PineStone 鼎石

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 : 8097)

ANNUAL REPORT
年報
2015

Characteristics of the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

Contents

Corporate Information

Board of Directors (The "Board")

Executive Directors

Mr. Cheung Yan Leung Henry *(Chairman)*
Mr. Cheung Johnathan

Independent Non-Executive Directors

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

Audit Committee

Mr. Yeung King Wah *(Chairman)*
Mr. Lai Tze Leung George
Mr. So Stephen Hon Cheung

Nomination Committee

Mr. Cheung Yan Leung Henry *(Chairman)*
Mr. Yeung King Wah
Mr. Lai Tze Leung George
Mr. So Stephen Hon Cheung

Remuneration Committee

Mr. Yeung King Wah *(Chairman)*
Mr. Lai Tze Leung George
Mr. So Stephen Hon Cheung
Mr. Cheung Jonathan

Compliance Officer

Mr. Cheung Johnathan

Company Secretary

Mr. Au Kin Kee Kinson *ACS ACIS*

Authorised Representatives

Mr. Cheung Yan Leung Henry
Mr. Cheung Johnathan

Trading Stock Code

8097

Registered Office

Clifton House, 75 Fort Street
P.O. Box 1350
Grand Cayman, KY1-1108
Cayman Islands

Headquarter and Principal Place of Business in Hong Kong

Unit 1506, 15th Floor, Wheelock House
20 Pedder Street, Central
Hong Kong

Hong Kong Branch Share Registrar & Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Compliance Adviser

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

Principal Banker

Chong Hing Bank Limited
Chong Hing Bank Centre
24 Des Voeux Road Central
Hong Kong

Auditor

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

Company's Website

www.pinestone.com.hk

Chairman's Statement

Dear Shareholders,

Review

The Group was successfully listed on the GEM Stock Exchange on 12 June 2015. The proceeds raised have strengthened our financial position and were deployed in accordance to our business plan of expanding our securities-backed lending services with careful consideration of prevailing market conditions.

In the 2015 financial year, the Group achieved an increase in revenue of approximately 14% from HK$33.0 million to HK$37.5 million over the corresponding period in 2014. The growth was mainly attributed to an increase in commission income from securities brokerage services of approximately HK$0.9 million and a rise in interest income from securities-backed lending services of approximately HK$5.4 million. The Group's consolidated net profit for the year decreased 27% to HK$15.4 million due to the one-time listing expense of HK$8.3 million. Once adjusted for the one-off listing expenses, the Group would have recorded a net profit increase of approximately 12% despite higher compliance costs and staff costs after listing.

Outlook

The Group will continue to focus on developing our existing businesses including securities brokerage, securities-backed lending, placing and underwriting. Meanwhile, we will strengthen our financial position and business foundation. The recent market volatility has adversely affected the general market sentiment and investors' appetite. We noted that general market activity has slowed down and investors have become cautious with their trading. The Group will continue to closely monitor the market condition and in particular, continue to manage credit risk exposure by evaluating client's portfolio and credit positions carefully.

Going forward, the Group will continue to fortify our current business position and explore business opportunities with a view to build a strong foundation for long-term development. The Group will continue to develop our existing services, strengthen our financial positions and to expand our business reach by exploring strategic opportunities with the aim to maximize long-term returns for our shareholders.

On behalf of the Board, 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.

On behalf of the Board,

Cheung Yan Leung Henry
Chairman & Executive Director

Hong Kong, 23 March 2016

Management Discussion and Analysis

Business Activities

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in providing bespoke services encompassing security brokerage, securities-backed lending and placing and underwriting businesses. Since the Company's successful listing on GEM of the Stock Exchange on 12 June 2015 (the "Listing") by way of placing (the "Placing"), there has been no significant change in the business operations of the Group. During the period under review, we recognized commission income from our securities brokerage services, interest income from our securities-backed lending services, as well as income from placing and underwriting services.

Financial Highlights

Year ended 31 December (HK$'000)	2014	*2015	Percentage
Revenue	33,025	**37,502**	+14%
Profit before Tax	25,738	**20,458**	-21%
Net Profit	21,217	**15,410**	-27%
EPS$^{\Delta}$ (H.K cents)	0.59	**0.36**	-39%
Total Assets	164,141	**216,330**	+32%
Total Equity	31,059	**172,223**	+455%
Key Performance Indices			
Net Profit Margin (%)	64.2	**41.1**	
Return on Equity (%)	68.3	**8.9**	
Return on Total Assets (%)	12.9	**7.1**	
Current Ratio (times)	1.2	**6.3**	
Gearing Ratio (times)	N.A.	**0.15**	

* The Company was listed on GEM of the Stock Exchange on 12 June 2015

Δ Weighted average, 10-for-1 subdivision of shares ("Share Subdivision") & assuming the Group has been in existence in 2014

Business Review

Securities Brokerage

The performance of our securities brokerage for the full year has maintained steady. It achieved an increase of 4% in a total transaction value to HK$4,016 million as at 31 December 2015 relative to the corresponding period last year (31 December 2014: HK$3,849 million). Commission income from securities brokerage services increased from 2014's HK$8.6 million to 2015's HK$9.5 million representing an increase of approximately 10%.

Securities-backed Lending

During the year ended 31 December 2015, the growth in our securities-backed lending business was remarkable. In particular, our loan portfolio increased by 70% from HK$102 million as at 31 December 2014 to HK$173 million as at 31 December 2015. The substantial growth was attributable to the expansion of our loan portfolio on our margin financing activities, which was supported by the proceeds from the Placing. We recorded an average month-end margin finance loan balance of approximately HK$139 million in 2015, compared to approximately HK$91 million in 2014. Interest income from security-backed lending services increased by 29% from 2014's HK$18.8 million to 2015's HK$24.2 million.

Management Discussion and Analysis

Placing and Underwriting Business

During the year, we recorded a 33% decrease in income from HK$5.3 million in 2014 to HK$3.6 million in 2015. The decrease was attributable to the sluggish market sentiment that resulted from the stock market plummet in the second half of the year. In 2015, we recorded a total of seven placing and underwriting deals compared to eleven in 2014. Nevertheless, the Group has participated in deals of larger size than those in 2014's. During the year, we acted as placing agent for two placings amounting to HK$152 million and HK$325 million respectively.

Net Profit for the Year

For the year ended 31 December 2015, the Group reported a net profit of HK$15.4 million, representing a decrease of HK$5.8 million on 27% (2014: HK$21.2 million). This is mainly due to recognition of a one-off listing expense of HK$8.3 million. If this was not included, we should have reported an increase of approximately 12% in net profit, which is in line with the growth in revenue over the same period.

Total Assets

Total assets of the Group increased by 32% from HK$164 million as at 31 December 2014 to HK$216 million as at 31 December 2015. This increase was due to greater trade receivables from margin financing arising from the abovementioned expansion of our loan portfolio. As at 31 December 2015, trade receivables from margin clients surged to HK$173 million from HK$102 million as at 31 December 2014.

Financial Review

Revenue

For the year ended 31 December 2015, total revenues was approximately HK$37.5 million, representing an increase of approximately 14% compared to 2014's HK$33.0 million. The growth was attributable to an increase of approximately HK$0.9 million in commission income from securities brokerage services and increase in interest income from securities-backed lending services of approximately HK$5.4 million. The increase in interest income from securities-backed lending services was mainly attributable to the growth of our margin financing services. It was enhanced by the proceeds from the Placing. Our loan portfolio amounted to HK$173 million as at 31 December 2015 compared to HK$102 million as at 31 December 2014. Placements and underwriting commission deceased by about 33% from 2014's HK$5.3 million to HK$3.6 million for the year ended 31 December 2015. The decrease was attributable to the lukewarm response of the market in the aftermath of the stock market plunge.

Employee Benefits Expenses

During the year ended 31 December 2015, the Group recorded approximately HK$4.5 million employee benefit expenses, representing an increase of approximately 62% from the corresponding period last year. Employee benefits expenses include staff salaries, allowances, benefits, directors' emoluments and contribution to defined contribution retirement scheme. The increase was attributable to the increase in the number of staff, a general salary increment and the payment of the directors' emoluments. During the year, two additional staffs were hired by the Group.

Other Operating Expenses

Other operating expenses for the year ended 31 December 2015 was approximately HK$12.3 million, which accounts for approximately 72% of the total expenses for the year (31 December 2014: 59%). The increase in other operating expenses was attributable to a one-off listing expense of approximately HK$8.3 million (2014: HK$1.7 million) incurred in relation to the Listing (excluding expenses incurred in relation to issue of new shares being accounted for as deduction from equity). Once adjusted for the one-off listing expenses, our operating expenses increased by approximately 48% from 2014's HK$2.7 million to HK$4.0 million in 2015.

Management Discussion and Analysis

Listing Expenses

The total listing expenses incurred for the year was approximately HK$12.0 million. After excluding the expenses directly attributable to the issue of new shares of approximately HK$3.7 million, the remaining listing expenses of approximately HK$8.3 million have been recognized in the profit and loss account.

Income Tax Expense

The income tax expense for 2015 was approximately HK$5.0 million (2014: HK$4.5 million) and such growth was consistent with the increase in assessable profits during the period ended 31 December 2015 as compared to the corresponding period last year.

Profit for the Year

For the year ended 31 December 2015, the Group reported a net profit of HK$15.4 million, representing a decrease of approximately HK$5.8 million or 27% from last year (2014: HK$21.2 million). The decrease was mostly attributable to a one-off listing expenses of HK$8.3 million. If the listing expense was excluded, we should have reported an increase in net profit of approximately HK$23.7 million, representing an increase of 12%.

Dividend

The Board of directors does not recommend the payment of final dividend for the year ended 31 December 2015. No dividend has been declared by the Company for the year ended 31 December 2015.

Use of Proceeds

	Proposed expansion of our securities-backed lending business HK$ million	**Actual use of proceed of our securities-backed lending business HK$ million**
From the period of 22 May 2015 to 30 June 2015	15.0	15.0
From the period of 1 July 2015 to 31 December 2015	26.0	26.0

Our core revenue generator is securities-backed lending business. Out of the net proceeds from the placing, we proposed to use HK$41.0 million on the expansion of our securities-backed lending business by the end of 31 December 2015. In particular, we intended to use approximately HK$36.0 million for margin financing and approximately HK$5.0 million for money lending. Balance of net proceeds of approximately HK$4.0 million are used as general working capital and has been placed with an authorised financial institution in Hong Kong. As of the date of this report, all the proceeds had all been deployed for the abovementioned purposes.

Management Discussion and Analysis

Business Objectives

As aforementioned, the Group had deployed the use of proceeds as intended. In this connection, the Group will continue to pursue the business strategies set out in the Prospectus and (i) focus on clients with investment appetites for the securities of small to medium-sized listed companies; (ii) continue to cultivate strong and long-term relationships with our customers through provision of bespoke services catered to their investment objectives and appetites; and (iii) leverage on the synergies between our complementary range of services. Please refer to the paragraph headed "Outlook" for further details.

To ensure timely response to the fast-paced industry the Group operates in, the Directors regularly evaluate the Group's business objective and strategies. In order to ensure business growth of the Group, the Group may change or modify plans taking into account the latest development in the market.

Capital Structure

The Group has outstanding tax loans of approximately HK$6,675,000 from a bank and other loan of HK$10,000,000 from a financial institution as at 31 December 2015 (31 December 2014: nil). During the period under review, the Group's operations, capital expenditure and other capital requirements were funded by four sources: internal sources, credit facilities of banks, borrowings from other financial institutions as well as net proceeds raised from the Placing (approximately HK$45 million). With a solid equity base of HK$172 million, the total debt to equity ratio was at a healthy level of approximately 15%.

The Directors are of the view that as of this date, the Group's financial resources are sufficient to support its business and operations. Notwithstanding this, the Group may consider other financing activities when appropriate opportunities arise.

Issue of Two-year 5% Coupon Bonds

On 22 December 2015, the Company issued 5% coupon Bonds in principal amount of HK$10,000,000 and a maturity period of two years. The aggregate amount is primarily be used to reinforce the Company's security-backed lending business and its general working capital. This represents a good opportunity to strengthen the Group's financial position. Up to the date of this report, HK$8.5 million has been deployed for our money lending business.

Liquidity and Financial Resources

	As at 31 December 2015 HK$'000	As at 31 December 2014 HK$'000
Current assets	**215,351**	163,096
Trade Receivables	**173,181**	101,938
Cash and bank balances	**25,250**	40,512
Current liabilities	**34,107**	133,082
Trade payables	**15,265**	38,618
Amount due to a related company	**–**	90,441
Borrowings	**26,675**	–
Current Ratio (times)	**6.31**	1.23
Gearing Ratio (times)	**0.15**	N.A.
Interest Coverage (times)	**126**	N.A.

Management Discussion and Analysis

The Group recorded a current ratio of 6.31 times as at 31 December 2015 (31 December 2014: 1.23 times), reflecting a significant improvement in the Group's liquidity. The increase in current ratio was due to fund raising from the Placing and settlement of an amount due to a related company of approximately HK$90.4 million under the Reorganisation undertaken by the Group in relation to the Listing in relation to the listing, details of which are set out in the Prospectus.

As at 31 December 2015, the Group's cash and bank balances amounted to approximately HK$25.3 million (31 December 2014: HK$40.5 million). Total interest bearings borrowings were approximately HK$26.7 million (31 December 2014: nil), including the abovementioned HK$10.0 million Two-year 5% Coupon Bonds.

The gearing ratio of the Group as at 31 December 2015 was approximately 0.15 (31 December 2014: nil). The gearing ratio is calculated as total borrowings divided by total equity as at the respective date. Interest coverage for the year ended 31 December 2015 was at a healthy level of 126 times (31 December 2014: nil). Interest coverage is calculated as profit before interest and tax divided by interest expense. The Board believes that the Group has sufficient resources to satisfy its working capital and sustain its business.

Foreign Currency Exposure

The Group's reporting currency is Hong Kong dollar ("HK$") to which the Group's material transactions are denominated. Our Directors consider that we have sufficient foreign exchange, primarily from the conversion of Hong Kong generated from our operations to meet our foreign exchange liabilities as they become due.

Contingent Liabilities

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

The Company has provided corporate guarantee to both Pinestone Securities Limited and Pinestone Capital Group Limited:

Nature of Loan	Pinestone Securities Limited	Pinestone Capital Group Limited
Tax Loan	HK$6,914,839	HK$355,210
Corporate Loan	Nil	HK$10,000,000

Significant Investments

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

Pledge of Assets

During the year, a HK$10.0 million time deposit was subject to a charge for the overdraft facility granted by a bank to the Group for daily operation. The facility was terminated in October 2015. As at 31 December 2015, there was no pledge of assets.

Capital Commitments

As at 31 December 2015, the Group did not have any capital commitments.

Management Discussion and Analysis

Remuneration Policy

The emoluments of the directors are determined by the Board of Directors on recommendation of the Remuneration Committee with reference to their respective duties and responsibility with the Company, the Group's performance and current market situation.

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 12 to the consolidated financial statements.

Events After the Reporting Period

As disclosed in the announcement dated 2 February 2016, the Board proposed that each of the issued and unissued share of HK$0.01 each in the issued share capital of the Company would be divided into ten (10-for-1) subdivided shares of HK$0.001 each. The share subdivision became effective on 15 March 2016. The increase in the total number of shares of the Company coupled with the reduction of the overall trading amount per lot would help improve the liquidity of the Company.

Outlook

The Group will continue to focus on developing our existing businesses including securities brokerage, securities backed lending, placing and underwriting. Meanwhile, we will strengthen our financial position and business foundation. The recent market volatility has adversely affected the general market sentiment and investors' appetite. We noted that general market activity has slowed down and investors have become cautious with their trading. The Group will continue to closely monitor the market condition and in particular, continue to manage credit risk exposure by evaluating client's portfolio and credit positions carefully.

Going forward, the Group will continue to fortify our current business position and explore business opportunities with a view to build a strong foundation for long-term development. The Group will continue to develop our existing services, strengthen our financial positions and to expand our business reach by exploring strategic opportunities with the aim to maximize long-term returns for our shareholders.

Corporate Governance Report

The Company is committed to maintaining a high standard of corporate governance practices. It met all the code provisions of the Corporate Governance Code (the "Code") set out in Appendix 15 of the GEM Listing Rules during the period from the commencement of trading in shares of Company on the GEM on 12 June 2015 to 31 December 2015 (the "Relevant Period"). The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements and to meet the rising expectations of shareholders and investors. In accordance to the requirements of the GEM Listing Rules, the Company has established an audit committee, a remuneration committee and a nomination committee with specific written terms of reference.

Chairman and Chief Executive

Mr. Cheung Yan Leung Henry has been the Chairman and an executive Director of our Group since 2012. He is primarily responsible for formulating the corporate strategy, managing overall business development and client referrals. Mr. Jonathan Cheung, the son of Mr. Henry Cheung, is the Chief Executive Officer and an executive Director. He is responsible for formulating the corporate strategies, implementing the corporate strategies and overseeing the daily management.

CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should not be performed by the same person. Decisions of the Company are made either collectively or individually by the Executive Directors and are discussed with the management. The Board believes that this arrangement enables the Company to make decisions, operate and implement actions promptly, and thus achieve the Company's objectives efficiently and effectively in response to the fast changing environment. The Board also believes that the Company already has a strong corporate governance structure in place to ensure effective oversight of management.

The Board

The board of Directors of the Company (the "Board") currently consists of five members including two executive Directors (being the Chairman of the Board and the Chief Executive Officer of the Company) and three independent non-executive Directors. The Company has compiled with the GEM Listing Rules Appendix 15 relating to the appointment of at least three independent non-executive directors.

Pursuant to the Article 108 of the Memorandum of Articles and Association of the Company, at every annual general meeting, one-third of the directors (for the time being, or, if their number is not a multiple of three, the number nearest to but not exceeding one-third) shall retire from office by rotation, provided that the chairman of the Board of the Company shall not, while holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. As such, as at the date hereof, Mr. Cheung Yan Leung Henry, being the Chairman of the Board, is not subject to retirement by rotation. At the coming annual general meeting on 3rd May 2016, both directors, Mr. So Stephen Hon Cheung and Mr. George Lai Tze-Leung will retire and offer themselves for re-election. The management of the Company is of the view that the membership of the Board represents diversified background and industry expertise to oversee and operate the Company efficiently and safeguard the interests of various stakeholders of the Company.

Executive Directors

Executive Directors are responsible for running the Group and executing the strategies adopted by the Board. They ensure that proper internal control system is in place and the Group's business conforms with applicable laws and regulations.

Corporate Governance Report

Independent non-Executive Directors

Each of the independent non-executive Directors ("INED") of the Company who was appointed on 22 May 2015 has signed a letter for renewal of appointment for a term of three years ending on 21 May 2018 with the Company, unless terminated earlier by either side by giving not less than three month's prior written notice and subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Memorandum of Articles Association of the Company. The commencement dates of the re-appointment for each of the independent non-executive Directors are as follows:

Independent non-Executive Directors' Commencement Date

Name	Commencement Date
Mr. Yeung King Wah	22 May 2015
Mr. Lai Tze Leung George	22 May 2015
Mr. So Stephen Hon Cheung	22 May 2015

Mr. Yeung King Wah and Mr. So Stephen Hon Cheung, two of the independent non-executive Directors possess the appropriate professional qualifications, accounting or related financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules. 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 has any business or financial interests with the Company and all independent non-executive Directors confirmed their independence to the Group as at 31 December 2015 in accordance with Rule 5.09 of the GEM Listing Rules.

Board Diversity Policy

Pursuant to the Code, the Board has adopted a board diversity policy. The Company recognizes and embraces the benefits of having a diverse Board. All Board appointments are made on merit and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Audit Committee

The Company has established an audit committee (the "Audit Committee") with specific written terms of reference formulated in accordance with the requirements of the GEM Listing Rules 5.28 to 5.29. The primary duties of our audit committee are mainly (i) to make recommendations to the Board on the appointment and removal of external auditors; (ii) to review and supervise the financial statements and material advice in respect of financial reporting; (iii) to oversee internal control procedures and corporate governance of our Company; (iv) to supervise internal control systems of our Group; and (v) to monitor any continuing connected transactions. Our Audit Committee currently consists of all these of our INEDs, namely Mr. Yeung King Wah, Mr. Lai Tze Leung George and Mr. So Stephen Hon Cheung. Mr. Yeung King Wah is the chairman of our Audit Committee.

During the year 2015, the Audit Committee held 3 meetings to review, assess and comment on the consolidated results of our quarterly, interim and final results. It has also reviewed of the risk management and internal control management. The preparation of such is in compliance with applicable accounting principles and practices adopted by the Company and the requirements of the Stock Exchange, and adequate measures had been made.

Corporate Governance Report

Nomination Committee

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

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 suitably qualified to become Board members; (iii) to assess the independence of INED; (iv) to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors; and (v) to make recommendations to our Board regarding the candidates to fill vacancies of our Board.

During the year under review, the Nomination Committee reviewed the structure, size, composition and diversity of the Board. It also reviewed the re-election of the Directors by rotation, as well as review of the independency of the independent non-executive Directors. The Nomination Committee will continue to review the necessity of any competent staff to join in the expansion of the Group.

Remuneration Committee

Pursuant to GEM Listing Rule 5.34, 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 four members comprising 3 INEDs, namely Mr. Yeung King Wah, Mr. Lai Tze Leung, George and Mr. So Stephen Hon Cheung, and one executive director, namely Mr. Jonathan Cheung. Mr. Yeung King Wah is the Chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are mainly (i) to review and make recommendations to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our 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 "Committee" has held to review the remuneration package of the Directors and senior management of the Company.

We have established three Board committees – "Audit", "Nomination" and "Remuneration" committees. During the year, the attendance of each member of these committees are recorded as below:

Directors/Board Committees*	Board Meetings	Audit Committee	Remuneration Committee	Nomination Committee
Mr. Cheung Yan Leung Henry	C (3/3)	–	–	C (1/1)
Mr. Jonathan Cheung	M (3/3)	–	M (1/1)	–
Mr. So Stephen Hon Cheung	M (3/3)	M (3/3)	M (1/1)	M (1/1)
Mr. Yeung King Wah	M (3/3)	C (3/3)	C (1/1)	M (1/1)
Mr. George Lai Tze Leung	M (3/3)	M (3/3)	M (1/1)	M (1/1)

(*) no. of attendance per no. of meetings during the year

Notes:

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

Corporate Governance Report

Auditor's Remuneration

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

Fee Amount	HK$'000
Audit Service	460
Non-audit Services *(Note)*	1,039
Total	1,499

Note: Non-audit services represented professional services rendered as reporting accountants in relation to the Listing of the shares of the Company on GEM of the Stock Exchange.

Continuing Professional Development

Pursuant to the Code Provision A.6.5 under Appendix 15 of the GEM 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 will be issued to directors where appropriate. All Directors are encouraged to attend relevant training courses. The Company has provided reading materials on regulatory update to the Directors for their reference and studying.

During the review period, all Directors have participated in continuing professional development by reading relevant materials on topics related to corporate governance and regulatory matters.

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 with more than HK$30 million worth as required by GEM Listing Rule 11.23 as at the latest practicable date prior to the issue of this report.

Environmental, Social and Governance Report ("ESG")

The Stock Exchange introduced ESG Reporting Guide as Appendix 20 to the GEM Listing Rules which took effective in 2015. We have envisaged and would adopt the ESG reporting Guidance in the writing of our reports. In this regard, turnover rate of the Company is minimal with one employee left during the year. Further, we encourage our staff to minimize printing on carbon usage. We also provide staff trainings on continuing industry knowledge and development.

Non-Competition Undertaking

Each of the controlling Shareholders has made an annual declaration to the Company that during the period under review, they have complied with the terms of non-competition undertakings ("Non-Competition Undertakings") given in favour of the Company. Details of the Non-Competition Undertakings are set out in the section headed "Relationship with our Controlling Shareholders" of the Prospectus.

The INEDs have also reviewed the status of compliance by each of the Controlling Shareholders with the undertakings in the Non-Competition Undertakings and have confirmed that, as far as the INEDs can ascertain, there is no breach of any of the undertakings in the Non-Competition Undertakings.

Corporate Governance Report

Directors' Securities Transactions

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

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

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

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the listed shares of the Company from the date of Listing on 12 June 2015 to the end of the reporting period, being 31 December 2015.

Internal Control

The Company has developed its systems of internal control and risk management and is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company. The Directors have periodically assessed and reviewed with the effectiveness of the Group's internal control system, including, in particular, financial, operational and compliance controls and risk management functions.

Investors' Relations

The company encourages two way communications with its investors. Extensive information about the company's activities is provided in the annual report, interim report and quarterly reports which are sent to shareholders. Enquiries from individuals on matters relating to their shareholdings and 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.

Shareholders' Rights to Nominate a Director

If a shareholder of the Company (the "Shareholder") wishes to propose a person other than a director, for election as a new Director of the Company, the Shareholder must deposit a written notice (the "Notice") to the principal place of business of the Company in Hong Kong at Unit 1506, 15th Floor, Wheelock House, 20 Pedder Street, Central, Hong Kong, or the branch share registrar of the Company, Tricor Investor Services Limited ("Share Registrar"), at Level 22, Hopewell Centre, 183 Queen's Road East, 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, including the person's biographical details as required by Rule 17.50(2) of the GEM Listing Rules, and be signed by the Shareholder concerned (other than the person to be proposed). The Notice must also be 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 appointed 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 with the Company's branch share registrar and upon their confirmation that the request is proper and in order, the Company Secretary of the Company will ask the nomination committee of the Company and the board of directors of the Company to consider to include the resolution in the agenda for the general meeting proposing such person to be elected as a Director.

Corporate Governance Report

Shareholders' Rights on Convening an Extraordinary General Meeting

Pursuant to article 64 of the Memorandum and 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 carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the 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 (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 to the Requested Shareholders by the Company.

Enquires to the Board

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available to the company secretary who is responsible for forwarding communications relating to matters within the Board and communication relating to ordinary business matters, such as suggestions, inquiries and complaints, to the Directors.

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 or the Share Registrar 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.

Biography of Directors and Senior Management

Executive Directors

Mr. Cheung Yan Leung Henry, aged 65, has been the chairman and an executive Director of our Group since 2012. He is primarily responsible for formulating the corporate strategy, managing the Group's overall business development and client referrals. After graduating from McMaster University in Canada with a Bachelor of Commerce in November 1973, he became a member of The Institute of Chartered Accountants of Ontario in December 1976. Mr. Cheung has over thirty years' worth of experience in the accounting field along with experience in the financial and business sectors in China. Mr. Cheung has also been a fellow member of the Hong Kong Institute of Certified Public Accountants since May 1987. He is the father of Mr. Jonathan Cheung.

Mr. Jonathan Cheung, aged 29, is the chief executive officer, vice chairman and an executive Director of the Company. Mr. Cheung obtained a Bachelor of Science degree in Operations Research and Engineering from Cornell University in the United States of America in May 2008. He has been a designated Financial Risk Manager (FRM) since September 2010 and a Chartered Financial Analyst (CFA) since September 2012. He has experience in various financial fields, including investment banking, direct investment, credit finance and asset management. He is responsible for formulating corporate strategies and overall management of the Group. He is a founder of the Company and he is the son of Mr. Henry Cheung, the Chairman of the Company.

Independent Non-Executive Director

Mr. Yeung King Wah, aged 57, was appointed as INED on 22 May 2015. He has over 20 years' experience in audit, taxation, financial consulting and management which he accrued whilst working in both Europe and Asia. He obtained a Bachelor of Commerce degree from the University of Birmingham in the UK in July 1981. He has been a member of the Institute of Chartered Accountants in England and Wales since May 1987 and a member of the Hong Kong Institute of Certified Public Accountants since April 1998. Mr. Yeung is the founder of two accounting businesses, namely Yeung and Co., Chartered Accountants, headquartered in the UK, and China Consulting Consortium Limited, a Hong Kong based company.

Mr. Lai Tze Leung, aged 64, was appointed as INED on 22 May 2015. He has almost 30 years' worth of experience in the manufacturing industry, (such as executive vice president, general manager and managing director respectively) at several multinational companies engaged in the manufacturing of, consumer and speciality packaging; laminates, foils and films; and labeling and packaging materials. He obtained a Bachelor of Social Science degree from the Chinese University of Hong Kong in October 1973 and a Master of Business Administration degree from the same institution in December 1982.

Mr. So Stephen Hon Cheung, aged 60, was appointed as INED on 22 May 2015. He has been a director of the accounting firm T.M. Ho So & Leung CPA Limited since August 2003. Mr. So has over ten years' experience in the accountancy field and several years' worth of experience working as the chief financial officer of CY Oriental Holdings Limited and then a finance director of Jetion Holdings Limited, both in the manufacturing industry. Mr. So graduated from the University of British Columbia in Canada with a Bachelor of commerce degree in November 1979. Mr. So has been an associate member of the Institute of Chartered Accountants of British Columbia since December 1985 and a member of the Society of Management Accountants of British Columbia since October 1991, and has been a fellow member of the Hong Kong Institute of Certified Public Accountants since July 1993.

Compliance Officer

Pursuant to GEM Rule 5.19, Mr. Jonathan Cheung, who is also an executive Director, was appointed as the compliance officer of our Company on 12 February 2015. Please refer to his biographies above for details.

Biography of Directors and Senior Management

Senior Management

Ms. Wong Siu Kuen, aged 57, joined our Group in February 2013. She is our Senior Vice President and is the head of the operations department. In this role, Ms Wong is responsible for monitoring the daily operation of settlement, dealing with regulatory authorities, handling payrolls and general administrative duties. Ms. Wong has over 15 years' worth of experience in the back office operations departments of various banks and financial institutions including EAA Securities Limited and JS Cresvale Securities International Limited. From April 2006 to December 2007 Ms. Wong was a senior assistant manager at HSBC Private Bank; and from January 2008 to February 2013 she was a vice president at iSTAR International Securities Co. Ltd. Ms. Wong obtained a Higher Certificate in Accountancy from the Hong Kong Polytechnic in November 1989 and a Bachelor's degree in Business Administration from the Open University of Hong Kong in December 2002.

Mr. Wong Wing Shing, aged 28, joined our Group in February 2013. He works as a Responsible Officer and is the head of our credit department. He has been licensed by the SFC to carry out Type 1 (dealing in securities) regulated activity since October 2009. Mr. Wong's primary duties involve overseeing the securities-backed lending services and overall risk management. Mr. Wong has over six years' of experience in the securities industry. He worked as a vice president at iSTAR International Securities Co. Limited from October 2009 to February 2013. Mr. Wong obtained a Bachelor of Science degree from the Cornell University in the United States of America in May 2009.

Mr. Wong Chi Kan, aged 54, is one of our Responsible Officers and has licenced to carry out Type 1 (dealing in securities) regulated activities since April 2003. He has worked in Pinestone Securities Ltd. (PSL) since September 2012. He is currently the head of sales and trading, in which capacity he supervises the dealing department and is responsible for the front office operations. Mr. Wong has many years of experience in the securities brokerage industry. Over the past ten years, he had worked in CSC Securities (HK) Ltd., First Securities (HK) Ltd. and Luen Fat Securities Company Ltd. respectively.

Ms. Ma Sai Wun Ginny, aged 30, is one of our Responsible Officers and is currently the Head of Compliance. She is responsible to review the procedures and processes of our operations on a daily basis so as to ensure compliance with the relevant rules and regulations. Ms. Ma has eight years of experience in the financial market. Ms. Ma obtained a Bachelor of Arts degree in Economic and Social Studies (Finance) and a Master of Science degree in Finance from the University of Manchester in the UK in June 2007 and November 2008 respectively. From October 2008 to March 2011, she was a trading operation officer in the Derivative Market Department at the Hong Kong Exchanges and Clearing Limited. From April 2011 to January 2013, Ms. Ma was a vice president at iSTAR International Investment Services Co. Limited. She joined our Group in January 2013.

Mr. Au Kin Kee, Kinson, aged 51, 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 10 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 May 1997 to May 2001. He then joined Gartner Inc. as client relationship manager from June 1997 to June 2015. Mr. Au is an associate member of the Association of International Accountants, Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrator. Mr. Au obtained a Master of Science degree in Business Studies from the University of Salford and a Post-graduate Diploma in Corporate Administration from City University of Hong Kong. He also received a Bachelor of Laws Degree from the University of Wolverhampton.

Company Secretary

Following the resignation of Mr. Law Heung Chung, as Company Secretary of the Company, Mr. Nip Ngo Hin Francis, who is a practicing director of an external service provider, World Link CPA Limited, was appointed as the acting Company Secretary from 8 September 2015 to 16 November 2015. Consequently, Mr. Au Kin Kee Kinson joined the Company and has served as Company Secretary since 16 November 2015. Mr. Au is an associate member of the Hong Kong Institute of Chartered Secretaries and Administrator. In accordance to the requirements of Rule 5.15 of the GEM Listing Rules, Mr. Au undertook no less than 15 hours of relevant professional training during the year ended 31 December 2015.

Directors' Report

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2015.

Principal Business

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 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, the Company became the holding company of the subsidiaries now comprising the Group on 22 May 2015. Details of the Reorganisation are set out in the section headed "Statutory and General Information" in Appendix IV of the Prospectus of Pinestone Capital Limited ("Prospectus"). The Company issued and placed 120,000,000 new shares of HK$0.10 each at a subscription price of HK$0.50 per share pursuant to the public offering. The share of the Company was listed on the Stock Exchange with effective on 12 June 2015.

Results and Appropriations

The Group's results for the year ended 31 December 2015 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements from pages 26 to 67 of this annual report.

The Directors do not recommend the payment of a dividend for the year.

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 16 to the consolidated financial statements.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's Memorandum & Articles of Association ("M&A") and there is no restriction against such rights under the laws of the Cayman Islands.

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

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the listed shares of the Company from the date of listing on 12 June 2015 to the end of the reporting period, being 31 December 2015.

Reserves

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

Directors' Report

Major Customers

A total of three major customers were accounted for more than 10% of the Group's revenues for the year ended 31 December 2015. These three customers are accounted for a minimum of HK$3.9 million to a maximum of HK$8.1 million, representing a percentage range of approximately 10.4% to 21.7%. These three customers accounted for a total of 43.7% of the Group's total revenues of HK$37.5 million for the year ended 31 December 2015. These three major customers are neither any of our directors nor connected parties of the Group. Details please refer to note 6(c) of notes to the consolidated financial statements.

Use of Proceeds from the Placing

The net proceeds from the Placing were estimated to be approximately HK$45.0 million. Up to the date of this report, approximately HK$36.0 million has been deployed for the expansion of securities-back leading services for margin financing and HK$5.0 million for money leading. Balance of net proceeds has been placed with an authorised financial institution in Hong Kong.

Use of Proceeds during the Relevant Period (HK$'mn)	Proposed use of proceeds	Actual use of proceeds
Margin Financing Business	36.0	36.0
Money Lending	5.0	5.0
General Capital	4.0	4.0
Total amount of Proceeds *(HK$'mn)*	45.0	45.0

Directors

The Directors of the Company during the year ended 31 December 2015 and up to the date of the report were:

Executive Directors

Mr. CHEUNG Yan Leung Henry (張仁亮)
Mr. CHEUNG Jonathan (張存雋)

Independent Non-Executive Directors

Yeung King Wah (楊景華)
Lai Tze Leung George (黎子亮)
So Stephen Hon Cheung (蘇漢章)

Board of Directors and Senior Management

Biographical information of Directors and senior management of the Group are set out from page 17 to 18 of the annual report.

Directors' Service Contracts

Each of our executive Directors has entered into a service contract with our Company and each of our INEDs has entered into a letter of appointment with our Company for a term of three years commencing from the Listing Date (12 June 2015), which may be terminated by not less than three months' notice in writing served by either party on the other.

Directors' Report

Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Companies and its Associated Corporations

As at 31 December 2015, the Directors and chief executives of the Company and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules:

Long positions in the shares of the Company:

Name of Directors	Number of the shares interested and nature of interests			Approximate percentage of the total issued share capital of the Company
	Personal	Corporate	Total	
Henry Cheung *(Note 1, 3)*	–	252,000,000	252,000,000	52.5%
Jonathan Cheung *(Note 2, 4)*	–	108,000,000	108,000,000	22.5%

Notes:

1. The interests disclosed includes 252,000,000 Shares of the Company beneficially held by HCC & Co. Limited ("HCC"), which is wholly owned by Mr. Cheung Yan Leung Henry.
2. The interests disclosed includes 108,000,000 Shares of the Company beneficially held by Snail Capital Limited ("SCL"), which is wholly owned by Mr. Jonathan Cheung.
3. The Second Share Subdivision became effective on 15 March 2016. HCC currently owns 2,520,000,000 shares in the Company. Mr. Henry Cheung owns 52.5% of the issued shares of the Company.
4. The Second Share Subdivision became effective on 15 March 2016. SCL currently owns 1,080,000,000 shares in the Company. Mr. Jonathan Cheung owns 22.5% of the issued shares of the Company.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed under the sections headed "Directors' Interests in shares and underlying shares" above and "Share Option Scheme" below, at no time during the period for the 12 months ended 31 December 2015 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable 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 the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

Directors' Report

Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

As at 31 December 2015, the following persons (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 fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO (Chapter 571 of the Laws of Hong Kong):

Long positions in the 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
HCC	Directly Beneficially owned	*1, 3*	252,000,000	52.5%
SCL	Directly Beneficially owned	*2, 4*	108,000,000	22.5%

Notes:

1. HCC is 100% owned by Mr. Cheung Yan Leung Henry, who is the beneficial owner of 252,000,000 shares in the Company. Mr. Henry Cheung owned 52.5% of the issued shares of the Company.
2. SCL is 100% owned by Mr. Jonathan Cheung, who is the beneficial owner of 108,000,000 shares in the Company. Mr. Jonathan Cheung owned 22.5% of the issued shares of the Company.
3. The Second Share Subdivision became effective on 15 March 2016. HCC currently owns 2,520,000,000 shares in the Company. Mr. Henry Cheung owns 52.5% of the issued shares of the Company.
4. The Second Share Subdivision became effective on 15 March 2016. SCL currently owns 1,080,000,000 shares in the Company. Mr. Jonathan Cheung owns 22.5% of the issued shares of the Company.

Share Option Scheme

The Share Option Scheme was adopted by the shareholders of the Company with effective on 22 May 2015. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years from the date of its adoption. The purpose is to provide incentives or rewards to the eligible participants for their contribution to the Company and/or enabling it to recruit and retain high-calibre employees and attract human resources that are valuable. No share option has been granted under the Share Option Scheme since its adoption.

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 12 of the notes to the consolidated financial statements.

Directors' Report

Related Party Transactions

Details of the related party transactions are set out in note 32 of the note to the consolidated financial statements of this annual report. As the applicable percentage ratios as defined in Rule 19.07 of the GEM Listing Rules calculated with reference to each of the Dealing Annual Caps and the Financing Annual Caps on an annual basis, is 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 Rule 20.74 of the GEM Listing Rules 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 INEDs Directors an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the INEDs to be independent.

Interest of Compliance Adviser

As notified by the compliance adviser of the Company, Altus Capital Limited ("Altus"), as at the date of this report, except for (i) Altus's participation as the sponsor in relation to the Company's listing on GEM; and (ii) the compliance adviser agreement entered into between the Company and Altus dated 16 February 2015, neither Altus nor its directors, employees or associates had any interest in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

Final Dividend

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2015.

Non-Competition Undertaking

Details of Non-Competition Undertaking of Mr. Cheung Yan Leung Henry and Mr. Jonathan Cheung under the Deed of Noncompetition during the year are set out in the paragraph headed "Non-Competition Undertaking" in the Corporate Governance Report of this annual report.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Corporate Governance

A report of the principal corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 11 to 16 of the annual report.

Auditors

The consolidated financial statements for the year ended 31 December 2015 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 2015 of the Company will be held at 11:00 a.m. on 3rd May 2016 (Tuesday) at Unit 1506, 15th Floor, Wheelock House, 20 Pedder Street, Central, Hong Kong and a notice of AGM will be published and dispatched in due course.

On behalf of the board
Cheung Jonathan
Director
Hong Kong, 23 March 2016

Independent Auditor's Report

BDO

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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)

We have audited the consolidated financial statements of Pinestone Capital Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 26 to 67, which comprise the consolidated statement of financial position as at 31 December 2015, 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 a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants
Lee Ming Wai
Practising Certificate number: P05682

Hong Kong, 23 March 2016

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Revenue	7	**37,502**	33,025
Other income	8	**73**	7
Employee benefit expenses	9	**(4,487)**	(2,768)
Depreciation		**(189)**	(204)
Other operating expenses		**(12,277)**	(4,322)
Finance costs	10	**(164)**	–
Profit before income tax	11	**20,458**	25,738
Income tax expense	13	**(5,048)**	(4,521)
Profit for the year		**15,410**	21,217
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year		**15,410**	21,217
		HK cents	HK cents (Restated)
Basic and diluted earnings per share	15	**0.36**	0.59

Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*16*	**192**	315
Intangible asset	*17*	**500**	500
Statutory deposits placed with stock exchange and clearing house		**230**	230
Deferred tax assets	*24*	**57**	–
		979	1,045
Current assets			
Trade receivables	*18*	**173,181**	101,938
Other receivables, deposits and prepayments	*19*	**693**	861
Amount due from a related company	*32(c)(ii)*	**–**	547
Tax recoverable		**691**	64
Trust bank balances held on behalf of customers	*20*	**15,536**	19,174
Cash and bank balances	*21*	**25,250**	40,512
		215,351	163,096
Current liabilities			
Trade payables	*22*	**15,265**	38,618
Other payables and accruals		**910**	767
Amount due to a related company	*32(c)(iii)*	**–**	90,441
Borrowings	*23*	**16,675**	–
Tax payable		**1,257**	3,256
		34,107	133,082
Net current assets		**181,244**	30,014
Total assets less current liabilities		**182,223**	31,059
Non-current liabilities			
Borrowings	*23*	**10,000**	–
Net assets		**172,223**	31,059
CAPITAL AND RESERVES			
Share capital	*25*	**4,800**	1,000
Reserves	*26*	**167,423**	30,059
Total equity		**172,223**	31,059

On behalf of the directors

Mr. Cheung Yan Leung, Henry
Executive Director

Mr. Cheung Jonathan
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Share capital HK$'000	Share premium* HK$'000	Capital reserve* HK$'000	Retained profits* HK$'000	Total HK$'000
At 1 January 2014	–	–	–	8,842	8,842
Profit for the year	–	–	–	21,217	21,217
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive income for the year	–	–	–	21,217	21,217
Transaction with owners:					
Issue of shares	1,000	–	–	–	1,000
At 31 December 2014 and 1 January 2015	**1,000**	**–**	**–**	**30,059**	**31,059**
Profit for the year	**–**	**–**	**–**	**15,410**	**15,410**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**–**	**15,410**	**15,410**
Transactions with owners:					
Dividend approved in respect of 2014 *(note 14)*	**–**	**–**	**–**	**(30,000)**	**(30,000)**
Issue of shares for settlement of consideration for acquisition of subsidiaries *(notes 25(c) & 26)*	**(1,000)**	**105,307**	**(4,866)**	**–**	**99,441**
Issue of shares for					
– Placing *(note 25(f))*	**1,200**	**58,800**	**–**	**–**	**60,000**
– Capitalisation Issue *(note 25(f))*	**3,600**	**(3,600)**	**–**	**–**	**–**
Share issuance expense *(note 25(f))*	**–**	**(3,687)**	**–**	**–**	**(3,687)**
	3,800	**156,820**	**(4,866)**	**(30,000)**	**125,754**
At 31 December 2015	**4,800**	**156,820**	**(4,866)**	**15,469**	**172,223**

* 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 2015

	Notes	2015 HK$'000	2014 HK$'000
Operating activities			
Profit before income tax		**20,458**	25,738
Adjustments for:			
Depreciation on property, plant and equipment		**189**	204
Bank interest income		**(73)**	(7)
Interest expenses		**164**	–
Operating profit before working capital changes		**20,738**	25,935
Increase in statutory deposits placed with stock exchange and clearing house		**–**	(25)
Increase in trade receivables		**(71,243)**	(19,164)
Decrease in loans receivable		**–**	44,700
Decrease in other receivables, deposits and prepayments		**168**	15
Decrease/(Increase) in amounts due from related companies		**547**	(535)
Decrease/(Increase) in trust bank balances held on behalf of customers		**3,638**	(9,123)
(Decrease)/Increase in trade payables		**(23,353)**	22,163
Increase in other payables and accruals		**68**	127
Decrease in amounts due to related companies		**–**	(17)
Decrease in amounts due to directors		**–**	(6)
Net cash (used in)/generated from operations		**(69,437)**	64,070
Income tax paid		**(7,731)**	(3,108)
Net cash (used in)/from operating activities		**(77,168)**	60,962
Investing activities			
Purchase of property, plant and equipment		**(66)**	(2)
Bank interest income		**73**	7
Net cash from investing activities		**7**	5
Financing activities			
Proceeds from new borrowings		**136,270**	–
Repayment of borrowings		**(109,595)**	–
Advances from related companies	*31(a)*	**9,000**	8,024
Repayment to related companies		**–**	(10,706)
Advances from directors		**–**	47,500
Repayment to directors		**–**	(80,088)
Net proceeds from issuance of shares	*25(f)*	**56,313**	–
Dividend paid		**(30,000)**	–
Interest paid		**(89)**	–
Net cash from/(used in) financing activities		**61,899**	(35,270)
Net (decrease)/increase in cash and cash equivalents		**(15,262)**	25,697
Cash and cash equivalents at beginning of year		**40,512**	14,815
Cash and cash equivalents at end of year		**25,250**	40,512
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		**25,250**	40,512

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 on 14 January 2015. The shares of the Company were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 June 2015 (the "Listing"). The address of its registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business is located at Unit 1506, 15th Floor, Wheelock House, 20 Pedder Street, Central, Hong Kong.

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

The Company's parent is HCC & Co. Ltd ("HCC & Co"), a limited liability company incorporated in the British Virgin Islands ("BVI"). In the opinion of the directors, HCC & Co is also the ultimate parent of the Company.

The financial statements for the year ended 31 December 2015 were approved and authorised for issue by the directors on 23 March 2016.

2. Reorganisation and Basis of Presentation

Pursuant to a reorganisation (the "Reorganisation") conducted by the companies now comprising the Group to prepare for the Listing, the Company has since 12 May 2015 become the holding company of its subsidiaries now comprising the Group.

Prior to the Reorganisation, all the entities which took part in the Reorganisation (except for Pinestone International Limited ("PIL") which was set up by the Company as mentioned below) were directly or indirectly wholly-owned by Gryphuz Group Limited ("GGL", formerly known as Pinestone Group Limited). GGL is a limited liability company incorporated in the British Virgin Island ("BVI") on 4 July 2011 and is collectively controlled by Mr. Cheung Yan Leung Henny ("Mr. Henry Cheung") and his son, Mr. Cheung Jonathan ("Mr. Jonathan Cheung").

Part of the steps under the Reorganisation are described below:

(1) The Company was incorporated in the Cayman Islands on 14 January 2015. The initial authorised share capital of the Company was HK$380,000 divided into 3,800,000 ordinary shares of HK$0.10 each. On 14 January 2015, (i) the fully-paid subscriber share was transferred to HCC & Co Limited ("HCC & Co"); (ii) 30 shares were allotted and issued at par to Snail Capital Limited ("Snail Capital"); and (iii) 69 shares were allotted and issued at par to HCC & Co. Upon completion of the above transfer and allotments, the issued share capital of the Company was held as to 30% by Snail Capital and 70% by HCC & Co. Snail Capital and HCC & Co are companies incorporated in the BVI and wholly-owned by Mr. Jonathan Cheung and Mr. Henry Cheung, respectively.

(2) On 19 January 2015, PIL was incorporated in the BVI to act as an intermediate holding company to hold the interest of Pinestone Capital Group Limited ("PCGL"). The authorised share capital of PIL was US$50,000 divided into 50,000 shares of US$1 each. On 19 January 2015, 1 share was allotted and issued at par to the Company. PIL then becomes a wholly- owned subsidiary of the Company.

(3) On 6 May 2015, PIL acquired 100% interest in PCGL from GGL at a consideration of HK$725,982, which was determined with reference to the net asset value of PCGL taking into account dividend proposed. The consideration for the acquisition was satisfied by the creation of a non-interest bearing loan in the amount of HK$725,982 owing by PIL to GGL ("PIL Loan") as evidenced by a promissory note dated 6 May 2015 issued by PIL to GGL. Upon completion of the acquisition, PCGL becomes a wholly-owned subsidiary of PIL.

Notes to the Consolidated Financial Statements

2. Reorganisation and Basis of Presentation (continued)

(3) (continued)

On 6 May 2015, by a deed of assignment, GGL assigned all its rights and interests in the PIL Loan to Snail Capital.

On 6 May 2015, by a deed of novation, the Company assumed all the liabilities of PIL under the PIL Loan, such that the PIL Loan was owed by the Company to Snail Capital.

On 12 May 2015, the PIL Loan was settled by the Company by the allotment and issue of 30 new shares of HK$0.10 each, credited as fully paid, to Snail Capital.

(4) On 6 May 2015, the Company acquired 100% interest in Pinestone Investment Group Limited ("PIGL") from GGL together with an outstanding non-interest bearing amount due by PIGL to GGL, at a consideration of HK$104,581,184, which was determined with reference to (i) the net asset value of PIGL and its wholly-owned subsidiary, Pinestone Securities Limited ("PSL") taking into account dividend proposed, and (ii) the outstanding non-interest bearing amount due by PIGL to GGL, which amounted to HK$99,441,091 as at 31 March 2015. The consideration for the acquisition was satisfied by the creation of a non-interest bearing loan in the amount of HK$104,581,184 owing by the Company to GGL ("PIGL Loan") as evidenced by a promissory note dated 6 May 2015 issued by the Company to GGL.

Upon completion of the acquisition, PIGL becomes a wholly-owned subsidiary of the Company.

On 6 May 2015, by a deed of assignment, GGL assigned all its rights and interests in the PIGL Loan to HCC & Co.

On 12 May 2015, the PIGL Loan was settled by the Company by the allotment and issue of 70 new shares of HK$0.10 each, credited as fully paid, to HCC & Co.

After the completion of the aforementioned steps of Reorganisation, the issued share capital of the Company was held as to 30% by Snail Capital (wholly-owned by Mr. Jonathan Cheung) and 70% by HCC & Co (wholly-owned by Mr. Henry Cheung).

Mr. Henry Cheung is the father of Mr. Jonathan Cheung and there is a contractual arrangement between Mr. Henry Cheung and Mr. Jonathan Cheung to control the business of the Group collectively. Further, Mr. Jonathan Cheung was a director of PSL and PCGL, the main operating entities of the Group, whereas Mr. Henry Cheung was a director of PSL and a senior management of PCGL. Mr. Henry Cheung and Mr. Jonathan Cheung are regarded as the controlling parties of the Group.

The Group is regarded as a continuing entity since all entities which took part in the Reorganisation were controlled by the same ultimate controlling parties, Mr. Henry Cheung and Mr. Jonathan Cheung, before and immediately after the Reorganisation. Consequently, immediately after the Reorganisation, there was a continuation of the risks and benefits to the ultimate controlling parties that existed prior to the Reorganisation.

The Reorganisation has been accounted for in accordance with Hong Kong Accounting Guideline 5 *Merger Accounting for Common Control Combinations*. The financial statements have been prepared by using the merger basis of accounting as if the current group structure had been in existence throughout the current year and in prior year.

The consolidated statement of comprehensive income and consolidated statement of cash flows of the Group include the results and cash flows of the companies now comprising the Group as if the current structure had been in existence throughout the current year and in prior year, or since their respective dates of incorporation, whichever is shorter. The consolidated statements of financial position of the Group as at 31 December 2015 and 2014 have been prepared to present the financial position of the Group as if the current group structure had been in existence as at the respective dates.

The assets and liabilities of the companies now comprising the Group are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of consolidation.

Notes to the Consolidated Financial Statements

3. Summary of Significant Accounting Policies

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

(a) Basis of preparation

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

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

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

It should be noted that accounting estimates and assumptions are used in the preparation of the financial statements. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately different from those estimates. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

(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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Notes to the Consolidated Financial Statements

3. Summary of Significant Accounting Policies (continued)

(b) Business combination and basis of consolidation (continued)

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(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 loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Notes to the Consolidated Financial Statements

3. Summary of Significant Accounting Policies (continued)

(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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance, are recognised as an expense in profit or loss during the financial period in which they are incurred.

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, residue value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold improvements	Over the shorter of 3 years or the remaining lease terms
Furniture, fixtures and equipment	5 years
Computer system and software	5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount (note 3(m)).

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.

(e) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee under operating lease

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(f) Intangible assets

Intangible assets acquired separately are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses (note 3(m)). Amortisation is provided on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses (note 3(m)).

Notes to the Consolidated Financial Statements

3. Summary of Significant Accounting Policies (continued)

(g) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset is acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus direct transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers and also incorporated other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– granting concession to a debtor because of debtor 's financial difficulty; or

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

An impairment loss on loans and receivables is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of loans and receivables is reduced through the use of an allowance account. When any part of loans and receivables is determined as uncollectible, it is written off against the allowance account for the relevant loans and receivables.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the Consolidated Financial Statements

3. Summary of Significant Accounting Policies (continued)

(g) Financial instruments (continued)

(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 cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, other payables and accruals, amount due to a related company and borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

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 HKAS 39.

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

(h) Recognition of revenue and other income

Revenue and other income is recognised when it is probable that the economic benefits will flow to the Group and when the income can be measured reliably, on the following basis:

(i) Commission income from securities brokerage services is recognised on a 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 services are provided.

(iv) Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Notes to the Consolidated Financial Statements

3. Summary of Significant Accounting Policies (continued)

(i) 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.

(j) 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 goodwill and 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.

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.

(k) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

Notes to the Consolidated Financial Statements

3. Summary of Significant Accounting Policies (continued)

(l) 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.

(m) 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. All other assets including property, plant and equipment 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.

(n) 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

3. Summary of Significant Accounting Policies (continued)

(o) Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

(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

4. Adoption of New or Revised HKFRSs

(a) Adoption of new or revised HKFRSs – effective 1 January 2015

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2015:

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle

The adoption of these amendments has no material impact on the Group's financial statements.

(b) New or revised HKFRSs that have been issued but not yet effective

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

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

HKFRS 9 (2014) Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at fair value through other comprehensive income. All other debt and equity instruments are measured at fair value through profit or loss.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at fair value through profit or loss replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Notes to the Consolidated Financial Statements

4. Adoption of New or Revised HKFRSs (continued)

(b) New or revised HKFRSs that have been issued but not yet effective (continued)

HKFRS 15 Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to each performance obligation

Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The directors of the Company are currently assessing the possible impact of the above new or revised standards on the Group's results and financial position in the first year of application. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies or financial statements. Other new or revised HKFRSs that have been issued but are not yet effective are unlikely to have material impact on the Group's financial statements upon application.

(c) New Companies Ordinance provisions relating to the preparation of financial statements

The provisions of the new Companies Ordinance, Cap. 622, in relation to the preparation of financial statements apply to the Company in this financial year.

The directors consider that there is no impact on the Group's financial position or performance, however the new Companies Ordinance, Cap. 622, impacts on the presentation and disclosures in the consolidated financial statements.

Notes to the Consolidated Financial Statements

5. 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.

(a) 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) Useful lives of property, plant and equipment

Management determines the estimated useful lives, and related depreciation charges for the Group's property, plant and equipment. The estimates are based on the historical experience of the actual useful lives of those assets of similar nature and functions. Management will increase the depreciation where useful lives are less than previously estimated lives. Management will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore affect the depreciation charges in future periods.

(ii) 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 17.

(iii) Impairment of receivables

The Group determines impairment losses for bad and doubtful debts resulting from the inability of the customers/debtors to make the required payments. A considerable amount of estimate and judgment is required in assessing the ultimate realisation of these receivables which is based on the ageing of the receivables, credit-worthiness of the customers and debtors and historical write-off experience. If the financial conditions of customers and debtors deteriorate, additional allowance for bad and doubtful debts may be required.

Notes to the Consolidated Financial Statements

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

(b) Critical judgement in applying accounting policies

Business combination under common control

The Reorganisation is a business combination under common control and has been accounted for using the merger basis of accounting as detailed in note 2. Management has exercised significant judgment in determining that the subsidiaries now comprising the Group have been under the collective control of Mr. Henry Cheung and his son, Mr. Jonathan Cheung as a result of a contractual arrangement between Mr. Henry Cheung and Mr. Jonathan Cheung as described in note 2, and that Mr. Henry Cheung has high influential standing over Mr. Jonathan Cheung.

6. Segment Information

(a) Operating segment information

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

(b) Geographical segment information

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

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

Notes to the Consolidated Financial Statements

6. Segment Information (continued)

(c) Information about major customers

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

	2015 **HK$'000**	2014 HK$'000
Customer I	**8,139**	N/A
Customer II	**4,349**	N/A
Customer III	**3,916**	N/A
Customer IV	**N/A**	4,246
Customer V	**N/A**	3,879
Customer VI	**N/A**	3,847

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

7. Revenue

The Group is principally engaged in the provision of securities brokerage services, securities-backed lending services as well as placing and underwriting services. Revenue from the Group's principal activities recognised during the year is as follows.

	2015 **HK$'000**	2014 HK$'000
Commission income from securities brokerage services	**9,499**	8,610
Interest income from securities-backed lending services	**24,200**	18,839
Handling fee	**172**	236
Income from placing and underwriting services	**3,591**	5,335
Others	**40**	5
	37,502	33,025

8. Other Income

	2015 **HK$'000**	2014 HK$'000
Bank interest income	**73**	7

9. Employee Benefit Expenses

Employee costs (including directors' emoluments) comprises:

	2015 **HK$'000**	2014 HK$'000
Salaries, allowances and other benefits	**4,330**	2,658
Contributions to defined contribution retirement plan	**157**	110
	4,487	2,768

Notes to the Consolidated Financial Statements

10. Finance Costs

	2015 HK$'000	2014 HK$'000
Interest on borrowings	**164**	–

11. Profit Before Income Tax

Profit before income tax is arrived at after charging:

	2015 HK$'000	2014 HK$'000
Auditor's remuneration	**460**	183
Listing expenses	**8,347**	1,672
Operating lease charges in respect of building	**1,387**	1,189

12. Directors' Emoluments and Five Highest Paid Individuals

(a) Directors' emoluments

Directors' emoluments are disclosed as follows:

Name of Directors	**Fees** HK$'000	**Salaries and other benefits** HK$'000	**Contributions to retirement benefits scheme** HK$'000	**Total** HK$'000
Year ended 31 December 2015				
Executive directors				
Mr. Henry Cheung *(note (i))*	–	**240**	**12**	**252**
Mr. Jonathan Cheung *(note (i))*	–	**240**	**12**	**252**
Independent non-executive directors				
Mr. Yeung King Wah *(note (ii))*	**66**	–	–	**66**
Mr. Lai Tze Leung George *(note (ii))*	**66**	–	–	**66**
Mr. So Stephen Hon Cheung *(note (ii))*	**66**	–	–	**66**
Total emoluments	**198**	**480**	**24**	**702**

Notes:

i) Mr. Henry Cheung and Mr. Jonathan Cheung were appointed as executive directors on 14 January 2015.

ii) Mr. Yeung King Wah, Mr. Lai Tze Leung George and Mr. So Stephen Hon Cheung were appointed as independent non-executive directors on 22 May 2015.

No emoluments were paid or payable to the executive directors and the independent non-executive directors during the year ended 31 December 2014.

No bonuses were paid to the executive directors and the independent non-executive directors during the year ended 31 December 2015 (2014:nil).

No directors waived any emoluments during the year ended 31 December 2015 (2014: 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 of loss of office (2014: nil).

Notes to the Consolidated Financial Statements

12. Directors' Emoluments and Five Highest Paid Individuals (continued)

(b) Five highest paid individuals

Of the five (2014: five) individuals whose emoluments were the highest in the Group during the year, none was a director of the Company. The emoluments payable to the five (2014: five) highest paid individuals are as follows:

	2015 **HK'000**	2014 HK'000
Salaries, allowances and other benefits	**2,200**	1,861
Discretionary bonus	**285**	–
Contribution to defined contribution retirement plan	**82**	73
	2,567	1,934

The emoluments of each of the above non-director highest paid individuals during the year and in prior year were all 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 (2014: 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:

	2015 **No. of** **individuals**	2014 No. of individuals
Nil to HK$1,000,000	**6**	5

Notes to the Consolidated Financial Statements

13. Income Tax Expense

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

	2015 **HK$'000**	2014 HK$'000
Current tax – Hong Kong Profits Tax		
– tax for the year	**5,144**	4,578
– over-provision in respect of prior years	**(39)**	(57)
	5,105	4,521
Deferred tax		
– tax for the year *(note 24)*	**(57)**	–
Income tax expense	**5,048**	4,521

The Group is subject to Hong Kong profits tax which is calculated at 16.5% (2014:16.5%) of the estimated assessable profit for the year.

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

	2015 **HK$'000**	2014 HK$'000
Profit before income tax	**20,458**	25,738
Tax calculated at tax rate of 16.5%	**3,376**	4,247
Tax effect of revenue not taxable for tax purposes	**(12)**	(1)
Tax effect of expenses not deductible for tax purposes	**1,600**	303
Tax effect of tax losses not recognised	**155**	–
Tax effect of other temporary differences not recognised	**(32)**	29
Over-provision in respect of prior years	**(39)**	(57)
Income tax expense	**5,048**	4,521

Notes to the Consolidated Financial Statements

14. Dividends

The directors of the Company do not recommend the payment of any dividend in respect of the year ended 31 December 2015.

The final dividend for the year ended 31 December 2014 represented the final dividend proposed by the directors of PCGL and PIGL totaling HK$30,000,000. The dividend was subsequently approved by the shareholders and was settled by cash payments of HK$8,300,000 and HK$21,700,000 on 30 April 2015 and 8 May 2015 respectively.

15. Earnings Per Share

The calculation of basic earnings per share attributable to owners of the Company is based on the following data:

	2015 **HK$'000**	2014 HK$'000
Earnings		
Profit for the year attributable to owners of the Company	**15,410**	21,217

	'000	'000 (Restated)
Number of shares		
Weighted average number of ordinary shares in issue during the year	**4,267,397**	3,600,000

The weighted average number of ordinary shares used for the purposes of calculating the basic earnings per share for the year ended 31 December 2014 of 3,600,000,000 shares represents the number of shares of the Company in issue immediately after the Capitalisation Issue but excluding any shares issued pursuant to the Placing as further discussed in note 25(f), adjusted for the Second Share Subdivision as disclosed in note 36 as if it had occurred on 1 January 2014. The effect of the First Share Subdivision as disclosed in note 25(d) is also reflected in this weighted average number of share as if it had incurred on 1 January 2014.

The weighted average number of ordinary shares used for the purposes of calculating the basic earnings per share for the year ended 31 December 2015 includes the weighted average number of shares issued pursuant to the Placing (note 25(f)) adjusted for the effect of the Second Share Subdivision (note 36) of approximately 667,397,000 shares, in addition to the aforementioned 3,600,000,000 shares used for the calculation of basic earnings per share for the year ended 31 December 2014.

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

Notes to the Consolidated Financial Statements

16. Property, Plant and Equipment

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Computer system and software HK$'000	Total HK$'000
Cost				
At 1 January 2014	402	133	216	751
Additions	–	2	–	2
At 31 December 2014 and 1 January 2015	**402**	**135**	**216**	**753**
Additions	**43**	**23**	**–**	**66**
At 31 December 2015	**445**	**158**	**216**	**819**
Accumulated depreciation				
At 1 January 2014	157	30	47	234
Charge for the year	134	27	43	204
At 31 December 2014 and 1 January 2015	**291**	**57**	**90**	**438**
Charge for the year	**116**	**30**	**43**	**189**
At 31 December 2015	**407**	**87**	**133**	**627**
Net carrying amount				
At 31 December 2015	**38**	**71**	**83**	**192**
At 31 December 2014	111	78	126	315

Notes to the Consolidated Financial Statements

17. Intangible Asset

	Trading right HK$'000
Cost	
At 1 January 2014, 31 December 2014 and 31 December 2015	500
Accumulated impairment	
At 1 January 2014, 31 December 2014 and 31 December 2015	–
Net carrying amount	
At 31 December 2015	500
At 31 December 2014	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 lives 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 2015, 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 2 years (2014: 2 years).

Notes to the Consolidated Financial Statements

17. Intangible Asset (continued)

The key assumptions used in the budget plans 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 derived from customers' trading activities which in turn is influenced by the amount of credit facilities available to margin financing clients. 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 periods.

(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 13% for the year ended 31 December 2015 (2014: 10%). The discount rate used is pre-tax and reflect specific risks relating to the relevant 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 2015 (2014: nil).

18. Trade Receivables

	2015 **HK$'000**	2014 HK$'000
Trade receivables arising from securities dealing and margin financing		
– Cash clients	**–**	49
– Margin clients	**173,181**	101,889
	173,181	101,938

Notes:

(a) The settlement terms of trade receivables arising from the business of securities dealing are two business days after trade date.

(b) Trade receivables from cash clients as at 31 December 2014 were past due within 30 days.

(c) No aging analysis is disclosed for trade receivables from margin clients as, in the opinion of the directors, aging analysis is not meaningful in view of the business nature of securities dealing and margin financing. Margin loans due from margin clients are current and repayable on demand for those margin clients subject to margin calls. Margin clients are required to pledge securities collateral to the Group in order to obtain credit facilities for securities trading. As at 31 December 2015, the total market value of securities pledged as collateral in respect of the receivables from margin clients are approximately HK$297,000,000 (31 December 2014: HK$258,000,000). Margin loans are interest bearings at a fixed rate varying from 12.5% to 20.0% per annum. Subject to certain conditions, the Group is allowed to repledge collateral from margin clients. There was no repledge of collateral from margin clients as at 31 December 2015 (2014: nil).

(d) The Group has policy for impairment allowance which is based on the evaluation of collectability of accounts and on management's judgement, including the current creditworthiness and the past collection history of each client or receivable. As assessed by the directors, no impairment allowance is necessary in respect of trade receivables at 31 December 2015 (2014: nil).

Notes to the Consolidated Financial Statements

19. Other Receivables, Deposits and Prepayments

	2015 HK$'000	2014 HK$'000
Deposits	**418**	394
Prepayments	**275**	467
	693	861

20. Trust Bank Balances Held on Behalf of Customers

In respect of the Group's business of securities dealing, the Group maintains segregated trusts 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.

22. Trade Payables

	2015 HK$'000	2014 HK$'000
Trade payables arising from securities dealing		
– Cash clients	**2,513**	1,538
– Margin clients	**11,508**	18,209
– Clearing house	**1,244**	18,871
	15,265	38,618

The settlement terms of trade payables arising from the business of securities dealing are two business days after the trade date ("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.

Margin and cash client payables as at 31 December 2015 and 2014 included balances payable to certain related parties. Further details of these balances are set out in note 32.

Notes to the Consolidated Financial Statements

23. Borrowings

	2015 HK$'000	2014 HK$'000
Current		
Bank loans *(note (a))*	**6,675**	–
Other loan *(note (b))*	**10,000**	–
	16,675	–
Non-current		
Bonds *(note (c))*	**10,000**	–
	26,675	–

Notes:

(a) The Group's bank loans as at 31 December 2015 are scheduled for repayment within one year after the end of the reporting period. In addition, the related loan agreements contain a clause that provides the bank with an unconditional right to demand repayment at any time at its own discretion. Accordingly, these bank loans are classified as current liabilities in the consolidated statement of financial position.

The bank loans are interest-bearing at the bank's prime lending rate adjusted by certain basis points and are secured by the corporate guarantee executed by the Company. The average interest rate of the Group's bank loans as at 31 December 2015 was 3.5% per annum.

(b) Other loan as at 31 December 2015 represents a loan obtained from a financial institution, which is scheduled for repayment in June 2016 and interest-bearing at fixed rate of 8% per annum. Other loan is secured by the corporate guarantee executed by the Company.

(c) On 22 December 2015, the Company entered into a subscription agreement (the "Subscription Agreement") with a subscriber regarding the issue of non-convertible bonds (the "Bonds") in aggregate principal amount of HK$10,000,000. The Bonds are interest bearing at 5% per annum, unsecured, and will mature on 22 December 2017 unless they are early redeemed by the Company. The Bonds were issued at 100% of the principal amount.

The Company may at any time before the maturity date and from time to time by serving at least three days' prior written notice to the bondholder to redeem the Bonds (in whole or in part) at 100% of the total amount of the Bonds together with payment of interests accrued up to the date of such early redemption. No early redemption may be requested by the bondholder.

The Bonds are initially measured at fair value, net of directly attributable costs incurred, and subsequently measured at amortised cost using the effective interest method.

As at 31 December 2015, the total current and non-current borrowings were scheduled for repayment as follows:

	2015 HK$'000	2014 HK$'000
On demand or within one year	**16,675**	–
More than one year, but not exceeding two years	**10,000**	–
	26,675	–

Note: The amounts due are based on the scheduled repayment dates in the loan agreements and ignore the effect of any repayment on demand clause.

Notes to the Consolidated Financial Statements

24. Deferred Tax

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

	Accelerated tax depreciation HK$'000
At 1 January 2015	–
Credit to profit or loss *(note 13)*	**57**
At 31 December 2015	**57**

No deferred tax has been provided in the consolidated financial statements for the year ended 31 December 2014 as there were no material temporary differences as at 31 December 2014.

As at 31 December 2015, the Group had unused tax losses of HK$937,000 (2014: nil) available for offset against future profits. No deferred tax assets have been recognised in respect of these tax losses due to the unpredictability of future profit streams. These tax losses have no expiry date.

25. Share Capital

The share capital balance as at 31 December 2014 represented the issued share capital of PIGL and PCGL as at that date.

The share capital balance as at 31 December 2015 represented the issued share capital of the Company which was incorporated on 14 January 2015. Details of the movements in the authorised and issued and fully paid share capital of the Company during the year are summarised as follows:

Ordinary shares	**Par value** HK$	**Number of shares**	**Amount** HK$'000
Authorised:			
Upon incorporation *(note (a))*	**0.10**	**3,800,000**	**380**
Subdivision of shares *(note (d))*	–	**34,200,000**	–
Increase in authorised share capital *(note (e))*	**0.01**	**49,962,000,000**	**499,620**
At 31 December 2015	**0.01**	**50,000,000,000**	**500,000**
Issued and fully paid:			
Issue of shares upon incorporation *(note (b))*	**0.10**	**100**	–
Issue of shares for acquisition of subsidiaries *(note (c))*	**0.10**	**100**	–
Subdivision of shares *(note (d))*	–	**1,800**	–
Capitalisation Issue *(note (f))*	**0.01**	**359,998,000**	**3,600**
Placing *(note (f))*	**0.01**	**120,000,000**	**1,200**
At 31 December 2015	**0.01**	**480,000,000**	**4,800**

Notes to the Consolidated Financial Statements

25. Share Capital (continued)

Notes:

(a) The Company was incorporated on 14 January 2015 with initial authorised share capital of HK$380,000 divided into 3,800,000 ordinary shares of HK$0.10 each.

(b) On 14 January 2015, 100 shares in aggregate were transferred/allotted and issued at par to HCC & Co and Snail Capital.

(c) On 12 May 2015, 100 new shares in aggregate were allocated and issued at par to HCC & Co and Snail Capital for settlement of the aggregate consideration amounting to HK$105,307,000 for the acquisition of 100% equity interest in PCGL by PIL and 100% equity interest in PIGL by the Company together with an outstanding non-interest bearing amount due by PIGL to GGL, which amounted to HK$105,307,000 as mentioned in Step (3) and Step (4) of the Reorganisation as set out in note 2. The difference between the par value of the shares issued and the aggregate consideration amounting to HK$105,307,000 was credit to share premium account.

(d) On 22 May 2015, each of the Company's existing issued and unissued shares of HK$0.10 each was subdivided into 10 shares of HK$0.01 each (the "First Share Subdivision").

(e) On 22 May 2015, the authorised share capital of the Company was increased from HK$380,000 to HK$500,000,000 divided into 50,000,000,000 shares of HK$0.01 each by the creation of an additional 49,962,000,000 shares.

(f) The Company's shares were listed on the GEM of the Stock Exchange on 12 June 2015 and the placing of 120,000,000 new shares by the Company became unconditional. In connection to this, (i) the Company issued a total of 120,000,000 ordinary shares at HK$0.50 per share for subscription (the "Placing"); and (ii) the Company issued a total of 359,998,000 ordinary shares at par to HCC & Co and Snail Capital by way of capitalising an amount of HK$3,600,000 from the share premium (the "Capitalisation Issue") arising from the Placing. The Company's total number of issued shares upon completion of the Placing and the Capitalisation Issue was increased to 480,000,000 shares.

Of the gross proceeds from the Placing of HK$60,000,000, HK$1,200,000 representing the aggregate par value of shares issued was credited to the Company's share capital whereas the remaining amount of HK$58,800,000 was credited to share premium account.

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

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 of the shares.

Capital reserve

Capital reserve arose from the followings:

(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 PCGL from GGL amounting to HK$725,982 (Step (3) of the Reorganisation as set out in note 2). The difference between the consideration of HK$725,982 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 PIGL from GGL together with an outstanding non-interest bearing amount due by PIGL to GGL amounting to HK$104,581,184 (Step (4) of the Reorganisation as set out in note 2). The difference between the consideration of HK$104,581,184 and the share capital of PIGL of HK$8 together with the outstanding non-interest bearing amount due by PIGL to GGL of HK$99,441,091 was debited to the capital reserve.

Notes to the Consolidated Financial Statements

26. Reserves (continued)

Retained profits

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

The Company

The movements of the Company's reserves during the period from 14 January 2015 (date of incorporation of the Company) to 31 December 2015 are as follows:

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
Loss for the period	–	(9,696)	(9,696)
Shares issued upon incorporation *(note 25(a))*	–	–	–
Issue of shares for acquisition of subsidiaries *(note 25(c))*	105,307	–	105,307
Issue of shares for			
– Placing *(note 25(f))*	58,800	–	58,800
– Capitalisation Issue *(note 25(f))*	(3,600)	–	(3,600)
Share issuance expenses *(note 25(f))*	(3,687)	–	(3,687)
At 31 December 2015	156,820	(9,696)	147,124

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 10 years from the date of its adoption.

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions that the eligible participants had or may have made to the Group.

The board of directors may, at its absolute discretion, offer any eligible person options to subscribe for shares in the Company subject to the terms and conditions as stipulated in the Share Option Scheme. Upon acceptance of the offer of an option, the grantee shall pay HK$1.00 to the Company as a consideration for option granted.

No option has been granted under the Share Option Scheme since its adoption.

Notes to the Consolidated Financial Statements

28. Holding Company Statement of Financial Position

	Notes	2015 HK$'000
Non-current assets		
Investments in subsidiaries	*29*	**104,581**
Current assets		
Other receivables, deposits and prepayments		**248**
Amounts due from subsidiaries		**46,603**
Cash and bank balances		**11,006**
		57,857
Current liabilities		
Other payables and accruals		**514**
Net current assets		**57,343**
Non-current liabilities		
Borrowings		**10,000**
Net assets		**151,924**
Capital and reserves		
Share capital	*25*	**4,800**
Reserves	*26*	**147,124**
Total equity		**151,924**

On behalf of the directors

Mr. Cheung Yan Leung Henry
Executive Director

Mr. Cheung Jonathan
Executive Director

Notes to the Consolidated Financial Statements

29. Investments In Subsidiaries

Details of the subsidiaries as at 31 December 2015 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 (PSL)	Hong Kong/Limited liability company	Hong Kong	2015: HK$99,000,000 (2014: HK$90,000,000)	–	100%	Provision of securities brokerage services, placing and underwriting services as well as margin financing
Pinestone Capital Group Limited (PCGL)	Hong Kong/Limited liability company	Hong Kong	HK$1,000,000	–	100%	Provision of money lending services
Pinestone Investment Group Limited (PIGL)	BVI/Limited liability company	Hong Kong	United State Dollars ("US$") 1	100%	–	Investment holding
Pinestone International Limited (PIL)	BVI/Limited liability company	Hong Kong	US$1	100%	–	Investment holding

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

30. Commitments

Operating leases commitments – the Group as lessee

The Group leases an office under operating lease arrangement. The lease runs for an initial period of three years (2014: three years) and is non-cancellable. The total minimum lease payments under the lease are due as follows:

	2015 **HK$'000**	2014 HK$'000
Within one year	**1,466**	1,162
Later than one year and not more than five year	**2,601**	–
	4,067	1,162

Notes to the Consolidated Financial Statements

31. Notes to the Consolidated Statement of Cash Flows

(a) During the year ended 31 December 2015, the consideration for acquiring 100% interest in PIGL from GGL together with an outstanding amount due by PIGL to GGL of HK$99,441,000, amounting to HK$104,581,000 in aggregate, was settled by the Company by allotment and issue of 70 shares to HCC & Co.

(b) During the year ended 31 December 2015, the consideration for acquiring 100% interest in PCGL from GGL amounting to HK$725,982 was settled by the Company by allotment and issue of 30 shares to Snail Capital.

(c) During the year ended 31 December 2014, the issued share capital of PCGL has been increased from HK$1 to HK$1,000,000 by allotment of 999,999 shares of HK$1 each to GGL and the consideration was settled through the current account with a director.

(d) During the year ended 31 December 2014, amounts due to directors amounting to HK$32,196,000 were transferred and settled through the current account with a related company.

32. Related Party Transactions

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

(a) During the year, the Group entered into the following significant transactions with related parties:

Name of related party	**Related party relationship**	**Type of transaction**	**Transaction amount 2015 HK$'000**	**Transaction amount** 2014 HK$'000
Mr. Henry Cheung	Director	Brokerage income	**210**	59
Mr. Jonathan Cheung	Director	Brokerage income	**50**	38
Mr. Wong Chi Kan	Key management	Brokerage income	**80**	–
Ms. Rowena Chick	Close family member of key management *(note (ii))*	Brokerage income	**3**	304
Blackbox Capital Limited	Related company *(note (i))*	Brokerage income	**–**	1
Gryphuz Advisory Limited	Related company *(note (i))*	Share of rental and staff costs *(note (iii))*	**–**	547

Notes:

(i) Blackbox Capital Limited and Gryphuz Advisory Limited are wholly-owned subsidiaries of GGL. Mr. Henry Cheung and Mr. Jonathan Cheung have equity interests in GGL.

(ii) Ms. Rowena Chick is the spouse of Mr. Wong Chi Kan, a member of the key management of the Group.

(iii) Certain portion of the Group's office premises were occupied by the related company and thus the related company shared the office rental expense with the Group. In addition, certain employees of the Group rendered services to the related company and thus the related company shared the employee benefit expenses with the Group. The aggregate amount of office rental expenses and employee benefit expenses shared by the related company for the year ended 31 December 2014 was HK$547,000. There was no sharing arrangement with the related company during the year ended 31 December 2015.

Notes to the Consolidated Financial Statements

32. Related Party Transactions (continued)

(b) For the year ended 31 December 2014, Mr. Henry Cheung and Mr. Jonathan Cheung, directors of the Company provided personal guarantee to secure for the banking facilities granted to the Group amounting to HK$22,000,000.

During the year ended 31 December 2015, banking facilities amounting to HK$10,000,000 were terminated and accordingly, the personal guarantee executed by Mr. Henry Cheung was released. For the remaining banking facilities of HK$12,000,000, the personal guarantee provided by Mr. Henry Cheung and Mr. Jonathan Cheung had been fully released and replaced by corporate guarantee provided by the Company.

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

(i) Balances arising from securities dealing transactions included in trade payables (note 22).

Directors and a related company

	As at 1 January 2014 HK$'000	Maximum outstanding during the year^ HK$'000	As at 31 December 2014 HK$'000	Margin financing facilities granted HK$'000	Securities held
Mr. Henry Cheung	470	420	5,554	–	Marketable securities
Mr. Jonathan Cheung	307	650	1,904	–	Marketable securities
Blackbox Capital Limited	36	–	–	–	N/A

	As at 1 January 2015 HK$'000	**Maximum outstanding during the year^ HK$'000**	**As at 31 December 2015 HK$'000**	**Margin financing facilities granted HK$'000**	**Securities held**
Mr. Henry Cheung	**5,554**	**4,492**	**1,264**	**500**	**Marketable securities**
Mr. Jonathan Cheung	**1,904**	**140**	**205**	**500**	**Marketable securities**

^ *these amounts represented the maximum amounts due from the directors and the related company during the respective years*

Related parties

	2015 HK$'000	2014 HK$'000
Ms. Wong Chi Kan	**59**	–
Ms. Rowena Chick	**–**	83
	59	83

Notes to the Consolidated Financial Statements

32. Related Party Transactions (continued)

(c) (continued)

(ii) Amounts due from related companies

	As at 1 January 2014 HK$'000	Maximum outstanding during the year# HK$'000	As at 31 December 2014 HK$'000
Blackbox Capital Limited	6	11	–
Gryphuz Advisory Limited	6	547	547
	12		547

	As at 1 January 2015 HK$'000	**Maximum outstanding during the year# HK$'000**	**As at 31 December 2015 HK$'000**
Gryphuz Advisory Limited	**547**	**547**	**–**

these amounts represented the maximum amounts due from the related companies during the respective years

The amounts due are unsecured, interest-free and repayable on demand.

(iii) Amount due to a related company

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

The amount has been fully settled under the Reorganisation as set out in note 2.

(d) Compensation of key management personnel

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

	2015 HK$'000	2014 HK$'000
Salaries, allowances and other benefits	**3,197**	1,637
Contributions to defined contribution retirement plan	**108**	63
Total	**3,305**	1,700

Notes to the Consolidated Financial Statements

33. 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 as at 31 December 2015 consists of debts, which include borrowings disclosed in note 23 and equity, comprising share capital and reserves.

The capital structure of the Group as at 31 December 2014 consists of equity, comprising of 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 as the end of the reporting period is as follows:

	2015 **HK$'000**	2014 HK$'000
Borrowings	**26,675**	–
Equity	**172,223**	31,059
Gearing ratio	**15%**	N/A

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. Other than this, the Company and other subsidiaries are not subject to externally imposed capital requirements.

Notes to the Consolidated Financial Statements

34. Summary of Financial Assets and Financial Liabilities by Category

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

	2015 HK$'000	2014 HK$'000
Financial assets		
Loans and receivables		
– Trade receivables	**173,181**	101,938
– Other receivables and deposits	**418**	394
– Amount due from a related company	**–**	547
– Trust bank balances held on behalf of customers	**15,536**	19,174
– Cash and bank balances	**25,250**	40,512
	214,385	162,565

	2015 HK$'000	2014 HK$'000
Financial liabilities		
Financial liabilities at amortised cost		
– Trade payables	**15,265**	38,618
– Other payables and accruals	**910**	767
– Amount due to a related company	**–**	90,441
– Borrowings	**26,675**	–
	42,850	129,826

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include trade receivables, other receivables and deposits, trust bank balances held on behalf of customers, cash and bank balances, trade payables, other payables and accruals and amounts due from/to related companies and borrowings.

Due to their short term nature, the carrying value of these financial instruments except from non-current borrowings approximates its fair value.

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

(b) Financial instruments measured at fair value

As at 31 December 2014 and 2015, 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

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 from customers and clearing house, loans receivable and bank balances. 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 any 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. Accordingly, the Group has no significant concentration of credit risk on a single customer in this respect. The Group does not hold any collateral or other credit enhancement to cover its credit risk except for margin client receivables.

In respect of the money lending business, in granting loans to customers, management assesses background information and financial condition of the customers and requests collaterals from the customers in order to minimise credit risk. Management also reviews regularly the repayment pattern of the customers. Monitoring of credit risk on loans and interests receivable is performed on an on-going basis.

At the end of each of the reporting period, management reviews the recoverable amount of receivables to ensure that adequate impairment provision is made for irrecoverable amounts. In determining the recoverable amounts of receivables, management takes into account the fair value of the underlying collateral, if any. In this regard, the directors of the Company consider that the Group's credit risk associated with trade receivables and loans receivable is effectively controlled and significantly reduced.

The credit risk on bank balances is limited as the counterparties are reputable banks or financial institutions.

The credit policies have been consistently applied and are considered to be effective in limiting the Group's exposure to credit risk to a desirable level.

(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, bank balances and borrowings. Trade receivables and loans receivable as well as borrowings carrying interest at fixed rates expose the Group to fair value interest rate risk while bank balances and borrowings carrying interest at variable rates expose the Group to cash flow interest rate risk.

As at 31 December 2015, 25% of the Group's borrowings are arranged at floating rate. Details of the Group's borrowings 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.

Notes to the Consolidated Financial Statements

35. Financial Risk Management (continued)

(b) Interest rate risk (continued)

Sensitivity analysis

The following sensitivity analysis demonstrates the Group's exposure to a reasonably possible change in interest rates on its floating rate borrowings with all other variables held constant at the end of the reporting period (in practice, the results may differ from the sensitivity analysis below and the difference could be material):

	Increase/ (Decrease) in profit for the year and retained profits 2015 HK$'000
Changes in interest rate	
+ 1%	(56)
- 1%	56

The changes in interest rates do not affect the Group's other components of equity. The above sensitivity analysis is prepared based on the assumption that the borrowing period of the borrowings outstanding at the end of the reporting period resembles that of the corresponding financial year. The assumed changes in interest rate are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the period until the next annual reporting period.

The Group did not have any interest-bearing borrowings as at 31 December 2014 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, including amount due to a related company, 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.

Notes to the Consolidated Financial Statements

35. Financial Risk Management (continued)

(c) Liquidity risk (continued)

Specifically, for bank loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the bank was to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other financial liabilities is prepared based on the scheduled repayment dates.

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000	More than one year but less than two years HK$'000
As at 31 December 2015				
Trade payables	**15,265**	**15,265**	**15,265**	**–**
Other payables and accruals	**910**	**910**	**910**	**–**
Bank loans	**6,675**	**6,675**	**6,675**	**–**
Other loan	**10,000**	**10,401**	**10,401**	**–**
Bonds	**10,000**	**11,000**	**500**	**10,500**
	42,850	**44,251**	**33,751**	**10,500**

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000	More than one year but less than two years HK$'000
As at 31 December 2014				
Trade payables	38,618	38,618	38,618	–
Other payables and accruals	767	767	767	–
Amount due to a related company	90,441	90,441	90,441	–
	129,826	129,826	129,826	–

The following table summarises the maturity analysis of bank loans with repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payment computed using contractual rates. Taking into account the Group's financial position, the directors consider that it is not probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that these bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

Notes to the Consolidated Financial Statements

35. Financial Risk Management (continued)

(c) Liquidity risk (continued)

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000	More than one year but less than two years HK$'000
As at 31 December 2015				
Bank loans	**6,675**	**6,792**	**6,792**	**–**

As at 31 December 2014, the Group did not have any borrowings which contain repayment on demand clause.

36. Events After the Reporting Period

On 2 February 2016, the directors of the Company proposed that each of the existing issued and unissued shares of the Company of HK$0.01 each to be subdivided into 10 shares of HK$0.001 each (the "Second Share Subdivision"). The Second Share Subdivision was approved by the shareholders of the Company on 14 March 2016 and became effective on 15 March 2016.

Financial Summary

For the year ended 31 December 2015

A summary of the results and of the assets and liabilities of the Group for the last three financial years, as extracted from the audited financial statements in this annual report and the prospectus of the Company dated 29 May 2015, is as follows:

Results

	For the year ended 31 December		
	2015	2014	2013
	HK$'000	HK$'000	HK$'000
Revenue	**37,502**	33,025	16,474
Other income	**73**	7	162
Employee benefit expenses	**(4,487)**	(2,768)	(2,838)
Depreciation	**(189)**	(204)	(203)
Other operating expenses	**(12,277)**	(4,322)	(2,164)
Finance costs	**(164)**	–	(247)
Profit before income tax	**20,458**	25,738	11,184
Income tax expense	**(5,048)**	(4,521)	(1,779)
Profit for the year	**15,410**	21,217	9,405
Other comprehensive income for the year	**–**	–	–
Total comprehensive income for the year	**15,410**	21,217	9,405

Asset and liabilities

	As at 31 December		
	2015	2014	2013
	HK$'000	HK$'000	HK$'000
Total assets	**216,330**	164,141	153,999
Total liabilities	**(44,107)**	(133,082)	(145,157)
Net assets	**172,223**	31,059	8,842