development in capital market. Mr. Li is currently an independent non-executive director of China Energine International (Holdings) Limited (Stock Code: 1185) since 10 November 2015. Mr. Li had been the chief architect with New York Mercantile Exchange during the years 2001 to 2003; chief information officer, and chairman of technology management committee with Shanghai Futures Exchange during the years from 2003 to 2010; CEO and founder of Shanghai Global Financial Technology during the years 2010 to 2012; senior adviser to CEO with the Hong Kong Exchanges and Clearing Ltd. during the period from March 2013 to May 2015.

(PS: Mr. Li was resigned on 10 January 2025 due to his personal health issue, He would like to devote more time to his family, delicate with his other business and interests.)

Executive Directors

Mr. Lee Chun Tung ("Mr. Lee"), aged 53, was appointed as an executive Director on 14 September 2022. Mr. Lee has over 20 years of experience in investment banking, financial services and securities companies. Mr. Lee obtained his Master's degree of science in financial engineering from City University of Hong Kong in 2007 and the Bachelor's (Honour) degree in accounting and finance from Manchester Metropolitan University in 1994. Mr. Lee is currently under the employment of Woso Finance Limited as Business Development Manager since June 2022 and Mr. Lee has been appointed as an independent non-executive Director for China Uptown Group Company Limited (whose shares are listed on main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 2330)) since June 2022.

Ms. Liu Yundi ("Ms. Liu"), aged 43, has been appointed as an Executive Director of our Company on 10 December 2024. She has extensive experience in electronic information technology and corporate marketing management. She has also served as the chairman of few enterprise management companies in China.

Biography of Directors and Senior Management

Non-Executive Directors

Mr. Lau Chun Hung, ("Mr. Lau"), aged 28, was appointed as a non-executive Director and one of the authorized representatives of the Company on 30 December 2024. Mr. Lau has extensive years' experience in corporate finance, IPOs, privatizations, and mergers and acquisitions across various ventures and projects, with a deal portfolio encompassing listed companies in Hong Kong and the United States. He is also a licensed person registered under the SFO (Chapter 571 of the Laws of Hong Kong) to conduct Type 6 (advising on corporate finance) regulated activity. Since November 2024, he has served as the responsible officer for Type 6 (advising on corporate finance) regulated activity at Silverbricks Securities Company Limited, a licensed corporation registered under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), and Type 6 (advising on corporate finance) regulated activities. Mr. Lau earned his bachelor's degree in Economics from the Chinese University of Hong Kong in December 2018. Prior to joining the Company, Mr. Lau was (i) a licensed representative of VBG Capital Limited, a licensed corporation registered under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, from February 2019 to April 2023; and (ii) a licensed representative of Silverbricks Securities Company Limited from June 2023 to November 2024.

Mr. Shi Zhu, ("Mr. Shi"), aged 56, has been appointed as a non-executive Director on 30 December 2024. Mr. Shi obtained his first Bachelor's degree in Arts, majoring in English, from the Anhui Fuyang Teachers' University in the PRC in July 1989 and his second Bachelor's degree in laws, majoring in Journalism, from the Communication University of China in July 1993. Mr. Shi worked at the Ministry of Commerce of the PRC for over 15 years. From November 1993 to May 2000, Mr. Shi served various positions including front-page editor as well as deputy chief editor and chief editor of the English version of International Business Monthly under International Business Daily, a publishing entity under the Ministry of Commerce of the PRC. Mr. Shi was appointed by the Ministry of Commerce of the PRC to work at the Embassy of the PRC in New Zealand where he acted as the Commercial Consul and was in charge of economic and commercial affairs from June 2000 to December 2000. Mr. Shi was the director of BOCHK Wealth Achieve Fund Series SPC, a serial investment fund company wholly owned by BOCHK Asset Management Limited from May 2017 to January 2021. Since 12 December 2017, Mr. Shi has been an independent non-executive director of Hua Lien International (Holding) Company Limited (Stock Code: 969). Since 6 August 2021, Mr. Shi has been an independent non-executive Director of Capital Realm Financial Holdings Limited (Stock Code: 204).

Biography of Directors and Senior Management

Independent Non-Executive Directors

Mr. Lau Kelly, aged 46, was appointed as an independent non-executive Director on 2 September 2022. He has more than 11 years of experience in business management and regulatory compliance. He has worked with the Hong Kong Police Force for twelve years between December 1998 and July 2010, receiving commendations from Secretary of Civil Service and Secretary of Home Affairs for highly rated performances during his tenure. Subsequently, Mr. Lau worked with Easy Finance Limited as principal consultant between May 2011 and October 2015, responsible for all regulatory and legal compliances. Mr. Lau was also an executive director, chief executive officer, compliance office and authorized representative for hmvod Limited, a company listed on the GEM of the Stock Exchange of Hong Kong Limited (stock code: 8103) between December 2015 and December 2020.

Mr. Wong Chun Peng Stewart, aged 58, was appointed as an independent non-executive Director on 7 September 2022. Mr. Wong has more than 27 years of experience in the legal industry. Mr. Wong worked at Deacons Graham & James as a trainee solicitor from August 1993 to July 1995 and became an associate solicitor in the China Practice Group from August 1995 to December 1996. Mr. Wong was qualified as a solicitor of the High Court of Hong Kong in September 1995. Mr. Wong has practised law in a number of international firms such as Deacons (posting as a representative in Beijing, the PRC) from September 2002 to March 2005, Baker McKenzie from January 2007 to July 2009 and Hogan Lovells from February 1999 to March 2002, and has worked as in-house counsel in two listed companies in Hong Kong, namely Dickson Concepts (International) Limited, which is listed on the Main Board of the Stock Exchange (stock code: 0113) and Samsonite International S.A., which is also listed on the Main Board (stock code: 1910), from August 2009 to May 2013 and May 2013 to January 2016, respectively. Mr. Wong also practised as a consultant in law firms such as YTL & Co. from February 2017 to July 2018 and AH Lawyers from April 2020 to September 2020. Mr. Wong has been a principal of Stewart Wong & Associates, which is a law firm where he has been involved in the provision of a wide array of legal services, including mergers and acquisitions, litigation and general commercials. Mr. Wong graduated from the City Polytechnic of Hong Kong (currently known as the City University of Hong Kong) with a bachelor's degree of law with first class honours in November 1991. He also obtained his master's degree in law from the University of Cambridge in England in June 1993.

Mr. Cheng Man Pan, aged 55, was appointed as an independent non-executive Director, on 14 November 2022. Mr. Cheng worked at KPMG Peat Marwick as audit supervisor from September 1992 to June 1996. He has worked at CCT Telecom as a senior project manager from December 1997 to March 1998. Mr. Cheng has worked as a chief financial controller in Celestial Asia Securities Holdings Limited (whose shares are listed on mainboard of the Stock Exchange (stock code: 1049)) from March 1998 to June 2004. He has worked as a chief operating officer and a executive Director for CASH Financial Services Group Limited (whose shares are listed on mainboard of the Stock Exchange (stock code: 510)) from June 2004 to April 2008, then he was served under CASH Financial Services Group Limited as a managing director of retail business group and executive Director for CASH Financial Services Group Limited from May 2008 to June 2011. He also worked as a managing director of China business development and executive Director from July 2011 to September 2012 and practiced as a managing director of investment services and executive Director from October 2012 to December 2013 for CASH Financial Services Group Limited. Mr. Cheng was a director of Maroubra Assets Limited from December 2014 to June 2021. He becomes a founder and managing director of Macqueen Asset Management Limited, a licensed corporation registered under SFO to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities, starting from June 2021 to now. Mr. Cheng obtained his bachelor's degree in Accounting in 1992 from City University of Hong Kong and his executive master's degree of Business Administration in 2013 from the Chinese University of Hong Kong.

Biography of Directors and Senior Management

Senior Management

Mr. Lee Tai Tong, aged 52, joined our group in October 2022 and has acted as a Responsible Officer of Pinestone Securities Limited since November 2022. Mr. Lee has been licensed by SFC to carry out Type 1 (dealing in securities) regulated activity since June 1997. Mr. Lee has over twenty years of experience in the securities industry. He had worked at National Resources Securities Ltd., Magusta Securities Ltd., First Shanghai Securities Ltd., and Ewarton Securities Ltd. He previously held executive positions or served as a director at 8 Securities Ltd. (SoFi HK) and Prior Securities Ltd. He is responsible to liaise with SFC, directs and oversees the overall operations of the type 1 regulated activity. He earned a Bachelor of Commerce degree at Saint Mary's University of Canada in 1994.

Miss Cheung Ka Yi, aged 34, has joined as a Director of Pinestone Securities Limited since September 2022. She has assumed management position in the company's administration, operation and control. She is also a key member of the credit committee. In 2013, she earned a BSc (Hons) in Investment Science from Hong Kong Polytechnic University. Upon graduation, she had taken executive positions with World Universal (International) Limited, and the Hong Kong Monetary Authority previously.

Company Secretary

Mr. Choi Pun Lap ("Mr. Choi"), aged 47, has been employed as a Joint Company Secretary of the Company from 21 October 2024. Mr. Choi is an executive director of Simplicity Holding Limited (stock code: 8367), Wuxi Life International Holdings Group Limited (stock code: 8148) and Zhejiang United Investment Holdings Group Limited (stock code: 8366), all are listed on the GEM. He is an independent non-executive director of Sunway International Holdings Limited (stock code: 58) which the issued shares are listed on the main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and he is also an independent non-executive director of Shanyu Group Holdings Company Limited (stock code: 8245), which is listed on the GEM. Mr. Choi was a financial controller of a company which is listed in GEM in 2019 and he was a senior audit manager in the audit department of HLB Hodgson Impey Cheng Limited ("HLB") in Hong Kong. He has worked in HLB for more than ten years from February 2007 to December 2017. Mr. Choi is a valuation practitioner of International Association of Certified Valuation Specialists since 2019. He is a fellow member of Hong Kong Institute of Certified Public Accountants, a member of Certified Practising Accountants Australia, a member of Chartered Global Management Accountant and a member of International Chamber of Sustainable Development — Certified ESG Planner CEP®. Mr. Choi graduated from Hong Kong Metropolitan University with a Master of Law (Chinese Business Law) in Hong Kong in 2017. He obtained a Bachelor of Business (Accounting) from Central Queensland University in Australia in 2003 and further studied Postgraduate Diploma of Accounting in Monash University in Australia in 2005. Mr. Choi is a fellow member of the Hong Kong Institute of Certified Public Accountants.

Mr. Au Kin Kee Kinson, aged 60, joined our Group in November 2015 as our Director of Finance and Company Secretary. His major responsibilities are to review the finance and accounting functions and oversee financial reporting matters of our Group. Mr. Au has over fifteen years of experience in the securities industry. He worked in OSK Asia Securities Limited from September 1992 to April 1997. His last position was research manager. He joined Asia Financial (Securities) Limited as research manager from June 1997 to June 2015. He then joined Gartner Inc. as client relationship manager from June 1997 to June 2015. Mr. Au is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrator. According to the requirements of Rule 3.29 of the Listing Rules, Mr. Au undertook no less than 15 hours of relevant professional training during the year ended 31 December 2023.

Directors' Report

The Directors are pleased to present their report and the audited consolidated financial statements of the Pinestone Capital Limited (the"Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2024.

Principal Activities

We provide a range of financial services which are tailor-made to suit the needs of each of our clients, both individual and corporate. Our revenue is primarily derived from (i) commission from our brokerage services; (ii) interest from our securities-backed lending including margin financing and money lending services; and (iii) commission from our placing and underwriting services.

Corporate Reorganisation

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability on 14 January 2015. Pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the subsidiaries now comprising the Group on 12 May 2015. Details of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure" section to the Company's prospectus. The Company issued and placed 120,000,000 new shares of HK$0.01 each at a subscription price of HK$0.50 per share. The Shares of the Company were listed on GEM of the Stock Exchange with effect on 12 June 2015. On 15 March 2016, the Company held a stock split of 10-for-1 shares as to increase the liquidity of the shares of the Company. On 2 June 2016, the Company placed 110,000,000 new shares at the placing price of HK$0.55 each to raise approximately HK$60.5 million. On 8 June, 2017, the Company successfully transferred from GEM to list its shares to trade on the Main Board of the Stock Exchange. On 21 October 2022, the Company underwent a 20-for-1 shares consolidation to comply with the trading requirements at the extremities under the Listing Rules and reduce the overall transaction and handling costs of dealings in the Shares. On 8 November 2022, the Company placed 45,118,900 new shares of HK$0.02 each at the placing price of HK$0.32 to raise approximately HK$14.29 million. On 10 July 2023, the Company raised approximately HK$30.46 million (gross) or approximately HK$29.95 million (net) from a rights issue on the basis of one (1) rights share @HK$0.225 per share for every two (2) existing shares. Total issued shares of the Company was 406,070,100 immediately after completion of the rights issue. On 18 December 2024, the Company entered into a placing agreement to which the Company would place, a maximum of 81,210,000 placing Shares issued under the generate mandate to not less than six independent Placees at a price of HK$0.176 per placing share. Total number of issued shares of HK$0.02 each of the Company will be increased to approximately 487,280,100 upon completion of the placing.

Financial Statements and Appropriations

The financial performance of the Group for the year ended 31 December 2024 and the financial position of the Group at that date are set out in the consolidated financial statements from pages 75 to 125 of this annual report.

The Directors do not recommend the payment of final dividend in respect of the financial year ended 31 December 2024 (2023: nil).

The Company did not pay any interim dividend for the first six months ended 30 June 2024 (2023: nil).

Share Capital

Details of movements in the Company's share capital during the year are set out in note 25 to the consolidated financial statements.

Property, Plant and Equipment

Details of movements in the Group's property, plant and equipment during the year are set out in note 15 to the consolidated financial statements.

Directors' Report

Pre-emptive Rights
There is no provision for pre-emptive rights under the Company's Articles of Association and there is no restriction against such rights under the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to the existing shareholders.

Purchase, Sale or Redemption of Listed Shares
During the year ended 31 December 2024, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of its listed shares of the Company.

Reserves
Details of movements in the reserves of the Company and the Group during the year are set out in note 26 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves
As at 31 December 2024, the Company's reserves available for distribution amounted to approximately HK$131 million (31 December 2023: HK$158.0 million). Details of distributable reserve of the Company are set out in note 26 to the Financial Statements.

Directors
The Directors of the Company during the year ended 31 December 2024 and up to the date of this report are:

Chairman
Mr. Zhu Zheping[@] (朱哲平)

Vice Chairman
Mr. Li Dapeng[#] (李大鵬) (appointed on 10 November 2024)

Executive Directors
Mr. Zhu Zheping[@] (朱哲平)
Mr. LEE Chun Tung (李鎮彤)
Mr. Li Dapeng[#] (李大鵬) (appointed on 10 November 2024)
Ms. Liu Yundi (劉雲娣) (appointed on 12 December 2024)
Mr. Yan Ximao (嚴希茂) (resigned on 30 December 2024)

Non-executive Directors
Mr. Lau Chun Hung (劉鎮雄) (appointed on 30 December 2024)
Mr. Shi Zhu[$] (石柱) (appointed on 30 December 2024)
Mr. YAU Tung Shing (邱東成) (resigned on 30 December 2024)

Independent Non-Executive Directors (INEDs.)
Mr. LAU Kelly (劉基力)
Mr. WONG Chun Peng Stewart (黃俊鵬)
Mr. CHENG Man Pan (鄭文彬)

([@] re-designated from Chairman to Co-Chairman on 26 February 2025)
([#] resigned on 10 January 2025)
([$] appointed as Co-Chairman on 26 February 2025)

Directors' Report

Board of Directors and Senior Management

Biographical information of Directors and senior management of the Group are set out from pages 40 to 43 of this annual report.

Directors' Service Contracts

All the Directors have entered into a service contract with our Company for a term of 3 years commencing, which may be terminated by not less than 3 months' notice in writing served by either party to the other and subject to retirement by rotation of directors during the AGM annually.

Permitted Indemnity Provision

During the year, the Company has arranged for appropriate insurance covering Director's and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622, Laws of Hong Kong) when the Directors' Report prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance (Chapter 622, Laws of 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 31 December 2024, none of the Directors and chief executives of the Company and/or any of their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (which has the same meaning as defined in 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.

Directors' Interests in Significant Transactions, Arrangements and Contracts

Save for those disclosed in note 31, there is no transaction, arrangement or contracts of significance in relation to the Group's business to which the Company, or any of its subsidiaries was a party and in which a Director of the Company or an entity with him has or had a material interest, whether directly or indirectly, subsisted at any time during the year 2024.

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 year ended 31 December 2024 as the Company, or any of its subsidiaries or associated corporations, a party to any arrangement which enables the Directors and chief executives of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of acquisition of 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 31 December 2024, substantial shareholders (not being the Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which would be required 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:

Directors' Report

Long positions in the ordinary shares of the Company:

Name of Shareholders	Capacity and nature of interests	*Notes*	Total	Approximate Percentage of the total issued share Capital of the Company[3]
Ultimate Vantage Group Limited	Directly beneficially owned	*1*	96,836,250	23.85%
Capital Realm Financial Holdings Limited	Directly beneficially owned	*2*	49,375,000	12.16%

Note:

1. Ultimate Vantage Group Limited is 100% owned by Mr. Hong Zhaohong, who is the beneficial owner of 96,836,250 shares in the Company. Mr. Hong Zhaohong owned approximately 23.85% of the issued shares of the Company.

2. Capital Realm Financial Holdings Limited is a company listed in the Stock Exchange (Stock Code: 0204).

3. As of 31 December 2024, total issued shares of the Company was 406,070,100.

Save as disclosed above, the Directors and chief executives of the Company are not aware that there is any party who, as at 31 December 2024, had an interest or short position in the shares or underlying shares of the Company which would be required 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

Pursuant to resolutions passed by the shareholders of the Company on 22 May 2015, the shareholders of the Company approved the adoption of a share option scheme (the "Share Option Scheme"). Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period commencing on the listing date, i.e. 12 June 2015 (the "Listing date") and ending on the tenth anniversary of the Listing Date.

The purpose of the Share Option Scheme is a share incentive scheme and is established to (i) motivate the Eligible Participants (including employees, executives, officers of the Group and any advisors, consultants, agents, customers, and such other persons who, in the sole opinion of the board of directors ("Board"), will contribute of have contributed to the Group) for the benefit of the Group; and (ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

Directors' Report

The maximum number of shares in respect of which options under the Share Option Scheme or options under other schemes may be granted is 10% of the shares in issue immediately upon completion of the placing. The Company may refresh this limit from time to time, subject to shareholders' approval and the issue of a circular and in accordance with the Listing Rules to 10% of the shares in issue as at the date of the approval of the refreshed limit. Notwithstanding the foregoing, the refresh limit shall in no event result in the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company exceeding 30% of the shares in issue from time to time. Based on the number of issued shares on the approval date of the refreshed limit on 11 May 2018, the maximum number of shares in respect of which options under the Share Option Scheme or options under other schemes may be granted is 491,000,000 shares, which proposed represents 10.9% of the issued shares of the Company (after deducting the treasury shares). On 21 October 2022, the Company made a share consolidation of 20-for-1 shares. The maximum number of shares in respect of which options under the Share Option Scheme may be granted is consolidated as 24,550,000 shares since then.

In addition, the maximum number of shares in respect of which options may be granted under the Share Option Scheme to any Eligible Participant, shall not, when aggregated with (a) any shares issued upon exercise of options granted under the Share Option Scheme or options under the other schemes which have been granted to the Eligible Participant; (b) any shares which would be issued upon the exercise of outstanding options under the Share Option Scheme or options under other schemes granted to that Eligible Participant; and (c) any cancelled shares which were subject of options under the Share Option Scheme or options under other schemes which had been granted and accepted by the Eligible Participant, in any 12-month period up to the offer date, exceed 1% of the number of shares in issue on the offer date.

The option period in respect of options granted is to be notified by the Board to each grantee within which the options may be exercisable provided that such period of time shall not exceed a period of 10 years commencing on the date upon which the option is deemed to be granted and accepted in accordance with the conditions under the Share Option Scheme.

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the documents constituting acceptance of the option duly signed by the grantee, together with a remittance or payment in favour of the Company of HK$1 by way of consideration for the grant thereof is received by the Company on or before the acceptance date, being a date not later than 30 days after the offer date.

The exercise price in relation to each option offered to an Eligible Participant shall, subject to adjustments arising from capital restructuring, be determined by the Board in its absolute discretion but in any event must be the higher of:

(a) the official closing price of the shares as stated in the daily quotation sheets of the Stock Exchange on the offer date;

(b) the average of the official closing price of the shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the offer date; and

(c) the nominal value of a share.

No option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption.

The existing Share Option Scheme will be expired on 11 June 2025, the Company will apply for a New Share Scheme to replace it.

Directors' Report

Remuneration of Directors, Senior Management and Five Individuals with Highest Emoluments

Details of the emolument of the Directors, senior management and five individuals with highest emoluments are set out in note 11 to the consolidated financial statements.

Competing Interest

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

Related Party Transactions

Details of the related party transactions are set out in note 31 to the consolidated financial statement. These transactions also constitute de minimis continuing connected transactions and exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios, defined in Listing Rules 14A.07 and calculated with reference to each of the Dealing Annual Caps and the Financing Annual Caps on an annual basis, are less than 5.0% (and the annual consideration is less than HK$3,000,000), the transactions contemplated under the Brokerage Service Agreements and the Margin Financing Service Agreements will fall within the exemption under Chapter 14A and be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements.

Confirmation of Independence

The Company has received from each of the independent non-executive Directors an annual confirmation of independence in accordance with Rule 3.13 of the Listing Rules and considers all the Independent Non-executive Directors to be independent.

Dividend Policy

The Company will evaluate its dividend payment each year in light of its financial position, the prevailing economic environment and business performance. The determination of dividends distributions will be made at the sole discretion of the Board after considerations of the Company's operations and earnings, development, cashflows, financial positions, capital and other reserve requirements, surplus and other conditions or factors, which the board deems relevant.

Dividends

The Directors do not recommend the payment of final dividend for the year ended 31 December 2024. (31 December 2023: nil)

The Company did not pay any interim dividend for the six months ended 30 June 2024 (30 June 2023: nil)

Total dividends paid by the Company for the year ended 31 December 2024 were nil (2023: nil.)

Directors' Report

Events After the Reporting Period

On 13 January 2025, the Company successfully completed the placing of a total of 81,210,000 Placing Shares by the Placing Agents to not less than six Placees at Placing Price of HK$0.176 per Placing Share pursuant to the terms and conditions of the Placing Agreement, representing approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares immediately upon completion of the Placing. The net proceeds from the Placing, after deduction of the placing commission and other related expenses, amounted to approximately HK$14.29 million and HK$13.86 million, respectively. The Company intends to use such net proceeds for general working capital of the Group. Upon completion of the placing, the total number of issued shares of the Company has increased to 487,280,100 shares.

Corporate Governance

The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code contained in Appendix C1 to the Listing Rules. A report on the principal corporate governance practices adopted by the Company has set out from pages 32 to 39 of this annual report.

Auditors

The consolidated financial statements of the Company for the year ended 31 December 2024 have been audited by the Company's auditor, BDO Limited, who shall retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting ("AGM"). A resolution for the re-appointment of BDO Limited as auditor of the Company will be proposed at the AGM.

Annual General Meeting

The AGM for the financial year 2024 of the Company is scheduled to be held on 30 May 2025 at Room 1807, 18/F., China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong and a notice of AGM will be published and despatched in due course.

On behalf of the Directors

Lee Chun Tung
Executive Director

Hong Kong, 28 March 2025

Environmental, Social and Governance Report

Introduction

As a Hong Kong based financial institution engaged in securities brokerage, securities backed lending and placing and underwriting business, Pinestone Capital Limited and its subsidiaries (the "Group") are pleased to present this Environmental, Social and Governance ("ESG") Report. This report aims to give our stakeholders a more comprehensive understanding of our practices and performance in the context of ESG.

Statement from the Board

The Group believes that sound ESG governance strategies and practices are the keys to enhancing its investment value, thereby bringing long-term returns for its stakeholders. To further integrate the principal of sustainable business into our business development strategy, our board of directors (the "Board") has been responsible for the evaluation, prioritization and management of ESG-related issues. This year presented challenges as the Group experienced an increase in overall GHG emissions compared to last year. Despite this, we recognize the dedication of our staff across various business units and the implementation of energy conservation measures. As a green company, the Group will continue to encourage employees to lower electricity consumption and revise these energy conservation measures to reduce the GHG emissions in the future.

The health and safety of our employees remains our utmost priority. Our management has been on the alert of any the new pandemic after the COVID-19 epidemic and incorporating various safety measures into the business operations. Periodically, we conducted meetings with the employees in different business lines especially the frontline staffs to evaluate whether the Company's existing safety measures are sufficient. Our internal health guidelines have also been updated regularly. This ensures that the working environment for our staffs are safe and the stable provision of our business operations.

Going forward, the Group will strive to reduce the carbon footprint through implementing other internal ESG controls and adopting ESG risk management measures. In parallel, the Group will strive to further promote the theme of diversity in the workforce.

Scope of Report

The report mainly focused on the securities brokerage, securities-backed lending, placing and underwriting business principally engaged by the Group in Hong Kong.

The scope of disclosure will be expanded gradually to cover all of our operations upon further development of the Group's ESG practices. ESG data from vendors or service providers is not included due to the difficulty of verifying with available resources.

Reporting Period

The information stated in this report covers the period from 1 January 2024 to 31 December 2024 (the "Reporting Period") which aligns with the financial year as the 2024 annual report of the Group.

Environmental, Social and Governance Report

ESG Governance Structure

The structure of ESG governance mainly comprised of two components, namely the Board and the ESG working group (the "Working Group").

The Board holds the overall responsibility for the Group's ESG strategy and reporting, as well as overseeing and managing its ESG-related issues. The Board is also responsible for setting targets and goals. In order to better evaluate, prioritise and manage the Group's ESG-related issues, the Board discusses and reviews the Group's ESG-related risks and opportunities, performance, progress, goals and targets periodically with the assistance of the Working Group. The Board also ensures the effectiveness of ESG risk management and internal control mechanism.

The Working Group is comprised of senior management and core members from different departments with adequate knowledge on ESG. If necessary, the Working Group also engage a third-party consultant for assistance. The Working Group facilitates the Board's oversight of ESG-related issues and has the responsibility for collecting and analysing ESG data, monitoring and evaluating the Group's ESG performance, ensuring compliance with ESG-related laws and regulations, and preparing ESG reports. The Working Group arranges meeting periodically to discuss and review ESG-related issues including but not limited to the effectiveness of current Group's performance, ESG policies and procedures, ESG-related performance, as well as the progress made against the Group's ESG-related goals and targets in terms of sustainable development. The Working Group reports to the Board periodically and assists the Board to discharge its oversight responsibility.

Reporting Framework

This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Code (the "ESG Reporting Code") as set out in Appendix C2 of the Rules Governing the Listing of Securities (the "Listing Rules") on Main Board of Stock Exchange.

Information relating to the Group's corporate governance structure and practices has been set out in the Corporate Governance Report of this annual report.

The Group attaches great importance to materiality, quantitative, balance, and consistency during the preparation for this ESG Report, the Group has applied these reporting principles in the aforementioned ESG Reporting Code as the following:

Materiality: Materiality assessment was conducted to identify material issues during the Reporting Period, thereby adopting the confirmed material issues as the focus for the preparation of this ESG Report. The materiality of issues was reviewed by the Board and the Working Group. Please refer to the sections headed "Materiality Assessment" for further details.

Quantitative: This ESG Report is prepared in accordance with the ESG Reporting Code and the key performance indicators ("KPIs") are disclosed in a quantitative manner. Information regarding the standards, methodologies, assumptions and/or calculation references; and sources of key conversion factors used for KPIs is stated wherever appropriate.

Balance: This ESG Report was prepared based on an objective and impartial manner to ensure that the information disclosed faithfully reflects the overall ESG performance of the Group.

Consistency: The statistical methodologies used in this ESG Report are generally consistent with those used in the previous year for meaningful comparisons. Any changes that may affect comparisons with previous reports will be described in the corresponding sections of this ESG Report.

Environmental, Social and Governance Report

Stakeholders Engagement

The Group strives to create positive values and believes that the interests of all stakeholders must be taken in account in order to strengthen relationship with our shareholders, employees, suppliers, customers, government authorities and the society as a whole.

Our approach to stakeholder engagement is designed to ensure that our stakeholders' perspectives and expectations are fully understood to help define our current and future sustainability strategies.

The Group proactively engaged with the key stakeholder groups in a variety of ways to ensure effective communication of our objective and progress in relation to the following areas of concern:

Major Stakeholder Engaged		Engagement Channel
Internal stakeholders	Investors and Shareholders	• Corporate announcements, circulars and press releases • Interim and annual reports • Investor meetings and annual general meetings
	Employees	• Bulletin Boards • Trainings and team building events • Business meetings and briefings • Annual appraisal meetings
External stakeholders	Suppliers	• Annual evaluation • Conferences, phone calls and emails • Regular Meetings
	Customer	• Daily communication with frontline employees • Customer feedback mechanism • Meetings and correspondences
	Public community	• Volunteering • Charitable activities
	Government and supervisory institutions	• Information disclosures • Major meetings and policy consultations • Institutional visits

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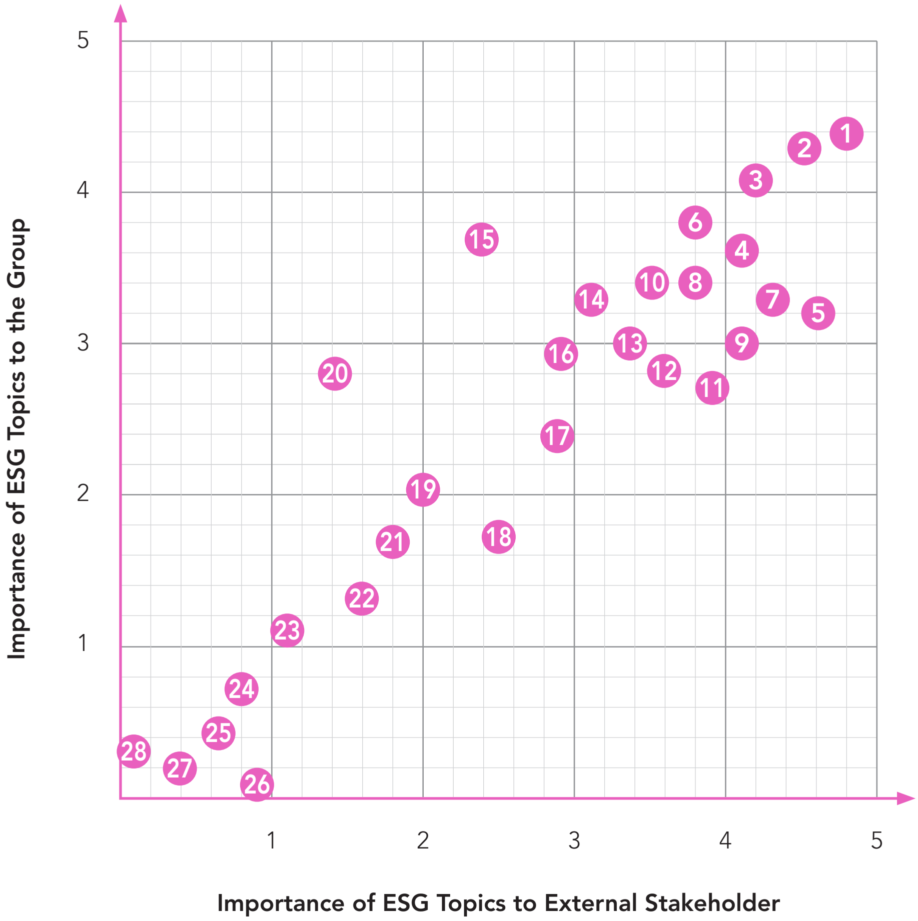
Materiality Assessment

Following the communication with our Working Group, we assessed ESG issues relevant to the Group by considering their importance to our stakeholders as well as the Group. During the Reporting Period, internal and external stakeholders (including senior management, employees and suppliers) had participated in the Group's materiality assessment which were conducted for the purpose of this ESG report.

The result of the materiality assessment is shown below:

Materiality Assessment Matrix



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Item	ESG Topic	Item	ESG Topic
1.	Customer satisfaction	15.	Product health and safety
2.	Customer information and privacy	16.	Employee development and training
3.	Number of concluded legal cases regarding corrupt practices, e.g. bribery, extortion, fraud and money laundering	17.	Cultivation of local employment
4.	Anti-corruption policies and whistle-blowing procedure	18.	Mitigation measures to protect environment and natural resources
5.	Occupational health and safety	19	Marketing communications (e.g. advertisement)
6.	Preventing child and forced labour	20.	Product and service labelling
7.	Anti-corruption training provided to directors and staff	21.	Use of materials (e.g. paper, packaging, raw materials)
8.	Observing and protecting intellectual property rights	22.	Energy use (e.g. electricity, gas, fuel)
9.	Environmentally preferable products and services	23.	Water use
10.	Employee remuneration, benefits and rights (e.g. working hours, rest periods, working conditions)	24.	Climate change
11.	Community support (e.g. donation, volunteering)	25.	Hazardous waste production
12.	Environmental risks (e.g. pollution) and social risks (e.g. monopoly) of the suppliers	26.	Greenhouse gas emissions
13.	Selection and monitoring of suppliers	27.	Non-hazardous waste production
14.	Diversity and equal opportunity of employees	28.	Air emissions

Through the materiality assessment, the material aspects had been identified for the Group, including but not limited to (i) Customer satisfaction, (ii) Customer information and privacy, (iii) Number of concluded legal cases regarding corrupt practices, e.g., bribery, extortion, fraud and money laundering, and (iv) Anti-corruption policies and whistle-blowing procedure. Similar to last year, the identified material aspects revolved around the social and corporate governance area.

Areas of Concern

As far as environmental management is concerned, though businesses of the Group in securities brokerage, securities backed lending, placing and underwriting businesses do not pose significant environmental risks, the Group has actively paid attention to reduce the use of natural resources in operations, and implement environmental control measures wherever practicable to minimise its impact on the environment.

In addition, in carrying out our placing and underwriting business, the Group always pays attentions to cooperate with companies that strive to minimise environmental impact and have good operating practices. The Group also encourages major customers to adopt the same principles and to invest in socially responsible vehicles.

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As a listed and licensed corporation, the Group is mindful of the continuous development of the regulatory environment and have designed and implement a continuous system for collecting information regarding regulatory changes and ensuring that our directors, responsible officers, licensed representatives and other employees attend necessary training programs. This enables the Group to ensure that the employees are well equipped with the necessary industry knowledge, skills and professionalism to perform their duties in accordance with currently accepted practices, and ensure its compliance with the Guidelines on Continuous Professional Training published by the Securities and Futures Commission (the "SFC") pursuant to Section 399 of the Securities and Futures Ordinance, Cap 571 (the "SFO").

The Group has been expanding the securities-backed lending business through margin financing and money lending; the Group has developed proper risk management and good operating practices with a view to (i) work closely with our major customers to help them to understand the risks of margin trading; and (ii) ensure there are no over-lending to the customers and to specific stock collateral and individual borrower.

Stakeholders' Feedback

The Group welcomes stakeholders' feedback on its ESG approach and performance. You are welcomed to provide your suggestions or share your views with the Group through any channel below:

Email: enquiry@pinestone.com.hk
Website: http://www.pinestone.com.hk
Address: Room 1807, 18/F., China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong
Phone: (852) 3728 0828

The following sections provide more information about the Group's practices in the areas of the environment, investment practices, employees' engagement and development, good operating practices and our contribution to the community.

A. Environmental

A1 Emissions

In order to seek long-term sustainability of the environment and to fulfil our social responsibilities, the Group has its policy to manage air and greenhouse gas emissions, energy consumption and waste disposal throughout its daily operations. With the aim of mitigating the direct and indirect environmental impacts caused by the Group's operations, the Group strives to enhance its employees' environmental protection awareness in their daily work practices and actively implements the Group's environmental protection measures.

During the Reporting Period, the Group was not aware of any non-compliance with the relevant laws and regulations that has a significant impact on the Group relating to relevant air and greenhouse gas ("GHG") emissions, discharges into water and land, and generation of hazardous and non-hazardous waste during its daily operations.

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GHG Emissions

The Group has minimal direct GHG emissions to the environment since its primary business is the provision of quality financial services.

During the Reporting Period, the Group's main contribution to the carbon footprint comes from the indirect GHG emissions of electricity consumption, primarily due to the use of office equipment in the workplace, including but not limited to the lighting systems, air-conditionings and office machineries.

Emissions	Units	2024	2023	Percentage Increase (+) or Decrease (-)
Total GHG emissions	tonnes	7.97	7.67	+4%
Total GHG emissions per floor area	tonnes/ft^2	Less than 0.01	Less than 0.01	+4%
Total GHG emissions per employee	tonnes/employee	0.30	0.51	-42%

In 2023 and 2024, the total GHG emissions were approximately 7.67 tonnes and 7.97 tonnes respectively. The increase in GHG emissions between these two years was about 4% or 0.30 tonnes. The GHG emissions for the Group were primarily contributed by the usage of electricity. Since the office floor area remained unchanged during 2024, the percentage in GHG emissions per floor area increased by 4%, which was in line with the percentage change of the total GHG emissions. The total GHG emissions per employee decreased by 42% in the Reporting Period due to the increase of the total number of employees.

With the aim of further developing emission reduction targets in the future, the Group will continue to assess and monitor the GHG emissions and other relevant environmental data regularly.

Hazardous Waste and Non-hazardous Waste

As the Group's primary business is the provision of quality financial services, its business did not produce the production of material amounts of hazardous waste and non-hazardous waste during the Reporting Period.

Although the Group does not generate significant amounts of hazardous waste and non-hazardous waste, the Group has established guidelines on the management and disposal of these wastes. In case there is any hazardous waste produced, the Group would engage a qualified chemical waste collector to handle such waste in compliance with the relevant environmental laws and regulations. For non-hazardous waste, they are preferred to be recycled, otherwise, they are sent for landfill or incineration.

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A2 Use of Resources

The Group has established policy to govern the use of resources in order to achieve higher energy efficiency and reduce the use of unnecessary resources.

Energy Consumption

In order to achieve energy conservation and reduce GHG emissions, the Group has adopted a number of energy conservation measures to ensure the most efficient use of electricity, reduce emission of GHG and demonstrate our determination to protect our environment, including but not limited to the below:

1. Choose energy-efficient appliances, e.g. the use of T8 fluorescent tubes, being one of the most efficient light sources available;

2. Switch off air conditioning and lighting systems after office hours;

3. Advise employees to put their computers in hibernation mode and turn off all other office equipment when not in use;

4. Keep all the doors and windows closed when the air conditioners are in operation; and

5. Encourage teleconferences and internet-meeting practices to avoid unnecessary business travel.

Energy Consumption	Units	2024	2023	Percentage Increase (+) or Decrease (-)
Total energy consumption	kWh	8,754	8,126	+8%
Total energy consumption per floor area	kWh/ft^2	4.98	4.62	+8%
Total energy consumption per employee	kWh/employee	324.22	541.73	-40%

Compared to last year's figures, the Group's total energy consumption have increased by 8%. The total energy consumption per floor area have increased by 8%, which was due to the increase in total energy consumption in 2024 while the total office area remained the same during 2024. The total energy consumption per employee has decreased by 40%, which was due to the increase in the number of employees. The Group will continue to maintain the efficiency of resource utilisation and gradually establish a quantitative target for future electricity usage based on resource utilisation in the current year.

The Group's ability to use energy efficiently can be revealed by its intention and measures for the reductions in energy consumption. Energy consumption has a direct effect on the environmental footprint of the Group, its operational costs, and exposure to certain risks (e.g. fluctuations in energy supply and prices). The Group's policies and measures specific to managing energy use have been stated above. We consider such policies had been adopted and measures had been achieved for the year ended 31 December 2024.

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Water Consumption

As a financial services provider, water is not significant to the Group's business operation. The water consumption level is minimal and is mainly used for employee's rehydration purposes as well as cleaning of the working environment. Additionally, the Group's office is positioned in the prime business distinct in Hong Kong in which the water fee is included in the overall management fees. As a result, the corresponding data is not relevant and not available for calculating the GHG emission as well as setting targets for water efficiency.

Despite this, we have encouraged employees to refer to the water conservation measures issued by the Water Supplies Department to reduce water consumption. In the Reporting Period, the Group did not note any issue in sourcing water for the Group's operation.

Paper Usage

In order to enhance environment protection, the Group has also followed a number of resources saving and efficiency measures to promote paperless office, including but not limited to the below:

1. Encourage employees to reduce the use of paper by assessing the necessity of printing before use;

2. Encourage double sides printing and the use of scrap papers in printing;

3. Use recycled paper for intra-group informal documents and draft papers;

4. Send electronic greetings over email or other forms of electronic applications, such as WhatsApp or WeChat, rather than faxing or writing; and

5. Encourage the shredding and recycling of documents that are no longer needed.

Paper Usage	**Units**	**2024**	**2023**	**Percentage Increase (+) or Decrease (-)**
Total paper consumption	Kilograms (kg)	457.3	396.8	+15%
Total paper consumption per employee	Kilograms (kg)/ employee	16.94	26.45	-36%

During the Reporting Period, there has been an increase in the paper consumption level by 15% from 396.8 kg to 457.3 kg when compared to the previous year. Since the total number of employees increased in 2024, the total paper consumption per employee decreased by 36%. The Group strives to reduce the overall paper consumption level through implementing the above measures.

The major reason associated for the increase in paper consumption level in 2024 was mainly due to the increase of operational demand in the volume of documentation, leading to higher paper usage.

Environmental, Social and Governance Report

The Group will continue to implement the existing resources saving measures and explore new efficiency strategies, and encourage employees to take further actions to reduce paper usage.

Raw Material and Packaging Material
During the Reporting Period, there was no significant raw material or packaging material waste generated in view of the Group's business nature.

A3 The Environment and Natural Resources

Since our business is mainly office-based, the impact on the environment is minimal. The main environmental impact of the business is the indirect impact of carbon dioxide generated by power and paper usage in the daily activities of the business. The Group has taken steps to reduce its impact on the environment by adopting energy saving measures mentioned in A1 Emissions and A2 Use of Resources.

Investment Practices
The Group practices a set of principles when acting as a placing agent or an underwriter of fund-raising activities whereby the Group seeks to cooperate with companies with good practices in dealing with environmental, humanitarian and governance issues. Good business practices help to generate better profits and returns for investors, particularly in the long run. Companies that treat their workers and the environment with respect generally find themselves less burdened by regulatory issues, fines and lawsuits. The Group reads prospectuses and annual reports of these companies and take into account their transparency and accountability, the Group cares about who manages these companies and or who sits on their boards, the Group finds out how the companies are behaving with respect to environmental, social and workers' rights.

The Group seeks to work with companies that are environmentally conscious – those who (i) make efforts to reduce energy use, waste and pollution; (ii) give best efforts to conserve resources such as use of recycled materials and minimise their paper communication; and (iii) extract natural resources in a responsible manner.

The Group looks for socially responsible companies, who (i) work with high-quality suppliers of high ethics standards; (ii) have high customers' satisfaction; (iii) interact the government and regulators with integrity; (iv) make decisions with a view to maximise positive effects and minimise negative effects on the community; and (v) make charitable contributions and provide support to the community.

The Group would like to work with companies that respect workers' and human rights, ensure health and safety in working conditions and the surrounding community and provide fair and equitable wages and benefit. Companies with good governance help to ensure long term success. The major corporate governance issues include financial reporting and other disclosures, investor relationship, executive compensation, conflict of interest and regulatory compliance. The Group shares the set of principles and best practices with our major customers and encourages them to apply the same principles when selecting a company to invest.

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A4 Climate Change

As COP26 (2021 United Nations Climate Change Conference of the Parties) laid out the new building blocks to accelerate the implementation of the Paris Agreement, every nation has stepped up their efforts in advancing towards a carbon neutral economy to address climate threats. Similarly, the Group has been assessing the climate related risk as well as opportunities, and has allocated sufficient resources to mitigate any potential negative impacts. The Group's approach to address climate threats covers two main dimensions, namely, physical risk and the transition risk, which will be further elaborated in the section below.

Physical risk

Acute: Acute physical risk is event-driven which encompasses typhoons, floods and cyclones. These events may damage the physical assets of the Group. Employees may also be unable to meet clients or travel to office in severe weather events such as when typhoon 8 or black rain is hoisted in Hong Kong. Temporary business disruption may be caused in such occasions. Ultimately, this may affect the relationship of the Group with clients. However, the Group's business is service oriented, and temporary unavailability of the Group's business does not heavily impact the Group's performance. Hence, the acute physical risk is considered to be relatively low.

Chronic: The changes in weather patterns such as the rise in the average temperature or the increase in precipitation, may affect transportation, electricity, water and internet. The Group relies on these infrastructures to an extent. Similar to the acute physical risk, chronic physical is also regarded to be relatively low due to the Group's business nature.

Transition risk

Policy and Legal risk: As Hong Kong has pledged to the international treaty on climate change, Paris Agreement, the Group is aware of the growing importance in Hong Kong's commitment for the transition to a carbon neutral economy. The Group shall closely monitor the developments of Hong Kong's net-zero policy and any relevant regulations. Due to the Group's business nature, the potential government policy and legal risk is considered to be relatively low. The Group is not aware of any non-compliance the climate related rules and regulations.

Technology risk: Technology does not play a major role in the Group's business and the risk is regarded as relatively low. In the Reporting Period, there has not been any major downtime of the Group's information technology system. The Group will periodically review the Group's system to ensure the stable provision of business.

Market risk: Although green finance has been an emerging theme in the financial industry, there has not been a major shift in our clients to pursue green financial products.

Reputational risk: Since the policy, legal, technology and market risks are relatively low, the impact of climate change on our reputation is also considered at a minimal level.

Environmental, Social and Governance Report

B. Social

B1 Employment

The Group strongly believes that employees are the most valuable asset for its sustainable development.

The Group strictly complies with the Employment Ordinance and other relevant legal employment requirements in Hong Kong, avoiding any child employment, discrimination, harassment or offenses against the laws of Hong Kong. We strive to fulfil our responsibilities to employees, respects their legitimate rights and interests, promote their professional development, improve our working environment and pay attention to the physical and mental health of employees, in order to realise the common development of the Group and its employees. During the Reporting Period, the Group was not aware of any non-compliance with relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

The Group is committed to providing a workplace free from any form of discrimination and harassment and provides opportunities to employees with different backgrounds and characteristics so as to build a diversified workforce. As prescribed in our policies and procedures, the Group emphases a transparent recruitment and employment mechanism. In all employment decisions, including recruitment, promotion and termination, the Group only takes the qualification, experience and performance of candidates or employees relevant to the job function into account.

Any form of discrimination against our potential or current employees on the ground of nationality, age, gender, sexual orientation, gender identity, ethnicity, disability, pregnancy, political inclination is strongly prohibited.

The Group provides a wide range of incentives, including competitive remuneration and benefits packages, which are based on individual performances and qualifications of employees and benchmarked against our industry peers on an annual basis.

All of our employees are essentially treated with fair wage, fixed working hours, proper insurance coverage, statutory holidays and miscellaneous types of leaves, including sick leave, maternity leave, marriage leave, compassionate leave and jury service leave. In addition, a various of leisure activities are organised which includes but not limited to annual dinners, birthday or Christmas parties to enhance the staff bonding.

The Group has established an "Employee Hand Book" that includes the terms and conditions of employment, the staff benefits (leave entitlement, insurance and training), and the office rules and policies.

During the Reporting Period, the Group did not aware of any litigation cases regarding labour and employment practices brought against the Group or its employees were noted.

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The total workforce by age group and gender, as compared to last year, are as follows:

Number and Percentage of Employees by Age Group

Year	Age Group					
	21-30	**31-40**	**41-50**	**51-60**	**>60**	**Total**
2023	1 (6%)	3 (19%)	3 (19%)	7 (44%)	2 (12%)	16 (100%)
2024	5 (19%)	3 (11%)	7 (26%)	9 (33%)	3 (11%)	27 (100%)

Number and Percentage of Employees by Gender

Year	Gender		
	Male	**Female**	**Total**
2023	13 (81%)	3 (19%)	16 (100%)
2024	20 (74%)	7 (26%)	27 (100%)

The workforce of the Group was relatively stable throughout the Reporting Period. All the employees are full-time staff and situated in Hong Kong. Senior employees contribute to the Group through their vast experience and knowledge in the financial services industry. They nurture and train the younger employees to enhance their business acumen and support their career path. The structure of our workforce was one of the key drivers for the Group to navigate through the complex economic environment in 2024.

The Group agrees and understands the importance of employees' diversity in the workplace. A diverse workforce provides a larger range of skills, behaviour and talents, which will transform into innovative ideas to drive the Group forward. The Group will continue to further promote age and gender diversity in the workplace.

Since its establishment, the Group has implemented a variety of measures to reduce employee turnover rate, such as strengthening recruitment controls, so that applicants can fully understand the working environment and control of the Group; strengthening the staff training system to meet the career development requirement of employees at all levels; focusing on the work pressure of employees and expanding the development prospects of the Group so that competitive career platform can be provided to the employees.

The employee turnover rate by gender and age group, as compared to last year, are as follows:

Year	Age Group				
	21-30	**31-40**	**41-50**	**51-60**	**>60**
2023	–	18%	6%	–	12%
2024	–	11%	7%	–	–

Year	Gender	
	Male	**Female**
2023	24%	12%
2024	11%	7%

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The calculation method of employee turnover rate: number of employees leaving employment ÷ (number of employees at the beginning of the year + number of employees at the end of the year)/2 × 100%

Since the Group values employees as an invaluable asset, we have taken a more holistic approach and assessed other drivers of employee engagement to reduce the employee turnover rate. Through providing a variety of career development opportunities and effective employee's health and wellness support, a positive working environment is maintained to retain talents in the Group.

B2 Health and Safety

The Group concerns about the health and safety of its employees and is committed to provide a safe, healthy and productive environment for all.

The Group provides full-time employees with a comprehensive set of medical insurance to its employees, including but not limited to medical insurance, surgical insurance, hospitalisation insurance and employees' compensation insurance.

The Group has established the "Occupational Safety and Health Regulations" for primary prevention of hazards and to deal with all aspects of health and safety in the workplace. The main focus of our practices has three different objectives: (1) to maintain and promote workers' health and capacity at work; (2) to improve the working environment so to be conducive to safety and health; and (3) to develop a work culture in a direction which supports health and safety at the workplace. Other policies and procedures regarding fire safety, suspicious mail alerts, rainstorm warnings, typhoon arrangement and office tidy policies are required to be followed by all employees to protect employees from risks resulting from factors adverse to health.

During the Reporting Period, the Group did not aware of any non-compliance with laws and regulations which have a significant impact relating to providing a safe working environment and protecting employees from occupational hazards.

As far as physical working environment is concerned, the Board of Directors has set up an office in the prime business distinct in Hong Kong to provide a safe, clean and healthy working environment to protect employees from occupational hazards. Smoking policy is in place to prohibit smoking in any area of our premises during office hours to provide employees with a healthy and safe working environment.

The well-being and health of the Group's employees is our utmost priority. In order to ensure a safe and healthy working environment for our employees, the Group strives to minimize the risk of influenza transmission through implementing precautionary measures in the office. The measures are listed below.

- Surgical mask and alcohol-based hand sanitizers are provided to employees.
- Workplace and common area are disinfected more frequent with diluted bleaching agents.
- Employees or visitors who show symptoms of influenza are not permitted to enter the Group's premises.
- Periodically, employees are reminded to maintain their own personal hygiene.

During the past three financial year, the Group was not aware of any work-related fatalities, lost days due to work injury and any violations of Hong Kong health and safety laws and regulations.

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B3 Development and Training

The Group is required to comply with the various ordinances, rules and guidelines including but not limited to the Securities and Futures Ordinance, Cap. 571 (the "SFO"), the Personal Data (Privacy) Ordinance, Cap. 486 (the "PDPO"), the Listing Rules and the Guideline on Anti-Money Laundering and Counter-Terrorist Financing of Terrorism (For Licensed Corporations) (the "AML Guideline") issued by the SFC.

Each licensed individual in the organisation must fulfil the Continuous Professional Training requirements made under Section 399 of the SFO for each regulated activity within each calendar year.

Pursuant to the Code Provision C.1.4 under Appendix C1 of the Listing Rules, all directors are also required to participate in continuous professional training to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. Our compliance team is responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of directors. All directors have provided a record of the training they received to the Company.

In order to maintain a competitive edge, the Group is also committed to provide support to its employees and directors, including representative officers and Company Secretary, in continuous professional training and encourages them to attend professional training programs organised by various professional bodies by offering eligible employees with sponsorship, examination fee reimbursement, education and examination leaves. Every licensed individual must complete at least five hours of continuous professional training per calendar year for each type of regulated activity. The Group ensures that our licensed staff fulfils the relevant requirement and maintains the training attendance record. Overall, 30% of the workforce received training in the Reporting Period.

In additional, the Group has held several trainings, discussions or meetings regarding the internal control procedures on anti-corruptions and risk-managements during the Reporting Period.

The percentage of employees trained and number of training hours are as follows:

Percentage of employees trained	**Category**	**Units**	**2024**	**2023**
Gender	Male	%	89%	89%
	Female	%	11%	11%

* Due to the size of the workforce and the nature of the Group's operation, the percentage of employees trained by the employee category is considered as not applicable to the Group.

Average training hours completed per employee	**Category**	**Units**	**2024**	**2023**
Gender	Male	hours	11.43	10.38
	Female	hours	10.00	10.00
Overall average training hours completed per employee		hours	11.25	10.33

* Due to the size of the workforce and the nature of the Group's operation, the percentage of employees trained by the employee category is considered as not applicable to the Group.

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B4 Labour Standards

In line with the local employment laws including the Employment Ordinance of Hong Kong and other related labour laws and regulations, the Group prohibits the employment of child labour or any other form of forced and illegal labour.

During the recruitment process, all candidates are required to provide identification proof to ensure compliance with the relevant laws and regulations on prohibiting child labour and forced labour. If the responsible personnel identify the existence of child labour or forced labour within the Group, the work of such child labour or forced labour will be terminated immediately.

The employment term and conditions are set out in the "Employee Hand Book" which is required to be signed by all new employees to confirm acceptance.

During the Reporting Period, the Group did not aware of any non-compliance with relevant laws and regulations which have a significant impact on employment and labour practices, including those related to preventing child and forced labour.

B5 Supply Chain Management

Due to the nature of the business, the Group only has a few suppliers of office supplies and equipment and is not highly dependent on these suppliers. Therefore, further information and the distribution of the number of suppliers are considered as immaterial and not disclosed in this report.

Yet, the Group has established processes in accordance with certain requirements and standards set by the Group to select and evaluate suppliers to ensure that the purchased goods comply with relevant standards and criteria. During the procurement process, the Group evaluates suppliers on the basis of price, reputation, track record, willingness to deal with problems, customer service and quality of products and services. In order to manage potential environmental and social risks in supply chain, the Group also pays attention to their environmental compliance record as well as their commitment to social responsibility in supplier evaluation. Environmentally and socially responsible suppliers will be prioritised in the selection process.

In addition, the Group continues to monitor the existing suppliers' performances to determine whether to extend the partnership with them.

B6 Product Responsibility

As a licensed corporation, the Group is committed to comply with all relevant laws and regulations under the regulatory regime for the financial services industry, in particular, all applicable provisions of the SFO and its supplementary rules and regulations as well as the codes and guidelines issued by SFC.

Our revenue is primarily derived from our (i) brokerage services; (ii) securities-backed lending including margin financing and money lending services; and (iii) placing and underwriting services.

Securities-Backed Lending

Our securities-backed lending businesses are composed of two main streams of services, namely margin financing and money lending.

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The Group provides margin financing to customers who prefer more financing flexibility through trading securities on a margin basis. As a kind of high-risk investment strategy, while margin financing gives the potential for investors to magnify their gains, it also risks the potential of magnifying losses. As such, our Group believes that it is critical for all our margin trading customers to fully understand the benefits and risks involved with this type of investment activity.

The Group helps them to understand the benefits and risks associated with margin financing by preparing a comprehensive and detailed agreement to explain the terms and conditions of the margin account, including how interest is calculated, the responsibility of loan repayment and how the securities serve as collateral for the loan.

We take a prudent procedure to determine the suitability and credit-worthiness of margin customers by assessing their risk profile, investment experience and the level of liquid assets available to meet the margin call should once be incurred. Risk management controls are also adopted in areas such as lending ratios and limits and cash flow projections.

Prior to the activation of a margin account, the Group shares the margin call policies and procedures with the customer, including how much a customer investment portfolio will need to fall before a margin call occurs as well as the strategy to meet a margin call such as holding a sufficient cash reserve and availability of specific assets.

We also recommend our customers to review their strategies and portfolios at least on an annual basis to ensure the financing products continue to address their long-term needs and objectives, and to ensure that their loan-to-value ratios are remained at an appropriate level.

Our money lending business is conducted by Pinestone Capital Group Limited, our wholly-owned subsidiary which is granted the Money Lenders License by the Licensing Court.

The licensing of money lenders and regulation of money-lending transactions are governed by the Money Lenders Ordinance, Cap. 163 (the "MLO").

The Group has followed all forms and procedures prescribed under the provisions of the MLO when making relevant application for the renewal of Money Lender License and conducting our money lending business.

In 2024, the Company planned to leverage its financial expertise and capitalize the market opportunities to exploit other financial services including asset management services.

Our asset management services business is conducted by Pinestone Capital Asset Management Limited, our wholly-owned subsidiary which is granted Type 4 (Advising on Securities) and Type 9 (Asset Management) Licenses by the SFC.

During the Reporting Period, the Group did not receive any complaints related to the services provided.

Product Health and Safety
Due to the nature of the business, the business operation of the Group does not involve any product health and safety. Hence, the percentage of total products sold or shipped subject to recalls for safety and health reasons as well as the quality assurance process and recall procedures are not applicable to the Group.

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Intellectual Property
The Group protects all relevant intellectual property rights. Staff are not allowed to install any unauthorised or unlicensed software on their working computers provided by the Group. We obtain authorisation in the use of computer software by licensed third parties and adhere to all applicable terms of use prior to utilisation of any properties.

Protection of Customers' Data
The nature of our business requires that we frequently and regularly collect, retain, and utilise personal data from our existing and potential customers. Therefore, we must abide by the fair information practices as stipulated in the data protection principles of the PDPO.

For the protection of privacy in respect of personal data, the Group has well established internal control and compliance procedures developed on the basis of the PDPO to ensure compliance with the relevant laws and regulations.

The Group is committed to the full compliance with our data protection principles and all relevant provisions of the Ordinance. We inform our customers of their rights under the PDPO and the purpose for which their data may be used by the Group.

We seek to ensure that appropriate measures are taken to prevent the misuse or disclosure of personal data and to hold such personal data solely for such collection purposes.

Advertising and Labelling
The Group is a financial services provider, so the business operation of the Group does not involve any advertising and labelling related matters.

During the Reporting Period, the Group is not aware of any non-compliance of relevant laws and regulations that have a significant impact on the Group in relation to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress that would have a significant impact on the Group.

B7 Anti-corruption

The Group stands against any form of bribery, extortion, fraud, and has a zero-tolerance policy towards misconduct and is committed to creating a culture of integrity and justice by accepting internal complaints and whistleblowing.

To make this strong commitment within our business, the Group has established the "Compliance Manual" in accordance with the relevant regulatory laws and standards to promote anti-fraud principles and consistent organisational behaviours by providing guidelines, assigning responsibility and facilitating early detection of potential fraud that are against the interest of the Group. The Compliance Manual has defined a wide range of terms related to anti-corruption and explains how these terms apply to various situations to ensure compliance.

The whistle blowing channel, as set out in the "Anti-Fraud and Whistle-Blowing Policy", has been in place for employees at all levels to raise any concerns without fear of any negative impacts. The Group encourages reporting of suspected business irregularities and provides clear channels specifically for this purpose. All employees can contact the Compliance Officer or, in case of extremely serious matter, directly to the Chairman of the Board's Audit Committee for lodging a complaint or whistleblowing. The Group is committed to the highest standards of integrity and ethics.

The Group is required to conduct customer due diligence and report suspicious transactions to relevant regulatory agencies. To achieve this objective, the Group has adopted policies and procedures for implementing customer due diligence process, identifying employees' involvement in money laundering activities, detecting, monitoring and reporting of suspicious transactions. In addition, we also have policies and procedures in place to detect and prevent the use of our operations for money laundering activities and other illegal or improper activities may not preclude customers' international fraud.

During the Reporting Period, the Group has complied with all applicable anti-money laundering laws and regulations in Hong Kong, including the Anti-Money Laundering and Counter-Terrorist Financing Ordinance, Cap. 615 and the AML Guideline issued by the SFC. Though no formal training related to anticorruption was provided to the employees, the management has always encouraged the employees to access the online training materials offered by several authorities in order to equip themselves with the latest update and development regarding anti-corruption.

The Group was not aware of any non-compliance with laws or regulations or concluded legal cases that has a significant impact concerning bribery, extortion, fraud or money laundering during the Reporting Period.

B8 Community Investment

Recognising our responsibility to the community, the Group is committed to providing available resources to support the community and encouraging employees to participate in various community activities, such as community health initiatives, sports, cultural activities, volunteer work, and charitable events., to arouse attention to the community and drive further participation in community services.

The Group focused on the need of labour. Various channels such as appraisals and staff meetings etc., are provided to staff for sharing their response to the Group about the needs and concerns. With our corporate values front and centre, we are a responsible and caring employer in Hong Kong.

The Group will continue to explore the possibility of investing available resources to the community and uphold the principles of accountability to shareholders, investors, suppliers, customers, employees and the public community and seek further development opportunities to maintain a harmonious relationship with stakeholders.

Independent Auditor's Report

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TO THE SHAREHOLDERS OF PINESTONE CAPITAL LIMITED
鼎石資本有限公司

(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Pinestone Capital Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 75 to 125, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

Key Audit Matters (continued)

Impairment assessment of trade receivables due from margin clients and loans receivable

Refer to notes 2(g)(ii), 4(ii), 17, 18 and 35(a) in the consolidated financial statements

As at 31 December 2024, the Group had gross carrying amount of trade receivables due from margin clients amounting to HK$76,755,000 and gross carrying amount of loans receivable amounting to HK$74,416,000. The Group assessed impairment for these receivables based on expected credit losses model under HKFRS 9 Financial Instruments ("HKFRS 9"). Loss allowance for expected credit losses amounting to HK$26,378,000 and HK$26,667,000 have been made for the trade receivables due from margin clients and loans receivable respectively as at 31 December 2024.

Assessing expected credit losses on trade and loans receivables requires application of judgment and uses of estimates. Judgment is applied in assessing whether the credit risk of the receivables has increased significantly since initial recognition and whether the receivables are credit-impaired. Estimates are used in assessing the amount and timing of future cash flows and collateral values when determining impairment losses. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

We have identified impairment assessment of trade receivables due from margin clients and loans receivable as a key audit matter due to considerable amount of judgment and estimation being required in conducting impairment assessment as mentioned in the foregoing paragraph.

Our procedures in relation to management's assessment of expected credit losses on trade receivables due from margin clients and loans receivable included:

- Testing key controls over applicable procedures, reviewing policies and procedures in monitoring the trading activities and level of securities collateral of margin clients as well as for valuing and managing collateral, and reviewing the margin call procedures for margin shortfall;

- Assessing whether the Group's impairment policy is in accordance with the requirements under HKFRS 9;

- Assessing the factors considered by management for determining whether the credit risk of the receivables has increased significantly since initial recognition, whether the receivables are credit-impaired and the amount of loss allowance required, including:

    - Re-performing the calculation of collateral ratio;

    - Challenging management in applying the collateral ratio and management's consideration of other factors including changes in behavior of the margin clients and borrowers and changes in value of collateral;

    - Checking the relevant documents supporting the payment status of the customers and customers' actions in response to the margin calls or similar request of the Group;

Independent Auditor's Report

Key Audit Matters (continued)

Impairment assessment of trade receivables due from margin clients and loans receivable (continued)

- Involving an internal assessment expert to assist in assessing the appropriateness and reasonableness of the estimation techniques, inputs and assumptions used by the management to determine the loss allowance amount;

- Assessing management's estimation of the recoverable amount of securities collateral which includes checking their current market value and price fluctuation in the past and assessing other relevant information, where applicable; and

- Checking management's calculations of expected cash shortfall and impairment allowance.

Other Information in the Annual Report

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Chiu, Wing Cheung, Ringo
Practising Certificate no. P04434

Hong Kong, 28 March 2025

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2024

	Notes	**2024** **HK$'000**	2023 HK$'000
Revenue	*6*	**25,500**	20,224
Other income	*7*	**332**	65
Employee benefit expenses	*8*	**(6,950)**	(8,911)
Depreciation		**(619)**	(974)
Commission and fee expenses		**(743)**	(719)
Impairment losses on trade and loans receivables, net	*17&18*	**(20,900)**	(28,012)
Loss from write off of trade and loans receivables	*17(b)&18(b)*	**(16,153)**	–
Other operating expenses		**(11,747)**	(5,113)
Finance costs	*9*	**(9)**	(49)
Loss before income tax	*10*	**(31,289)**	(23,489)
Income tax expense	*12*	**(377)**	(899)
Loss and total comprehensive income for the year		**(31,666)**	(24,388)
		HK cents	HK cents (Restated)
Loss per share			
Basic and diluted	*14*	**(7.56)**	(6.87)

Consolidated Statement of Financial Position

As at 31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**12**	631
Intangible asset	16	**500**	500
Statutory deposits placed with stock exchange and clearing house		**205**	205
Deferred tax assets	24	**12,284**	12,667
Prepayment for investment	19	**6,400**	–
		19,401	14,003
Current assets			
Trade receivables	17	**55,134**	97,822
Loans receivable	18	**47,749**	37,121
Other receivables, deposits and prepayments	19	**1,381**	673
Tax recoverable		**2,693**	–
Trust bank balances held on behalf of customers	20	**12,585**	3,001
Cash and bank balances	21	**15,929**	23,394
		135,471	162,011
Current liabilities			
Trade payables	22	**12,243**	2,732
Other payables and accruals	22	**3,245**	1,259
Contract liabilities	6	**1,012**	–
Lease liabilities	23	**–**	622
Tax payable		**–**	1,363
		16,500	5,976
Net current assets		**118,971**	156,035
Total assets less current liabilities		**138,372**	170,038
Net assets		**138,372**	170,038
CAPITAL AND RESERVES			
Share capital	25	**8,121**	8,121
Reserves	26	**130,251**	161,917
Total equity		**138,372**	170,038

On behalf of the directors

Mr. Lee Chun Tung
Director

Mr. Lau Chun Hung
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	Share capital HK$'000 *(note 25)*	Share premium* HK$'000 *(note 26)*	Capital reserve* HK$'000 *(note 26)*	Accumulated losses* HK$'000 *(note 26)*	Total HK$'000
At 1 January 2023	5,414	172,750	(4,866)	(8,822)	164,476
Loss for the year	–	–	–	(24,388)	(24,388)
Total comprehensive income for the year	–	–	–	(24,388)	(24,388)
Transactions with owners:					
Rights issue, net *(note 25)*	2,707	27,243	–	–	29,950
At 31 December 2023 and 1 January 2024	**8,121**	**199,993**	**(4,866)**	**(33,210)**	**170,038**
Loss for the year	**–**	**–**	**–**	**(31,666)**	**(31,666)**
Total comprehensive income for the year	**–**	**–**	**–**	**(31,666)**	**(31,666)**
At 31 December 2024	**8,121**	**199,993**	**(4,866)**	**(64,876)**	**138,372**

* The total of these balances at the end of the reporting period represents "Reserves" in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
Operating activities			
Loss before income tax		**(31,289)**	(23,489)
Adjustments for:			
Depreciation on property, plant and equipment		**619**	974
Impairment losses on trade and loans receivables, net		**20,900**	28,012
Loss from write off of trade and loans receivables		**16,153**	–
Bank Interest Income		**(252)**	(10)
Interest expense		**9**	49
Operating profit before working capital changes		**6,140**	5,536
Decrease/(Increase) in trade receivables		**26,034**	(56,615)
(Increase)/Decrease in loans receivable		**(31,027)**	15,795
(Increase)/Decrease in other receivables, deposits and prepayments		**(708)**	106
(Increase)/Decrease in trust bank balances held on behalf of customers		**(9,584)**	124
Increase/(Decrease) in trade payables		**9,511**	(387)
Increase in contract liabilities		**1,012**	–
Increase/(Decrease) in other payables and accruals		**1,986**	511
Net cash from/(used in) operations		**3,364**	(34,930)
Income tax paid		**(4,050)**	(762)
Net cash used in operations		**(686)**	(35,692)
Investing activities			
Investment prepaid	*19*	**(6,400)**	–
Bank interest income		**252**	10
Net cash (used in)/from investing activities		**(6,148)**	10
Financing activities			
Payment of capital element of lease liabilities	*30*	**(622)**	(965)
Interest paid		**(9)**	(49)
Rights issue, net	*25*	**–**	29,950
Net cash (used in)/from financing activities		**(631)**	28,936
Net decrease in cash and cash equivalents		**(7,465)**	(6,746)
Cash and cash equivalents at beginning of year		**23,394**	30,140
Cash and cash equivalents at end of year		**15,929**	23,394
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		**15,929**	23,394

Notes to the Consolidated Financial Statements

1. Corporate Information

Pinestone Capital Limited (the "Company") was incorporated as an exempted company in the Cayman Islands with limited liability. The shares of the Company are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The address of its registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands. Its principal place of business is located at Room 1807, 18/F., China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong.

The Group, comprising the Company and its subsidiaries, is principally engaged in provision of securities brokerage services, securities-backed lending services, other lending services as well as placing and underwriting services.

In the opinion of the directors, Ultimate Vantage Group Limited, a limited liability company which is incorporated in the British Virgin Islands, is the parent and also the ultimate parent of the Company.

The consolidated financial statements for the year ended 31 December 2024 were approved and authorised for issue by the directors on 28 March 2025.

2. Basis of Preparation and Summary of Material Accounting Policies

The material accounting policies adopted in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with all HKFRS Accounting Standards which collective term includes individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The consolidated financial statements have been prepared under the historical cost basis.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

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

It should be noted that accounting estimates and assumptions are used in the preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately be different from those estimates. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

Notes to the Consolidated Financial Statements

2. Basis of Preparation and Summary of Material Accounting Policies (continued)

(b) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

(c) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee; exposure, or rights, to variable returns from the investee; and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Right-of-use for office premises	Over the shorter of remaining lease term
Leasehold improvements	Over the shorter of the remaining lease term or 3 years
Furniture, fixtures and equipment	5 years
Computer system and software	5 years

Leased assets are depreciated on a straight-line basis over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

Notes to the Consolidated Financial Statements

2. Basis of Preparation and Summary of Material Accounting Policies (continued)

(e) Leasing

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of identified asset for a period of time in exchange for consideration.

The Group capitalised all leases (irrespective of they are operating leases or finance leases) in the consolidated statement of financial position as right-of-use assets and lease liabilities, except for (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases are expensed on straight-line basis over the lease term.

Right-of-use assets

Right-of-use asset is recognised at cost and comprises: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. The Group presents right-of-use assets that do not meet the definition of investment property in "Property, plant and equipment" in the consolidated statement of financial position.

Lease liabilities

Lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

The following payments for use of the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in substance fixed lease payments or a change in assessment to purchase the underlying asset.

The Group presents lease liabilities separately in the consolidated statement of financial position.

Notes to the Consolidated Financial Statements

2. Basis of Preparation and Summary of Material Accounting Policies (continued)

(f) Intangible assets

Intangible assets acquired separately are initially recognised at cost. Subsequently, intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses (note 2(n)).

(g) Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and cash flow characteristics of the asset.

Financial assets at amortised cost

Financial assets that are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises an allowance for expected credit losses ("ECL") on debt instruments carried at amortised cost (including trade receivables, loans receivable, other receivables, deposits, trust bank balances held on behalf of customers and cash and bank balances).

ECL are probability-weighted estimate of credit losses. Credit losses are measured at the difference between the contractual cash flows due in accordance with the contract and the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancement that are integral to the contract terms.

Notes to the Consolidated Financial Statements

2. Basis of Preparation and Summary of Material Accounting Policies (continued)

(g) Financial instruments (continued)

(ii) Impairment loss on financial assets (continued)

The ECL are measured on either of the following bases:

– 12-month ECL: these are the ECL that result from possible default events within 12 months after the reporting date; and

– lifetime ECL: these are the ECL that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

For trade receivables from cash clients and clearing house, the Group applies the simplified approach in measuring ECL, that is to recognise a loss allowance based on lifetime ECL at each reporting date. The Group has estimated a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the Group applies the general approach to measure ECL, that is to recognise a loss allowance based on 12-month ECL. However, when there has been a significant increase in credit risk since initial recognition, the loss allowance will be based on lifetime ECL.

The Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition. For this purpose, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assesses whether the credit risk on an exposure has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial instruments are grouped on the basis of shared credit risk characteristics, such as credit risk grading, collateral type, remaining term to maturity and the value of collateral relative to the financial asset if it has an impact on the probability of default occurring.

The Group recognises an impairment gain or loss in profit or loss for financial instruments carried at amortised cost by adjusting their carrying amount through the use of a loss allowance account. The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Notes to the Consolidated Financial Statements

2. Basis of Preparation and Summary of Material Accounting Policies (continued)

(g) Financial instruments (continued)

(ii) Impairment loss on financial assets (continued)

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial assets. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9 Financial Instruments ("HKFRS 9").

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(vii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amount and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Notes to the Consolidated Financial Statements

2. Basis of Preparation and Summary of Material Accounting Policies (continued)

(h) Recognition of revenue and other income

Revenue from contracts with customers is recognised when control of services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services, excluding those amounts collected on behalf of third parties. Revenue excludes value-added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the services may be transferred over time or at a point in time. Control of the services is transferred over time if:

– the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

– the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

– the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the services.

The Group recognises revenue and interest income on the following basis:

(i) Commission income from securities brokerage services is recognised on trade date basis when the relevant transactions are executed.

(ii) Handling fee income is recognised when the relevant transactions have been arranged or the relevant services have been rendered.

(iii) Income from placing and underwriting services is recognised when the relevant services are provided.

(iv) Agency fee is recognised when the relevant transactions have been completed.

(v) Advisory fee is recognised when the relevant services have been rendered.

(vi) Interest income is accrued on a time basis using the effective interest method by applying applicable interest rate on (i) the amortised cost (i.e. gross carrying amount less loss allowance for credit-impaired financial assets); or (ii) the gross carrying amount for non credit-impaired financial assets.

(i) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. Receivables are stated at amortised cost using the effective interest method (see note2(g)(i)) less allowance for credit losses (see note 2(g)(ii)).

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits with banks and short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amount of cash and which are subject to an insignificant risk of changes in value.

Notes to the Consolidated Financial Statements

2. Basis of Preparation and Summary of Material Accounting Policies (continued)

(k) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost (see note 2(g)(iii)) unless the effect of discounting would be immaterial, in which case they are stated at cost.

(l) Income taxes

Income taxes comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average rates that are expected to apply to the taxable profit or tax loss of the periods in which the temporary differences are expected to reverse. The determination of the average tax rates requires an estimation of (i) when the existing temporary differences will reverse and (ii) the amount of taxable income in those years. The estimate of future taxable income includes income or loss excluding reversals of temporary differences; and reversals of existing temporary differences.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(m) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Notes to the Consolidated Financial Statements

2. Basis of Preparation and Summary of Material Accounting Policies (continued)

(n) Impairment of non-financial assets

Intangible assets having indefinite useful lives are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. Property, plant and equipment including right-of-use assets and investments in subsidiaries are tested for impairment whenever there are indications that the assets' carrying amounts may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of such impairment is credited to profit or loss in the period in which it arises.

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Notes to the Consolidated Financial Statements

2. Basis of Preparation and Summary of Material Accounting Policies (continued)

(p) Related parties

(a) *A person or a close member of that person's family is related to the Group if that person:*

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) *An entity is related to the Group if any of the following conditions apply:*

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

Notes to the Consolidated Financial Statements

3. Adoption of New and Revised HKFRS Accounting Standards

(a) Adoption of revised HKFRS Accounting Standards – effective from 1 January 2024

In the current year, the Group has applied for the first time the following amendments of standards issued by the HKICPA, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2024:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants and related amendments to HK Interpretation 5 (Revised) Presentation of Financial Statements
Amendments to HKAS 1	Non-current Liabilities with Covenants

Adoption of these amendments to HKFRS Accounting Standards had no material impact on the Group's consolidated financial statements.

(b) New and revised HKFRS Accounting Standards that have been issued but are not yet effective

The following new and revised HKFRS Accounting Standards potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[1]
Annual Improvements HKFRS Accounting Standards – Volume 11	Amendments to HKFRS 7 Financial Instruments: Disclosures, HKFRS 9 Financial Instruments, HKFRS 10 Consolidated Financial Statements and HKAS 7 Statement of Cash Flows[1]
HKFRS 18	Presentation and Disclosure in Financial Statements[2]

1 Effective for annual periods beginning on or after 1 January 2026.
2 Effective for annual/reporting periods beginning on or after 1 January 2027.

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

Other than HKFRS 18, the Group does not expect these pronouncements issued by the HKICPA, but not yet effective, to have a material impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

3. Adoption of New and Revised HKFRS Accounting Standards (continued)

(b) New and revised HKFRS Accounting Standards that have been issued but are not yet effective (continued)

HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 18, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 Presentation of Financial Statements. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 and HKFRS 7. Minor amendments to HKAS 7 Statement of Cash Flows and HKAS 33 Earnings per Share are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of HKFRS 18 on the Group's consolidated financial statements.

4. Critical Accounting Judgment and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, the directors of the Company are required to make judgment, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(i) *Impairment of non-financial assets*

Management assesses impairment by evaluating conditions specific to the Group that may lead to impairment of non-financial assets. When an impairment trigger exists, the recoverable amount of the asset is determined. For intangible asset with indefinite useful life, it is tested for impairment annually, irrespective of whether there is any impairment indication. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgments, the directors take into consideration assumptions that are mainly based on market conditions existing at the reporting date and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group. Significant estimates and assumptions used by the directors for the impairment assessment of intangible asset are disclosed in note 16.

Notes to the Consolidated Financial Statements

4. Critical Accounting Judgment and Key Sources of Estimation Uncertainty (continued)

Key sources of estimation uncertainty (continued)

(ii) Impairment of financial assets

The measurement of impairment losses under HKFRS 9 across all categories of financial assets requires significant judgment and estimation, in particular, the assessment of a significant increase in credit risk and the credit-impaired financial assets as well as the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

Details of the key assumptions and inputs used are set out in note 35(a).

(iii) Measurement of deferred tax balances

The Group has recognised deferred tax assets which amounted to HK$12,284,000 as at 31 December 2024 (2023: HK$12,667,000). Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences and unused tax losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits. Where the timing and/or the amount of future taxable income differ from the expectation, a material adjustment to the deferred tax assets may be necessary. Further details of the Group's deferred tax assets are set out in note 24.

Notes to the Consolidated Financial Statements

5. Segment Information

(a) Operating segment information

The information reported to the executive directors of the Company, who are the chief operating decision makers of the Group for the purposes of resources allocation and assessment of performance, is the financial information of the Group as a whole as reported under HKFRS Accounting Standards. Such information does not contain profit or loss information of particular product or service line or geographical area. Therefore, the Group has only one single operating segment which is provision of securities brokerage services, securities-backed lending services, other lending services as well as placing and underwriting services. The executive directors allocate resources and assess performance of the business of the Group on an aggregated basis.

(b) Geographical segment information

The Company is an investment holding company and the principal place of the Group's operations is in Hong Kong. Accordingly, management determines that the Group is domiciled in Hong Kong.

All of the revenue from external customers is derived from activities in Hong Kong and all non-current assets of the Group are located in Hong Kong. Accordingly, no geographical information is presented.

(c) Information about major customers

Revenue from major customers, each of them accounted for 10% or more of the Group's revenue, is set out below:

	2024 **HK$'000**	2023 HK$'000
Customer I	**2,844**	N/A
Customer II	**2,595**	N/A
Customer III	**N/A**	2,363
Customer IV	**N/A**	2,167

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

Notes to the Consolidated Financial Statements

6. Revenue

The Group is principally engaged in the provision of securities brokerage services, securities-backed lending services, other lending services as well as placing and underwriting services. Revenue derived from the Group's principal activities comprises the following:

	2024	2023
	HK$'000	HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
– Commission income from securities brokerage services	**464**	1,315
– Fee income from placing and underwriting services	**1,258**	87
– Agency fees	**5,645**	–
– Handling fee income	**46**	125
– Advisory fees	**338**	–
	7,751	1,527
Revenue from other sources		
– Interest income from margin financing services	**11,866**	9,823
– Interest income from money lending services	**5,883**	8,874
	25,500	20,224

Revenue from contracts with customers derived by the Group for the year ended 31 December 2024 amounting to HK$7,751,000 (2023: HK$1,527,000) are recognised at a point in time.

Contract liabilities

	2024	2023
	HK$'000	HK$'000
At 1 January	**–**	–
Cash received in advance of performance and not recognised as revenue during the year	**1,012**	–
As 31 December	**1,012**	–

Contract liabilities are amounts received by the Group in relation to the advisory services that are expected to be recognised as revenue in the next 12 months.

The Group received 100% of the contract value on the provision of advisory services as deposits from customers when they sign the service agreement.

Notes to the Consolidated Financial Statements

7. Other Income

	2024 HK$'000	2023 HK$'000
Bank interest income	**252**	10
Custodian income	**80**	55
	332	65

8. Employee Benefit Expenses

Employee costs (including directors' emoluments) comprises:

	2024 HK$'000	2023 HK$'000
Salaries, allowances and other benefits	**6,779**	8,778
Contributions to defined contribution retirement plan *(note)*	**171**	133
	6,950	8,911

Note:

The Group makes contributions of 5% of the employee's relevant income into the employee's defined contribution retirement plan account directly, subject to the minimum and maximum relevant income levels. No forfeited contributions may be used by the Group to reduce the existing level of contributions.

9. Finance Costs

	2024 HK$'000	2023 HK$'000
Interest on lease liabilities	**9**	49

10. Loss Before Income Tax

Loss before income tax is arrived at after charging:

	2024 HK$'000	2023 HK$'000
Depreciation charge		
Owned property, plant and equipment	**59**	75
Right-of-use assets included in property, plant and equipment	**560**	899
Auditor's remuneration	**734**	639
Legal and professional fees	**6,865**	3,195

Notes to the Consolidated Financial Statements

11. Directors' Emoluments, Five Highest Paid Individuals and Senior Management's Emoluments

(a) Directors' emoluments

Directors' emoluments are disclosed as follows:

	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonus HK$'000	Contributions to retirement benefits scheme HK$'000	Total HK$'000
Year ended 31 December 2024					
Executive directors					
Mr. Lee Chun Tung	240	–	–	–	240
Mr. Yan Ximao (resigned on 30 December 2024)	359	–	–	–	359
Mr. Zhu Zheping	320	–	–	–	320
Mr. Li Dapeng * (appointed on 1 November 2024)	60	–	–	–	60
Ms. Liu Yundi (appointed on 12 December 2024)	13	–	–	–	13
	992	–	–	–	992
Non-executive directors					
Mr.Lau Chun Hung (appointed on 30 December 2024)	1	–	–	–	1
Mr. Shi Zhu (appointed on 30 December 2024)	1	–	–	–	1
Mr. Yau Tung Shing (resigned on 30 December 2024)	239	–	–	–	239
Independent non-executive directors					
Mr. Wong Chun Peng Stewart	144	–	–	–	144
Mr. Lau Kelly	144	–	–	–	144
Mr. Cheng Man Pan	144	–	–	–	144
	673	–	–	–	673
Total remuneration	1,665	–	–	–	1,665

* Mr. Li Dapeng resigned on 10 January 2025.

Notes to the Consolidated Financial Statements

11. Directors' Emoluments, Five Highest Paid Individuals and Senior Management's Emoluments (continued)

(a) Directors' emoluments (continued)

Directors' emoluments are disclosed as follows: (continued)

	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonus HK$'000	Contributions to retirement benefits scheme HK$'000	Total HK$'000
Year ended 31 December 2023					
Executive directors					
Mr. Lee Chun Tung	240	–	–	–	240
Mr. Yan Ximao (appointed on 10 August 2023)	141	–	–	–	141
Mr. Zhu Zheping (appointed on 15 September 2023)	106	–	–	–	106
	487	–	–	–	487
Non-executive directors					
Mr. Cheung Yan Leung Henry (resigned on 31 August 2023)	–	2,152	–	–	2,152
Mr. Yau Tung Shing	240	–	–	–	240
Independent non-executive directors					
Mr. Wong Chun Peng Stewart	144	–	–	–	144
Mr. Lau Kelly	144	–	–	–	144
Ms. Fu Yiman (resigned on 28 February 2023)	24	–	–	–	24
Mr. Cheng Man Pan	144	–	–	–	144
	696	2,152	–	–	2,848
	1,183	2,152	–	–	3,335

Notes to the Consolidated Financial Statements

11. Directors' Emoluments, Five Highest Paid Individuals and Senior Management's Emoluments (continued)

(a) Directors' emoluments (continued)

No directors waived or agreed to waive any emoluments during the year ended 31 December 2024 (2023: nil).

No emolument was paid by the Group to any of the directors as an inducement to join or upon joining the Group, or as compensation for loss of office (2023: nil).

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

(b) Five highest paid individuals

Of the five individuals whose emoluments were the highest in the Group during the year, none (2023: one) were directors of the Company whose emoluments are included in note 11(a) above. The emoluments payable to the five (2023: four) highest paid individuals are as follows:

	2024 HK$'000	2023 HK$'000
Salaries, allowances and other benefits	**2,881**	3,556
Contributions to defined contribution retirement plan	**70**	54
	2,951	3,610

The emoluments of the non-director highest paid individuals during the year and in prior year were within band of nil to HK$1,000,000.

No emolument was paid by the Group to any of the non-director highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2023: nil).

(c) Senior management's emoluments

Emoluments paid or payable to members of senior management who are not directors of the Company were within the following band:

	2024 Number of individuals	2023 Number of individuals
Nil to HK$1,000,000	**5**	6

Notes to the Consolidated Financial Statements

12. Income Tax Expense

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

	2024 **HK$'000**	2023 HK$'000
Current tax – Hong Kong Profits Tax		
– tax for the year	**–**	2,119
– over-provision in respect of prior years	**(6)**	(6)
	(6)	2,113
Deferred tax (note 24)		
– current year	**529**	(6)
– attributable to change in applicable tax rate	**(146)**	(1,208)
	383	(1,214)
Income tax expense	**377**	899

The Group is subject to Hong Kong Profits Tax.

Under the two-tiered profits tax rates regime, the first HK$2 million of assessable profits of qualifying entities will be taxed at 8.25% whereas assessable profits above HK$2 million will be taxed at 16.5%. The assessable profits of entities not qualifying for the two-tiered profit tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime is applicable to a nominated qualifying entity in the Group for its annual reporting periods beginning on or after 1 January 2018.

The income tax expense for the year can be reconciled to the loss before income tax in the consolidated statement of comprehensive income as follows:

	2024 **HK$'000**	2023 HK$'000
Loss before income tax	**(31,289)**	(23,489)
Tax on loss before income tax, calculated at Hong Kong Profits Tax rate of 16.5%	**(5,163)**	(3,876)
Effect on adoption of two-tiered profits tax rates regime	**–**	(160)
Tax effect of expenses not deductible for tax purposes	**871**	691
Tax effect of temporary difference not recognised	**–**	6,930
Utilisation of temporary difference previously not recognised	**(1,606)**	–
Tax effect of tax losses not recognised	**6,427**	–
Utilisation of tax losses previously not recognised	**–**	(1,472)
Effect on opening deferred tax balances resulting from change in applicable tax rate	**(146)**	(1,208)
Over-provision in respect of prior years	**(6)**	(6)
Income tax expense	**377**	899

Notes to the Consolidated Financial Statements

13. Dividends

The directors of the Company do not recommend the payment of final dividend in respect of the year ended 31 December 2024 (2023: nil).

14. Loss Per Share

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

	2024 **HK$'000**	2023 HK$'000
Loss		
Loss for the year attributable to owners of the Company	**(31,666)**	(24,388)

	2024 **Number of Shares** **'000**	2023 Number of Shares '000 (Restated)
Weighted average number of ordinary shares		
Weighted average number of ordinary shares in issue during the year	**418,658**	355,125

The weighted average number of ordinary shares for the purposes of calculating the basic loss per share for the year ended 31 December 2024 and 2023 are based on the weighted average number of shares in issue during the year and adjusted for the bonus element on 15 January 2025 as set out in note 37(b) and 10 July 2023 as set out in note 25, respectively. The weighted average number of ordinary shares for the purpose of calculating the basic loss per share for the year ended 31 December 2023 is restated accordingly.

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

Notes to the Consolidated Financial Statements

15. Property, Plant and Equipment

	Owned assets			Right-of-use assets	
	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Computer system and software HK$'000	Office Premise HK$'000	Total HK$'000
Cost					
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	188	138	240	2,695	3,261
Accumulated depreciation					
At 1 January 2023	79	113	228	1,236	1,656
Charge for the year	62	8	5	899	974
At 31 December 2023 and 1 January 2024	141	121	233	2,135	2,630
Charge for the year	47	9	3	560	619
At 31 December 2024	188	130	236	2,695	3,249
Net carrying amount					
At 31 December 2024	–	8	4	–	12
At 31 December 2023	47	17	7	560	631

The Group leased office premises for its operation. The Group as a lessee, had recognised these leases as right-of-use assets and depreciated over the lease terms. Further details of the Group's lease arrangements are set out in note 23.

Notes to the Consolidated Financial Statements

16. Intangible Asset

	Trading right HK$'000
Cost	
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	500
Accumulated impairment	
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	–
Net carrying amount	
At 31 December 2024	500
At 31 December 2023	500

Trading right confers right to the Group to trade securities contract on or through the Stock Exchange such that the Group can conduct the business of securities brokerage.

Trading right is considered by the directors of the Company as having indefinite useful life because there is no foreseeable limit on the period over which the trading right is expected to generate cash flows to the Group. Accordingly, trading right is not amortised. Instead, it is tested for impairment annually and whenever there is an indication that it may be impaired.

Trading right is tested for impairment by the directors by estimating its recoverable amount based on value-in-use calculation. For such purposes, trading right is allocated to the businesses of securities brokerage, placing and underwriting services and margin financing as one cash-generating unit ("CGU"). For the year ended 31 December 2024, the value-in-use of the CGU is determined using cash flow projection which is based on the financial budget approved by the management covering a period of 5 years.

The key assumptions used in the budget plan include:

(a) Revenue from providing margin financing services is projected based on the expected credit facilities available to customers during the budget period which are subject to fulfilment of regulatory requirements and the expected liquidity position of the Group. Commission income from securities brokerage services is projected based on estimated trading value of customers. Income from providing placing and underwriting services is budgeted based on the number of placement and underwriting assignments expected to be secured in the budget period.

(b) Operating expenses will grow in line with the general inflation in Hong Kong throughout the budget period.

(c) Zero growth rate is used to extrapolate cash flow projection beyond the period covered by the recent financial budgets.

(d) The discount rate applied to the cash flow projections is 14% for the year ended 31 December 2024 (2023: 14%). The discount rate used is pre-tax and reflect specific risks relating to the businesses.

The key assumptions adopted by the management have been determined based on past performance and management's expectation on market development. Based on the result of the above impairment testing, the directors determined that there is no impairment in respect of the trading right as at 31 December 2024 (2023: nil).

Notes to the Consolidated Financial Statements

17. Trade Receivables

	2024 **HK$'000**	2023 HK$'000
Trade receivables arising from securities dealing and margin financing *(note (a))*		
– Margin clients *(note (b))*	**76,755**	156,816
– Clearing house *(note (c))*	**2,669**	14
Trade receivables arising from agency services *(note (d))*	**1,895**	–
Trade receivables arising from placing and underwriting services (note (d))	**193**	–
	81,512	156,830
Less: Loss allowance *(note (e))*	**(26,378)**	(59,008)
	55,134	97,822

Notes:

(a) The settlement term of trade receivables arising from the business of securities dealing is two business days after trade date ("T+2").

(b) Margin clients are required to pledge securities collateral to the Group in order to obtain credit facilities for securities trading. The amount of credit facilities granted to the margin clients is determined with reference to the discounted market value of securities accepted by the Group. Margin loans due from margin clients are either current and repayable on demand for those margin clients subject to margin calls. Except for those disclosed below, no ageing analysis is disclosed for trade receivables from margin clients as, in the opinion of the directors, ageing analysis is not meaningful in view of the business nature of securities dealing and margin financing.

To manage the credit risk exposure, when the level of securities collateral in proportion to the outstanding balance due from the margin client has reached an alarming level, the Group will demand the margin clients to deposit additional money or securities to maintain their margin accounts, or to sell their securities collateral to reduce the exposure. Other than the above, the Group may implement other credit enhancement measures including to enter into repayment schedule for a period of normally less than one year with margin clients for settling their outstanding balances by monthly instalment or by depositing cash or securities in equivalent market value.

As at 31 December 2024, gross carrying amount of trade receivables due from margin clients amounting to HK$681,000 (2023: HK$30,389,000) were current and HK$76,074,000 (2023: HK$126,427,000) were repayable on demand. These margin loans were interest bearing at fixed rates ranging from 8% to 24% (2023: 8% to 24%) per annum.

Notes to the Consolidated Financial Statements

17. Trade Receivables (continued)

Notes: (continued)

(b) (continued)

As at 31 December 2024, gross carrying amount of HK$24,012,000 (2023: HK$71,594,000) of the trade receivables due from margin clients were considered as credit impaired.

During the year ended 31 December 2024, the Group had written off balances due from margin clients with gross carrying amount of HK$54,065,000 (2023: nil) and accumulated loss allowance of HK$46,560,000 (2023: nil) at a loss of HK$7,505,000 recognised in profit or loss as those margin clients were in severe financial difficulties and there is no realistic prospect of recovery.

Subject to certain conditions, the Group is allowed to repledge collateral from margin clients. There was no repledge of collateral from margin clients as at 31 December 2024 (2023: nil).

(c) Trade receivables from clearing house, i.e. Hong Kong Securities Clearing Company Limited ("HKSCC"), were current which represented pending trades arising from the business of securities dealing and are normally due on "T+2" day in accordance with the requirements of Hong Kong Exchange and Clearing Limited.

(d) As at 31 December 2024, trade receivables arising from agency services, placing and underwriting services were current, interest free and aged within 0-90 days based on the invoice dates.

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

	2024 **HK$'000**	2023 HK$'000
At 1 January	**59,008**	37,615
Impairment losses charged to profit or loss	**9,149**	11,980
Unwinding of discount	**4,781**	9,413
Amount written off as uncollectible	**(46,560)**	–
At 31 December	**26,378**	59,008

Further details of the Group's credit policy and credit risk arising from trade receivables and loss allowance arising from ECL are set out in note 35(a).

Notes to the Consolidated Financial Statements

18. Loans Receivable

	2024 HK$'000	2023 HK$'000
Loans receivable arising from money lending *(notes (a) & (b))*	**74,416**	100,229
Less: Loss allowance *(note (c))*	**(26,667)**	(63,108)
	47,749	37,121

Notes:

(a) Loans receivable include certain borrowers, which are clients of the Group's securities dealing business had entered into securities charge agreement with the Group charging certain securities or securities portfolio as collateral which were deposited in the designated custodian account maintained by the borrower.

(b) The loans receivable as at 31 December 2024 were interest-bearing at a fixed rate ranging from 12.0% to 34.8% (2023: 12.0% to 16.0%) per annum, of which HK$27,411,000 (2023: HK$19,666,000) were current, HK$22,257,000 (2023: nil) were past due within one year, nil (2023: HK$45,900,000) were past due more than one year but less than two years and HK$24,748,000 were past due more than two years (2023: HK$34,663,000).

As at 31 December 2024, gross carrying amount of HK$24,748,000 (2023: HK$80,563,000) of the loans receivable balance were considered as credit impaired.

During the year ended 31 December 2024, the Group had written off loans receivable balance with gross carrying amount of HK$59,825,000 (2023: nil) and accumulated loss allowance of HK$51,177,000 (2023: nil) at a loss of HK$8,648,000 (2023: nil) recognised in profit or loss as those borrowers were in severe financial difficulties and there is no realistic prospect of recovery.

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

	2024 HK$'000	2023 HK$'000
At 1 January	**63,108**	42,499
Impairment losses charged to profit or loss	**11,751**	16,032
Unwinding of discount	**2,985**	4,577
Amount written off as uncollectible	**(51,177)**	–
At 31 December	**26,667**	63,108

Further details of the Group's credit policy and credit risk arising from loans receivable and loss allowance arising from ECL are set out in note 35(a).

Notes to the Consolidated Financial Statements

19. Other Receivables, Deposits and Prepayments

	2024 HK$'000	2023 HK$'000
Advance made for contribution to a new entity *(note)*	**6,400**	–
Deposits	**440**	405
Prepayments	**634**	242
Other receivables	**307**	26
	7,781	673

Represented by:

	2024 HK$'000	2023 HK$'000
– Current	**1,381**	673
– Non-current	**6,400**	–
	7,781	673

Note:

As at 31 December 2024, the advance represents a non-refundable capital contribution of HK$6,400,000 (2023: Nil) placed in a designated escrow bank account for the formation of a new entity, which will be principally engaging in the formation and operation of digital asset business. According to the contractual agreement, the total registered capital of the new entity is HK$25 million and is assumed to be contributed as to approximately HK$10 million by the Company and as to approximately HK$15 million by the other investor in proportion to their respective equity interests in the entity in cash. At the end of the reporting period, the incorporation of the new entity has not yet completed.

20. Trust Bank Balances Held on Behalf of Customers

In respect of the Group's business of securities dealing, the Group maintains segregated trust accounts with authorised financial institutions to hold client's monies. The Group classifies clients' monies separately under current assets in the consolidated statement of financial position and has recognised the corresponding balances due to cash and margin clients separately under trade payables (note 22) on the grounds that the Group 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.

21. Cash and Bank Balances

Cash at banks earns interest at floating rate based on daily bank deposit rates.

Notes to the Consolidated Financial Statements

22. Trade and Other Payables

	2024 HK$'000	2023 HK$'000
Trade payables arising from securities dealing		
– Cash clients	10,092	673
– Margin clients	2,151	2,059
	12,243	2,732

	2024 HK$'000	2023 HK$'000
Other payables and accruals		
– Legal and professional fees	1,671	–
– Audit fee	660	600
– Others	914	659
	3,245	1,259

The settlement term of trade payables arising from the business of securities dealing is "T+2". Trade payables arising from securities trading during the "T+2" period are current whereas those which are outstanding after the "T+2" period are repayable on demand. No ageing analysis is disclosed for trade payables arising from securities dealing as in the opinion of the directors, ageing analysis does not give additional value in view of the business nature.

23. Lease Liabilities

The Group as lessee

The Group leases office premises for use in its operation. Leases of office premises have lease term of three years and only comprise fixed payments over the lease terms.

The movement of lease liabilities are as follows:

	Office premises HK$'000
At 1 January 2023	1,587
Finance costs	49
Lease payments	(1,014)
At 31 December 2023	622
Finance costs	9
Lease payments	(631)
At 31 December 2024	–

Notes to the Consolidated Financial Statements

23. Lease Liabilities (continued)

The Group as leasee (continued)

Future lease payments are due as follows:

	Minimum lease payments HK$'000	Interest HK$'000	Present value of minimum lease payments HK$'000
As at 31 December 2024			
Not later than one year	–	–	–

	Minimum lease payments HK$'000	Interest HK$'000	Present value of minimum lease payments HK$'000
As at 31 December 2023			
Not later than one year	631	(9)	622
Within a period of more than one year but not exceeding two years	–	–	–
	631	(9)	622

The present value of future lease payments are analysed as follows:

	31 December 2024 HK$'000	31 December 2023 HK$'000
Current liabilities	–	622
Non-current liabilities	–	–
	–	622

The Group's obligations under its leases are secured by the lessor's title to the lease assets.

Other lease disclosures:

	2024 HK$'000	2023 HK$'000
Short-term lease expense	373	–

Notes to the Consolidated Financial Statements

24. Deferred Tax Assets

Details of the deferred tax assets recognised and movements during the year are as follows:

	Depreciation in excess of related depreciation allowance HK$'000	Impairment provision on trade and loans receivables HK$'000	Tax loss HK'000	Total HK$'000
At 1 January 2023	7	11,446	–	11,453
(Charged)/Credited to profit or loss *(note 12)*				
Current year effect	11	(5)	–	6
Effect on opening balances resulting from change in tax rate	(1)	1,209	–	1,208
At 31 December 2023 and 1 January 2024	**17**	**12,650**	**–**	**12,667**
Credited/(Charged) to profit or loss *(note 12)*				
Current year effect	**9**	**(9,791)**	**9,253**	**(529)**
Effect on opening balances resulting from change in tax rate	**–**	**146**	**–**	**146**
At 31 December 2024	**26**	**3,005**	**9,253**	**12,284**

Deferred tax asset has not been recognised for the following:

	2024 HK$'000	2023 HK$'000
Deductible temporary differences	**34,829**	42,001
Tax losses	**39,095**	142
	73,924	42,143

These deductible temporary differences and tax losses have no expiry date.

Notes to the Consolidated Financial Statements

25. Share Capital

Authorised and issued shares

	Par value HK$	Number of ordinary shares	Amount HK$'000
Authorised:			
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	**0.020**	**25,000,000,000**	**500,000**
Issued and fully paid:			
At 1 January 2023	**0.020**	**270,713,400**	**5,414**
Rights issue *(Note)*	**0.020**	**135,356,700**	**2,707**
At 31 December 2023, 1 January 2024 and 31 December 2024	**0.020**	**406,070,100**	**8,121**

Note:

On 10 July 2023, the Company successfully issued a total of 135,356,700 shares, raising approximately HK$29.95 million, net of directly attributable transaction costs of HK$0.51 million, from a rights issue on the basis of one (1) rights share for every two (2) existing shares at HK$0.225 per rights share.

Notes to the Consolidated Financial Statements

26. Reserves

The Group

The following describes the nature and purpose of each reserve within owner's equity.

Share premium

Share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less expenses incurred in connection with the issue and acquisition of the shares.

Capital reserve

Capital reserve arose from the following transactions under the reorganisation carried out by the group companies for the purpose of the listing:

(a) In May 2015, the Company issued 30 ordinary shares of HK$0.10 each to settle the consideration for acquisition of 100% equity interest in Pinestone Capital Group Limited ("PCGL") from Gryphuz Group Limited ("GGL"), its then shareholder, amounting to HK$726,000. The difference between the consideration of HK$726,000 and the issued share capital of PCGL of HK$1,000,000 was credited to the capital reserve.

(b) In May 2015, the Company issued 70 ordinary shares of HK$0.10 each to settle the consideration for acquiring 100% equity interest in Pinestone Investment Group Limited ("PIGL") from GGL, its then shareholder, together with an outstanding non-interest bearing amount due by PIGL to GGL, its then shareholder, amounting to HK$104,581,000. The difference between the consideration of HK$104,581,000 and the share capital of PIGL of HK$8 together with the outstanding non-interest bearing amount due by PIGL to GGL of HK$99,441,000 was debited to the capital reserve.

Accumulated losses

Accumulated losses is the cumulative net gains and losses recognised in profit or loss.

Notes to the Consolidated Financial Statements

26. Reserves (continued)

The Company

The movements of the Company's reserves are as follows:

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2023	172,750	(14,003)	158,747
Loss for the year	–	(28,015)	(28,015)
Rights Issue	27,243	–	27,243
At 31 December 2023 and 1 January 2024	**199,993**	**(42,018)**	**157,975**
Loss for the year	**–**	**(27,194)**	**(27,194)**
At 31 December 2024	**199,993**	**(69,212)**	**130,781**

27. Share Option Scheme

Pursuant to resolutions passed by the shareholders of the Company on 22 May 2015, the shareholders of the Company approved the adoption of a share option scheme (the "Share Option Scheme"). Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of commencing on the listing date, i.e. 12 June 2015 (the "Listing Date") and ending on the tenth anniversary of the Listing Date.

The Share Option Scheme is a share incentive scheme and is established to (i) motivate the Eligible Participants (including employees, executives, officers or directors of the Group and any advisors, consultants, agents, customers, and such other persons who, in the sole opinion of the board of directors (the "Board"), will contribute or have contributed to the Group) for the benefit of the Group; and (ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

The maximum number of shares in respect of which options under the Share Option Scheme or options under other schemes may be granted is 10% of the shares in issue immediately upon completion of the placing. The Company may refresh this limit from time to time, subject to shareholders' approval and the issue of a circular and in accordance with the Listing Rules to 10% of the shares in issue as at the date of the approval of the refreshed limit. Notwithstanding the foregoing, the refresh limit shall in no event result in the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company exceeding 30% of the shares in issue from time to time. Based on the number of issued shares on the approval date of the refreshed limit on 11 May 2018, the maximum number of shares in respect of which options under the Share Option Scheme or options under other schemes may be granted is 491,000,000 shares. Owing to the Company's share consolidation of 20-for-1 shares on 21 October 2022, the maximum number of shares in respect of which options under the Share Option Scheme may be granted is consolidated as 24,550,000 shares.

Notes to the Consolidated Financial Statements

27. Share Option Scheme (continued)

In addition, the maximum number of shares in respect of which options may be granted under the Share Option Scheme to any Eligible Participant, shall not, when aggregated with (a) any shares issued upon exercise of options granted under the Share Option Scheme or options under the other schemes which have been granted to the Eligible Participant; (b) any shares which would be issued upon the exercise of outstanding options under the Share Option Scheme or options under other schemes granted to that Eligible Participant; and (c) any cancelled shares which were subject of options under the Share Option Scheme or options under other schemes which had been granted and accepted by the Eligible Participant, in any 12-month period up to the offer date, exceed 1% of the number of shares in issue on the offer date.

The option period in respect of options granted is to be notified by the Board to each grantee within which the options may be exercisable provided that such period of time shall not exceed a period of 10 years commencing on the date upon which the option is deemed to be granted and accepted in accordance with the conditions under the Share Option Scheme.

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the documents constituting acceptance of the option duly signed by the grantee, together with a remittance or payment in favour of the Company of HK$1 by way of consideration for the grant thereof is received by the Company on or before the acceptance date, being a date not later than 30 days after the offer date.

The exercise price in relation to each option offered to an Eligible Participant shall, subject to adjustments arising from capital restructuring, be determined by the Board in its absolute discretion but in any event must be the higher of:

(a) the official closing price of the shares as stated in the daily quotation sheets of the Stock Exchange on the offer date;

(b) the average of the official closing price of the shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the offer date; and

(c) the nominal value of a share.

No option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption.

The Share Option Scheme will be expired on 11 June 2025, the Company will apply and offer a New Share Scheme to replace it.

Notes to the Consolidated Financial Statements

28. Holding Company Statement of Financial Position

Below is the statement of financial position of the Company as at 31 December 2024.

	Notes	2024 HK$'000	2023 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	*29*	**104,581**	104,581
Current assets			
Prepayments and other receivables		**877**	165
Amounts due from subsidiaries		**45,532**	60,999
Cash and bank balances		**423**	967
		46,832	62,131
Current liabilities			
Other payables and accruals		**788**	616
Amount due to a subsidiary		**11,723**	–
		12,511	616
Net current assets		**34,321**	61,515
Net assets		**138,902**	166,096
CAPITAL AND RESERVES			
Share capital	*25*	**8,121**	8,121
Reserves	*26*	**130,781**	157,975
Total equity		**138,902**	166,096

On behalf of the directors

Mr. Lee Chun Tung
Director

Mr. Lau Chun Hung
Director

Notes to the Consolidated Financial Statements

29. Investments in Subsidiaries

Details of the subsidiaries as at 31 December 2024 are as follows:

Name of subsidiary	Place of incorporation and type of legal entity	Place of operations	Issued and paid up capital	Effective interest held by the Company		Principal activities
				Directly	Indirectly	
Pinestone Securities Limited	Hong Kong/Limited liability company	Hong Kong	149,000,000 shares of HK$149,000,000	–	100%	Provision of securities brokerage services, placing and underwriting services as well as margin financing services
Pinestone Capital Group Limited	Hong Kong/Limited liability company	Hong Kong	1,000,000 shares of HK$1,000,000	–	100%	Provision of money lending services
Pinestone International Group Limited	The BVI/Limited liability company	Hong Kong	1 ordinary share of United States dollars ("US$") 1 each	100%	–	Investment holding
Pinestone International Limited	The BVI/Limited liability company	Hong Kong	1 ordinary share of US$1 each	100%	–	Investment holding
Pinestone Principal Investment Limited	Hong Kong/Limited liability company	Hong Kong	1 share of HK$1	100%	–	Inactive
Allied First Investment Limited	The BVI/Limited liability company	Hong Kong	1 ordinary share of US$1 each	100%	–	Investment holding
JP Associates Limited	Hong Kong/Limited liability company	Hong Kong	1 share of HK$1	–	100%	Inactive
Pinestone Capital Asset Management Limited	Hong Kong/Limited liability company	Hong Kong	5,770,000 shares of HK$5,770,000	–	100%	Type 9 Asset Management Licence
Daring Trend Limited	The BVI/Limited liability company	Hong Kong	1 ordinary share of US$1 each	100%	–	Investment holding
Elated City Limited	The BVI/Limited liability company	Hong Kong	1 ordinary share of US$1 each	100%	–	Investment holding
JOYFUL SUPREME LIMITED	The BVI/Limited liability company	Hong Kong	1 ordinary share of US$1 each	100%	–	Investment holding
East Star Life Holding (Hong Kong) Limited	Hong Kong/Limited liability company	Hong Kong	10m ordinary shares of HK$2	–	100%	Inactive
PS Investment Corporation Limited	Hong Kong/Limited liability company	Hong Kong	10,000 ordinary shares of HK$10,000	–	100%	Provision of consultancy services
PS Family Management Company Limited	Hong Kong/Limited liability company	Hong Kong	10,000 ordinary shares of HK$10,000	–	100%	Inactive
Digital Supreme Limited	Hong Kong/Limited liability company	Hong Kong	10,000 ordinary shares of HK$10,000	–	100%	Inactive

None of the subsidiaries had issued any debt securities at the end of the reporting period.

Notes to the Consolidated Financial Statements

30. Notes to the Consolidated Statement of Cash Flows

Reconciliation of liabilities arising from financing activities:

	Lease liabilities HK$'000 *(note 23)*
At 1 January 2024	**622**
Changes from cash flows:	
Capital element of lease liabilities paid	**(622)**
Interest element of lease liabilities paid	**(9)**
Total changes from financing cash flow	**(631)**
Other changes:	
Interest expense	**9**
At 31 December 2024	**–**

	Lease liabilities HK$'000
At 1 January 2023	1,587
Changes from cash flows:	
Capital element of lease liabilities paid	(965)
Interest element of lease liabilities paid	(49)
Total changes from financing cash flow	(1,014)
Other changes:	
Interest expense	49
At 31 December 2023	622

Notes to the Consolidated Financial Statements

31. Related Party Transactions

Saved as disclosed elsewhere in these financial statements, the Group has the following significant transactions and balances with related parties.

(a) At the end of the reporting period, the Group had the following balances with the directors and other related parties:

Balances due to the directors and person connected with directors arising from securities dealing transactions included in trade payables *(note 22)*

	As at 1 January 2023 HK$'000	As at 31 December 2023 HK$'000	Securities held
Mr. Cheung Yan Leung Henry	287	–	Marketable securities

Note 1: Mr. Cheung Yan Leung Henry had resigned on 31 August 2023.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year are as follows:

	2024 HK$'000	2023 HK$'000
Salaries, allowances, discretionary bonus and other benefits	**4,534**	5,790
Contributions to defined contribution retirement plan	**70**	65
	4,604	5,855

Notes to the Consolidated Financial Statements

32. Capital Management

The Group's capital management objectives are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth.

The capital structure of the Group consists of debts, which include lease liabilities as at 31 December 2023 (note 23) and equity, comprising share capital and reserves.

The directors of the Company actively and regularly reviews and manages the Group's capital structure, taking into consideration the future capital requirements of the Group, to ensure optimal shareholders' returns. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, raise new debts or sells assets to reduce debt.

The gearing ratio of the Group at the end of the reporting period is as follows:

	2024 **HK$'000**	2023 HK$'000
Lease liabilities	**–**	622
Equity	**138,372**	170,038
Gearing ratio#	**N/A**	–

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

The Group targets to maintain the level of its gearing ratio which allows the Group to cope with the changes in the financial market and economic condition.

A subsidiary of the Company is regulated by the Securities and Futures Commission ("SFC") and required to maintain minimum liquid capital and paid up capital according to the Securities and Futures Ordinance. Management monitors this subsidiary's liquid capital and paid up capital to ensure they meet the minimum requirement in accordance with the Securities and Futures (Financial Resources) Rules.

Notes to the Consolidated Financial Statements

33. Summary of Financial Assets and Financial Liabilities by Category

The following table shows the carrying amounts of financial assets and liabilities:

	2024 **HK$'000**	2023 HK$'000
Financial assets		
Finance assets at amortised cost		
– Trade receivables, loans receivable, other receivables and deposits	**103,630**	135,374
– Trust bank balances held on behalf of customers	**12,585**	3,001
– Cash and bank balances	**15,929**	23,394
	132,144	161,769
Financial liabilities		
Financial liabilities at amortised cost		
– Trade payables	**12,243**	2,732
– Other payables and accruals	**3,245**	1,259
	15,488	3,991
Financial instrument		
– Lease liabilities	**–**	622

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include trade receivables, loans receivable, deposits, trust bank balances held on behalf of customers, cash and bank balances, trade payables, other payables and accruals and lease liabilities. Due to their short-term nature, the carrying values of the above financial instruments except for non-current lease liabilities approximate their fair values.

For disclosure purpose, the fair values of non-current lease liabilities are not materially different from their carrying values. The fair value has been determined using discounted cash flow model and is classified as level 3 in the fair value hierarchy. Significant inputs include the discount rate used to reflect the credit risk of the Group.

(b) Financial instruments measured at fair value

As at 31 December 2023 and 2024, the Group did not have any financial instruments measured at fair value and accordingly, no analysis on fair value hierarchy is presented.

Notes to the Consolidated Financial Statements

34. Offsetting Financial Assets and Financial Liabilities

The Group currently has a legally enforceable right to set off the Continuous Net Settlement ("CNS") money obligation receivables and payables with a clearing house, HKSCC and it intends to settle on a net basis as trade receivables from or trade payables to HKSCC. For the net amounts of CNS money obligations receivables or payables and other receivables and payables (such as deposits included in statutory deposits placed with stock exchange and clearing house), they do not meet the criteria for offsetting in the consolidated financial statements since the right to set-off of the recognised amount is only enforceable following an event of default and the Group does not intend to settle the balance on a net basis.

In addition, under the agreements signed between the Group and the customers for dealing in securities, money obligations receivables and payables with the same customer are settled on a net basis. The Group therefore has a legally enforceable right to set-off the trade receivable and payable with the same customer and the Group intends to settle these balances on a net basis.

(a) Financial assets subject to offsetting, enforceable master netting arrangement and similar arrangements

	Amounts due from customers and HKSCC	
	2024	2023
	HK$'000	HK$'000
Gross amount of recognised financial assets (net of provision for impairment)	**65,294**	100,194
Gross amount of financial liabilities offset in the consolidated statement of financial position	**(12,248)**	(2,372)
Net amount of financial assets included in the consolidated statement of financial position as trade receivables	**53,046**	97,822
Related amounts not offset in the consolidated financial statements – Financial collateral	**(26,914)**	(97,808)
Net amount	**26,132**	14

(b) Financial liabilities subject to offsetting, enforceable master netting arrangement and similar arrangements

	Amounts due to customers and HKSCC	
	2024	2023
	HK$'000	HK$'000
Gross amount of recognised financial liabilities	**24,491**	5,104
Gross amount of financial assets offset in the consolidated statement of financial position	**(12,248)**	(2,372)
Net amount of financial liabilities included in the consolidated statement of financial position as trade payables	**12,243**	2,732

Notes to the Consolidated Financial Statements

35. Financial Risk Management

The main risks arising from the Group's financial instruments in the normal course of Group's business are credit risk, interest rate risk and liquidity risk. These risks are managed according to the Group's financial management policies and practices described below.

(a) Credit risk

Credit risk arises when a counterparty is unable or unwilling to meet a commitment that it has entered into with the Group. The Group's credit risk is primarily attributable to its trade receivables and loans receivable from customers and bank balances. The maximum exposure to credit risk of the Group's financial assets at the end of the reporting period is their carrying amounts.

In order to minimise credit risk, management, including responsible officers of the regulated activities, compile credit and risk management policies, approve credit limits and determine debt recovery action on those delinquent receivables.

In respect of the securities dealing and margin financing businesses, the Group's credit risk exposure is spread over a number of customers. As at 31 December 2024, the Group had certain concentration of credit risk as 38% (2023: 26%) of the trade receivables was due from the Group's largest client (in terms of net receivable balances). To reduce credit risk, the Group requests collateral from individual margin client and the value of such collateral has to be maintained at certain level in proportion to the outstanding balance due from the margin client (collateral ratio). In addition, the Group has formulated certain credit policy procedures for monitoring trading activities and level of securities collateral of margin clients in particular for those margin clients whose collateral ratio has reached alarming level. The Group has also implemented procedures for monitoring the value of the securities collateral, including assessing the quality and liquidity of the securities collateral, closely monitoring the volatility of the market prices of the securities collateral taking into consideration of their current market prices and historical price movements, latest information and news of the related listed companies and other relevant factors regarding the financial market that may have impact on the market prices of the securities collateral.

The credit risk of trade receivables due from the clearing house is considered to be minimal.

In respect of the money lending business, the Group's credit risk exposure is spread over a number of borrowers. As at 31 December 2024, the Group had certain concentration risk as 36% (2023: 56%) of loans receivable was due from the Group's largest borrower (in terms of net loans receivable balances). In granting loans to customers, management assesses the background and financial condition of the customers and requests securities collateral or other types of collateral from the customers in order to minimise credit risk. If applicable, management monitors the collateral ratio of borrowers on an on-going basis and would request borrowers to increase the value of collateral should the need arise.

Monitoring of credit risk on trade receivables and loans receivable is performed by the management on an on-going basis.

The credit risk on bank balances and trust bank balances held on behalf of customers is considered to be low as the counterparties are reputable banks or financial institutions.

Notes to the Consolidated Financial Statements

35. Financial Risk Management (continued)

(a) Credit risk (continued)

Impairment under ECL model

As disclosed in note 2(g)(ii), the Group applies simplified approach to measure ECL on trade receivables due from cash clients and clearing house; and general approach to measure ECL on trade receivables due from margin clients, loans receivable, deposits, trust bank balances held on behalf of customers and cash and bank balances. Under the simplified approach, the Group measures the loss allowance at an amount equal to lifetime ECL. Under the general approach, the Group applies the "3-stage" impairment model for ECL measurement based on change in credit risk since initial recognition as follows:

– Stage 1: If the credit risk of the financial instrument has not increased significantly since initial recognition, the financial instrument is included in Stage 1.

– Stage 2: If the credit risk of the financial instrument has increased significantly since its initial recognition but is not deemed to be credit-impaired, the financial instrument is included in Stage 2.

– Stage 3: If the financial instrument is credit-impaired, the financial instrument is included in Stage 3.

The ECL for financial instruments in Stage 1 are measured at an amount equivalent to 12-month ECL whereas the ECL for financial instruments in Stage 2 or Stage 3 are measured at an amount equivalent to lifetime ECL.

When determining whether the risk of default has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit risk assessment, including forward-looking information.

In determining the significant increase in credit risk of trade receivables due from margin clients and loans receivable, the Group would consider if there are significant changes in the behavior of the margin clients or borrowers including changes in their payment status and changes in responsiveness of the customers to the margin calls or similar request of the Group. In addition, the Group would consider the collateral ratio. In particular, the Group assesses if there is significant changes in the value of the collateral securing the trade receivables of the margin clients or the loans receivable. The decline in value of the collateral being market securities may result in greater incentive of the margin clients to default their margin loans and loans receivable. Apart from these, the Group would consider for those global and local political and economic conditions which would have significant impact on the financial market of Hong Kong that are expected to cause a significant change in margin clients' or borrowers' ability to meet their debt obligations.

A financial asset is considered to be credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred which include significant financial difficulty of the debtors; collateral ratio of the relevant trade receivable or loan receivable exceeding the Group's tolerable level; significant decrease in the value of collateral and failure to make up shortfall upon margin call or similar request of the Group within a certain time frame. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Notes to the Consolidated Financial Statements

35. Financial Risk Management (continued)

(a) Credit risk (continued)

Impairment under ECL model (continued)

For trade receivables due from margin clients, the Group rebuts the presumption that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due and that financial assets are credit-impaired when they are more than 90 days past due as management considers that the probability of default for securities-backed loans is highly correlated to the collateral value rather than the past due days.

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure of default. The assessment of the probability of default and loss given default is based on historical information such as behaviour of customers and changes in value of the collateral, credit rating of customers where applicable, and adjusted for forward-looking information through the use of financial market analysis and individual stock analysis.

Movements in the loss allowance for trade receivables due from margin clients and loans receivable for the year ended 31 December 2024 and 2023 are as follows:

Loss allowance for trade receivables due from margin clients

		Life-time ECL		
	12-month ECL (Stage 1) HK$'000	Not credit-impaired (Stage 2) HK$'000	Credit-impaired (Stage 3) HK$'000	Total HK$'000
At 1 January 2023	–	–	37,615	37,615
Increase in allowance, net	–	–	11,980	11,980
Unwinding of discount	–	–	9,413	9,413
At 31 December 2023 and 1 January 2024	–	–	59,008	59,008
Increase in allowance, net	–	2,366	6,783	9,149
Unwinding of discount	–	–	4,781	4,781
Amount written off as uncollectible	–	–	(46,560)	(46,560)
At 31 December 2024	**–**	**2,366**	**24,012**	**26,378**
Gross carrying amount:				
Trade receivables as at 31 December 2024	**681**	**52,062**	**24,012**	**76,755**
Trade receivables as at 31 December 2023	30,389	54,833	71,594	156,816
Market value of securities collateral as at 31 December 2024	**2,933**	**27,111**	**–**	**30,044**
Market value of securities collateral as at 31 December 2023	80,121	61,122	–	141,243

Notes to the Consolidated Financial Statements

35. Financial Risk Management (continued)

(a) Credit risk (continued)

Impairment under ECL model (continued)

Loss allowance for loans receivable

	12-month ECL (Stage 1) HK$'000	Life-time ECL Not credit-impaired (Stage 2) HK$'000	Life-time ECL Credit-impaired (Stage 3) HK$'000	Total HK$'000
At 1 January 2023	–	–	42,499	42,499
Increase in allowance, net	–	–	16,032	16,032
Unwinding of discount	–	–	4,577	4,577
At 31 December 2023 and 1 January 2024	–	–	63,108	63,108
Increase in allowance, net	–	1,919	9,832	11,751
Unwinding of discount	–	–	2,985	2,985
Amount written off as uncollectible	–	–	(51,177)	(51,177)
At 31 December 2024	**–**	**1,919**	**24,748**	**26,667**
Gross carrying amount: Loans receivable as at 31 December 2024	**30,477**	**19,191**	**24,748**	**74,416**
Loans receivable as at 31 December 2023	19,666	–	80,563	100,229
Fair value of marketable securities as at 31 December 2024	**17,100**	**–**	**–**	**17,100**
Fair value of marketable securities as at 31 December 2023	–	–	–	–

Impairment losses for lifetime ECL were provided for trade receivables due from margin clients and loans receivable for which there were significant increase in credit risk since initial recognition and they were mainly due from (i) those margin clients and borrowers whose collateral ratio reached alarming ratio or even exceeded the Group's tolerable level and (ii) those margin clients and borrowers without any securities collateral after liquidation action taken by the Group.

As at 31 December 2024 and 2023, collateral for trade receivables are the securities of small to medium-sized companies listed in Hong Kong. Those securities are less liquid and more volatile in respect of their value, which have been taken into consideration in arriving at the measurement of ECL.

Notes to the Consolidated Financial Statements

35. Financial Risk Management (continued)

(b) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's interest rate risk mainly arises from trade receivables, loans receivable and bank balances. Trade receivables, loans receivable and lease liabilities carrying interest at fixed rates expose the Group to fair value interest rate risk while bank balances carrying interest at variable rates expose the Group to cash flow interest rate risk.

Details of the Group's lease liabilities as at 31 December 2023 are disclosed in note 23.

The directors of the Company consider the Group's cash flow interest rate risk on bank balances is not significant due to low level of deposit interest rate.

The Group currently does not have an interest rate hedging policy. However, management closely monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group did not have any floating rate borrowings as at 31 December 2024 and 2023 and accordingly, no sensitivity analysis on interest rate exposure is presented.

(c) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and other payables and its financing obligations, and also in respect of its cash flow management. In addition, a subsidiary of the Company is regulated by SFC and is subject to certain requirements under the Securities and Futures (Financial Resources) Rules and accordingly, the Group has to monitor the liquidity of this subsidiary to ensure compliance with the relevant rules. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000
As at 31 December 2024			
Trade payables	**12,243**	**12,243**	**12,243**
Other payables and accruals	**3,245**	**3,245**	**3,245**
	15,488	**15,488**	**15,488**
As at 31 December 2023			
Trade payables	2,732	2,732	2,732
Other payables and accruals	1,259	1,259	1,259
Lease liabilities	622	622	622
	4,613	4,613	4,613

Notes to the Consolidated Financial Statements

36. Capital Commitments

The Group's share of the capital commitments, made jointly with another investor for the new entity as set out in note 19, amounts to HK$3,600,000 (2023: nil). These commitments, which relate to contributing funds for the working capital of the new entity, were not recognised as at the end of the reporting period.

37. Events After the Reporting Date

(a) Subsequent to the end of the reporting period, with details as set out in note 19, the new entity was subsequently incorporated on 17 January 2025. The Group had further paid HK$300,000 in January 2025 as subsequent contributions pursuant to the agreement. The Company considers that it will be able to exercise significant influence over the new entity upon its formation and as such will account for it as an associate.

Details of the above are disclosed in the announcement of Company dated 22 November 2024.

(b) On 18 December 2024, a placing agent and the Company entered into a conditional placing agreement. On 13 January 2025, all the conditions set out in the placing agreement dated 18 December 2024 have been fulfilled and the placing is considered to be completed. A total of 81,210,000 placing shares have been successfully placed by the placing agents to not less than six placees at placing price of HK$0.176 per placing share pursuant to the terms and conditions of the placing agreement, representing approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the placing shares immediately upon completion of the placing. The placing shares issued rank pari passu with other shares in issue in all respects.

The net proceeds from the placing, after deduction of the placing commission and other related expenses, amounted to approximately HK$14.29 million and HK$13.86 million, respectively. The Company intends to use such net proceeds for general working capital of the Group.

Details of the above are disclosed in the announcement of Company dated 13 January 2025.

5 Years Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements in this annual report and prior year financial statements are as follows:

Results

	For the year ended 31 December				
	2024	2023	2022	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**25,500**	20,224	19,471	24,973	31,808
Other income	**332**	65	88	44	60
Commission and fee expenses	**(743)**	(719)	–	–	(6,084)
Employee benefit expenses	**(6,950)**	(8,911)	(10,107)	(9,309)	(6,820)
Depreciation	**(619)**	(974)	(1,033)	(1,953)	(2,036)
Impairment losses on trade and loans receivables, net	**(20,900)**	(28,012)	(49,568)	(12,499)	(31,314)
Loss from write off of trade and loans receivables	**(16,153)**	–	–	–	–
Other operating expenses	**(11,747)**	(5,113)	(7,107)	(6,295)	(4,808)
Finance costs	**(9)**	(49)	(89)	(67)	(117)
Loss before income tax	**(31,289)**	(23,489)	(48,345)	(5,106)	(19,311)
Income tax (expense)/credit	**(377)**	(899)	6,875	173	483
Loss for the year	**(31,666)**	(24,388)	(41,470)	(4,933)	(18,828)
Other comprehensive income for the year	**–**	–	–	–	–
Total comprehensive income for the year	**(31,666)**	(24,388)	(41,470)	(4,933)	(18,828)

Asset and liabilities

	As at 31 December				
	2024	2023	2022	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**154,872**	176,014	169,942	199,300	228,302
Total liabilities	**(16,500)**	(5,976)	(5,466)	(7,577)	(31,646)
Net assets	**138,372**	170,038	164,476	191,723	196,656