

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)



THIRD QUARTERLY REPORT

第三季度業績報告

2016

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.

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This report, for which the directors of Pinestone Capital Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this 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.

Corporate Information

Board of Directors (The "Board")

Executive Directors

Mr. Cheung Yan Leung Henry (*Chairman*)

Mr. Cheung Jonathan

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 Jonathan

Company Secretary

Mr. Au Kin Kee Kinson ACS ACIS

Authorised Representatives

Mr. Cheung Yan Leung Henry

Mr. Cheung Jonathan

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

Financial Highlights

- The Company recorded an unaudited revenue of approximately HK\$32.9 million for the nine months ended 30 September 2016, representing an increase of approximately 15% over the same period of the previous year (30 September 2015: HK\$28.7 million).
- The Company recorded an unaudited profit attributable to the owners of the Company of approximately HK\$20.4 million over which was 92% higher than the comparative period in 2015 (30 September 2015: HK\$10.6 million). Such growth was mainly attributable to an increase in securities-backed lending services of approximately HK\$9.9 million, offset by a decrease of commission income of approximately HK\$4.8 million and the absence of one-off listing expenses of approximately HK\$8.3 million recognized in the corresponding period in 2015.
- The basic and diluted earnings per share for the nine months ended 30 September 2016 were HK 0.42 cents (2015: HK 0.26 cents) (Restated).
- The Directors do not recommend the payment of any interim dividend for the nine months ended 30 September 2016.

Unaudited Condensed Consolidated Third Quarterly Results for the Nine Months Ended 30 September 2016

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that the unaudited condensed consolidated third quarter results of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for the three months and the nine months ended 30 September 2016, together with the comparative unaudited figures for the corresponding periods in 2015, as follows:

Condensed Consolidated Statement of Comprehensive Income

For the three months and nine months ended 30 September 2016

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
REVENUE	3	12,412	12,665	32,896	28,684
Other income	4	1	20	4	72
Employee benefit expenses		(1,091)	(1,103)	(3,337)	(3,066)
Depreciation		(23)	(52)	(67)	(155)
Other operating expenses		(1,057)	(1,246)	(3,888)	(10,810)
Finance costs		(141)	(19)	(827)	(63)
PROFIT BEFORE INCOME TAX	5	10,101	10,265	24,781	14,662
Income tax expense	6	(1,734)	(1,837)	(4,349)	(4,031)
PROFIT FOR THE PERIOD		8,367	8,428	20,432	10,631
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		8,367	8,428	20,432	10,631
		HK cents	HK cents (Restated)	HK cents	HK cents (Restated)
EARNINGS PER SHARE	8				
Basic and diluted		0.17	0.17	0.42	0.26

Condensed Consolidated Statement of Changes in Equity

For the nine months ended 30 September 2016

	Share capital HK\$'000	Share premium HK\$'000	Capital reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000
Nine months ended 30 September 2015 (unaudited)					
At 1 January 2015	1,000	–	–	30,059	31,059
Profit for the period	–	–	–	10,631	10,631
Other comprehensive income for the period	–	–	–	–	–
Total comprehensive income for the period	–	–	–	10,631	10,631
Transactions with owners:					
Dividend approved in respect of FY2014 (Note 7)					
	–	–	–	(30,000)	(30,000)
Re-organisation	(1,000)	105,307	(4,866)	–	99,441
Issue of shares by way of placing	1,200	58,800	–	–	60,000
Capitalisation	3,600	(3,600)	–	–	–
Share issuance expense	–	(3,687)	–	–	(3,687)
	3,800	156,820	(4,866)	(30,000)	125,754
At 30 September 2015	4,800	156,820	(4,866)	10,690	167,444
Nine months ended 30 September 2016 (unaudited)					
At 1 January 2016	4,800	156,820	(4,866)	15,469	172,223
Profit for the period	–	–	–	20,432	20,432
Other comprehensive income for the period	–	–	–	–	–
Total comprehensive income for the period	–	–	–	20,432	20,432
Transactions with owners:					
Issue of ordinary shares by way of placing (Note 9)					
	110	60,390	–	–	60,500
	110	60,390	–	–	60,500
At 30 September 2016	4,910	217,210	(4,866)	35,901	253,155

Notes to the Unaudited Condensed 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 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 Limited (“**HCC & Co**”), a limited liability company incorporated in the British Virgin Islands. In the opinion of the directors, HCC & Co is also the ultimate parent of the Company.

The condensed consolidated financial information are unaudited, but have been reviewed by the Audit Committee of the Company. The unaudited condensed consolidated results were approved for issue by the directors of the Company (the “**Directors**”) on 9 November 2016.

2. Basis of Preparation and Accounting Policies

Except as for the adoption of new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which are effective for the Group’s financial year beginning 1 January 2016, the accounting policies applied in preparing this unaudited condensed consolidated financial information for the nine months ended 30 September 2016 are consistent with those of the annual financial statements of the Group for the year ended 31 December 2015, as described in those annual financial statements. The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015.

The Group has not adopted the new or revised HKFRSs that have been issued by the HKICPA but are not yet effective.

The unaudited condensed consolidated financial statements are prepared on the historical cost basis.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is same as the functional currency of the company. All values are rounded to the nearest thousand except those otherwise stated.

Notes to the Unaudited Condensed Consolidated Financial Statements

3. Revenue

The Group is principally engaged in 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 period is as follows:

	Three months ended		Nine months ended	
	30 September		30 September	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Commission income from securities brokerage services	1,249	2,183	2,962	7,721
Interest income from securities backed lending services	10,093	6,880	27,114	17,209
Handling fee	7	82	18	126
Income from placing and underwriting services	1,062	3,519	2,799	3,590
Others	1	1	3	38
	12,412	12,665	32,896	28,684

Notes to the Unaudited Condensed Consolidated Financial Statements

4. Other Income

	Three months ended		Nine months ended	
	30 September		30 September	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank interest income	1	20	4	72

5. Profit Before Income Tax

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Auditor's remuneration	127	69	412	162
Listing expenses	–	166	–	8,347
Operating lease charges in respect of a building	367	341	1,101	1,023

6. Income Tax Expense

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax – Hong Kong				
Profits Tax	1,734	1,837	4,349	4,031

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the respective periods.

Notes to the Unaudited Condensed Consolidated Financial Statements

7. Dividend

The Board of directors does not recommend the payments of any interim dividend for the nine months ended 30 September 2016.

The Board of directors did 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 Pinestone Capital Group Limited ("PCGL") and Pinestone International Group Limited ("PIGL") totaling HK\$30,000,000. The final dividend was approved by the directors 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.

8. Earnings Per Share

The calculation of basic earnings per share is based on the following data.

	Three months ended		Nine months ended	
	30 September	2015	30 September	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>Earnings</u>				
Profit for the period attributable to owners of the Company	8,367	8,428	20,432	10,631
	Number of shares (thousands)			
<u>Number of shares</u>				
Weighted average number of ordinary shares in issue during the period	4,910,000	4,819,338	4,859,375	4,104,381

The weighted average number of ordinary shares represented the weighted average number of ordinary shares in issue in the respective periods, after taking into account the effect of share subdivisions which took place on 22 May 2015 and 15 March 2016 as if they were incurred on 1 January 2015 and the bonus element in the shares issued under the placing (the "Placing") which took place on 2 June 2016 as set out in note 9.

Notes to the Unaudited Condensed Consolidated Financial Statements

8. Earnings Per Share (continued)

The comparative figures for the basic earnings per share for the three months and nine months ended 30 September 2015 are restated to reflect for the effect of the aforementioned share subdivisions and bonus element arising from the Placing.

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 periods.

9. Share Capital

On 15 March 2016, each of the Company's existing issued and unissued shares of HK\$0.01 each was subdivided into 10 shares of HK\$0.001 each. Immediately after this share subdivision, the total number of issued shares of the Company was increased to 4,800,000,000 ordinary shares of HK\$0.001 each.

On 2 June 2016, the Company issued a total of 110,000,000 ordinary shares at HK\$0.55 each by way of placing. The total number of issued shares of the Company upon completion of the Placing was increased to 4,910,000,000 ordinary shares of HK\$0.001 each. Of the total gross proceeds from the Placing of HK\$60,500,000, HK\$110,000 representing the aggregate par value of shares issued was credited to the share capital of the Company whereas the remaining amount of HK\$60,390,000 was credited to share premium account.

Management Discussion and Analysis

Business Review

The Group is principally engaged in providing bespoke services encompassing securities brokerage, securities-backed lending and placing and underwriting businesses. Since the Company's successful listing on GEM of the Stock Exchange on 12 June 2015 (the "Listing") by way of placing (the "Placing"), there has been no significant change in the business operations of the Group.

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

Securities Brokerage

The Hong Kong Stock Market has been clouded with some uncertainties and remained volatile this year. Concerns about the US interest rates hike, the exit of United Kingdom referendum from the European Union and the slowdown of the China's economies have adversely affected the market sentiment. The Hang Seng Index ("HSI") traded sideways between the peak and trough of 24,099 and 18,319 points respectively for the first nine months ended September 2016. The average daily turnover for the first nine months of 2016 was HK\$67.8 billion, a decrease of approximately 42% when compared with HK\$117.2 billion for the same period last year. Owing to the sluggish trading activities, commission income from our securities brokerage decreased to approximately HK\$3.0 million for the nine months ended 30 September 2016, representing a drop of approximately 61% from HK\$7.7 million in the corresponding period last year. The Group will continue to put efforts on strengthening our client relationships and deepening client engagement, through offering quality and custom-made services to alleviate the impact of adverse market sentiment.

Securities-backed Lending Services

The securities-backed lending services have continued to excel among our businesses for the first nine months ended 30 September 2016. During the period under review, interest income generated from securities-backed lending services surged to HK\$27.1 million, representing an increase of approximately 58% from HK\$17.2 million in the corresponding period in 2015. In this regard, both our margin financing services and money lending services have shown growth.

Management Discussion and Analysis

Business Review (continued)

Securities-backed Lending Services (continued)

(a) *Margin Financing Services*

The size of our margin finance loan portfolio has grown steadily. We recorded an average month-end margin finance loan balance of approximately HK\$166.7 million during the nine months ended September 2016, compared to HK\$130.1 million in the corresponding period in 2015. During the period under review, interest income arising from our margin financing services increased to approximately HK\$23.5 million, representing an increase of 37% from approximately HK\$17.2 million for the nine months ended 30 September 2015.

(b) *Money Lending Services*

As at 30 September 2016, the Group's loan portfolio under its money lenders licence amounted to approximately HK\$38.1 million for different borrowers. Interests are charged between 12% to 24% per annum with different terms and maturities. Total interest income derived from money lending activities for the nine months ended 30 September 2016 were approximately HK\$3.6 million, compared to approximately HK\$0.1 million for the nine months ended 30 September 2015.

Placing and Underwriting Business

The Group acts as a placing agent or an underwriter (in leading capacity as well as sub-placing agent/sub-underwriter) on best effort basis for fund-raising activities.

During the period under review, the Group had participated in seven placing activities. One of which, we acted as the placing agent in June 2016 whilst acting as sub-underwriters or agents of the remaining. Owing to the general sluggish market sentiment, overall income generated from our placing and underwriting business was approximately HK\$2.8 million for the nine months ended 30 September 2016, representing a decrease of 22% from approximately HK\$3.6 million for the corresponding period in 2015.

Management Discussion and Analysis

Business Review (continued)

Net Profit for the period

The Group's consolidated net profit for the nine months ended 30 September 2016 was approximately HK\$20.4 million (30 September 2015: HK\$10.6 million), representing an increase of approximately 92% or HK\$9.8 million. Such growth was mainly attributable to an increase in securities-backed lending services of approximately HK\$9.9 million, offset by a decrease in commission income of approximately HK\$4.8 million and the absence of listing expenses of approximately HK\$8.3 million recognized in the corresponding period in 2015.

Outlook

The Group has continued to grow as compared to corresponding period in 2015 despite sluggish market conditions and investor sentiment. In view of the recent market volatility and expected uncertainties in the near future with interest rates hike and elections, the Group will continue to prudently monitor our risk and credit exposure; and continued to closely monitor the potential impact to our businesses. The Group will continue to develop our existing businesses, namely securities brokerage, securities-backed lending, placing and underwriting. We will continue to cultivate long term client relationships and develop our existing services. Furthermore, we will also explore opportunities to build products and services in order to cultivate a strong foundation for our businesses in the long run.

Management Discussion and Analysis

Financial Review

Revenue

	Nine months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Commission income from securities brokerage services	2,962	7,721
Interest income from securities-backed lending services	27,114	17,209
Income from placing and underwriting services	2,799	3,590
Others*	21	164
	32,896	28,684

* Others include services and handling charges

Total revenue for the nine months ended 30 September 2016 was approximately HK\$32.9 million (2015: HK\$28.7 million) representing an increase of approximately HK\$4.2 million or 15% compared to the corresponding period in 2015. Such increase was mainly due to an increase in interest income from securities-backed lending services of approximately HK\$9.9 million, which is offset by a decrease of approximately HK\$4.8 million in commission income from securities brokerage services. The decrease in commission income from brokerage services was due to the general sluggish trading activities for the nine months in 2016 as compared with the corresponding period in 2015. The increase in interest income from securities-backed lending services was mainly attributable to our margin financing activities, with expansion in the related loan portfolio, reaching approximately HK\$166.7 million as at 30 September 2016 (30 September 2015: HK\$130.1 million). During the period under review, the money lending business contributed approximately HK\$3.6 million in revenue, compared to approximately HK\$0.1 million for the nine months ended 30 September 2015. Nonetheless, the placing and underwriting commission decreased by approximately 22% from approximately HK\$3.6 million for the nine months ended 30 September 2015 to approximately HK\$2.8 million for the nine months ended 30 September 2016.

Management Discussion and Analysis

Financial Review (continued)

Employee benefits expenses

Employee benefits expenses include staff salaries and allowances and benefits, directors' emoluments and contribution to defined contribution retirement scheme. For the nine months ended 30 September 2016, the Group recorded approximately HK\$3.3 million employee benefit expenses, representing an increase of approximately 6% from approximately HK\$3.1 million compared to the corresponding period in 2015. The increment was due to the increase in number of staff and general salaries increment in the nine months of 2016 compared to the corresponding period in 2015.

Other operating expenses

At approximately HK\$3.9 million, other operating expenses represented 48% of the total expenses during the nine months ended 30 September 2016 (30 September 2015: 78%). During the period under review, the Group did not incur any listing expenses which led to the decrease of operating expenses. Once adjusted for the one-off listing expenses incurred in relation to the Listing, the normal operating expenses for the nine months ended 2016 was approximately HK\$3.9 million, which is higher than approximately HK\$2.5 million recorded for the corresponding period in 2015. Such increase resulted from higher administrative expenses and ongoing compliance fees after the Listing.

Profit for the period

The Group's consolidated net profit for the nine months ended 30 September 2016 was approximately HK\$20.4 million, representing an increase of 92% or HK\$9.8 million over the corresponding period last year ended 30 September 2015. Such growth was mostly attributable to the revenue growth from our securities-backed lending services and the absence of listing expenses recognized in the corresponding period in 2015. Despite we recorded a decrease of commission income from our securities brokerage service of HK\$4.8 million, the significant increase of HK\$9.9 million from the securities-backed lending services has offset the decrease. If excluding the one-off listing expense of HK\$8.3 million incurred during the 9 months ended 30 September 2015, the Group would have recorded a net profit of HK\$20.4 million for the nine months ended 30 September 2016, an increase of approximately 8% from an adjusted net profit of approximately HK\$18.9 million in the corresponding period last year.

Management Discussion and Analysis

Capital Structure

As at 30 September 2016, overall interest bearing liabilities of the Group were approximately HK\$11.2 million. With an equity base of approximately HK\$253.2 million, the Group recorded a low gearing ratio of approximately 4% (31 December 2015: 15%).

The Group had outstanding tax loans of approximately HK\$1.2 million from a bank and a 5% coupon Bond of principal amount HK\$10.0 million as at 30 September 2016 (31 December 2015: tax loan – HK\$6.7 million, corporate loan – HK\$10.0 million and a 5% coupon bond of HK\$10.0 million). During the period under review, the Group's operations, capital expenditure and other capital requirements were funded by internal resources, credit facilities from banks, bond issuance and net proceeds from the placing completed on 2 June 2016 (please refer to the Company's announcement in the same date for details).

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

Use of Proceeds from the Placing of New Shares

In respect of the placing of new shares of the Company completed on 2 June 2016, all proceeds have been fully utilised with approximately HK\$10.0 million being used to repay the 8% interests of corporate loan, and the remaining HK\$49.9 million of the net proceeds were used for the expansion of securities-backed lending services and general working capital as stated in the announcements of the Company dated 13 May 2016 and 2 June 2016 respectively in relation to this placing.

Management Discussion and Analysis

Contingent Liabilities

As at 30 September 2016, the Group did not have any material contingent liabilities (31 December 2015: Nil).

The Company has provided corporate guarantees to both Pinestone Securities Limited and Pinestone Capital Limited.

Nature of Loan	Pinestone Securities Limited HK\$'000	Pinestone Capital Group Limited HK\$'000
Tax Loan	1,171	60

Significant Investments

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

Pledge Of Assets

As at 30 September 2016, the Group did not pledge any of its assets (31 December 2015: Nil).

Capital Commitments

As at 30 September 2016, the Group did not have any significant capital commitments (31 December 2015: Nil).

Other Information

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

As at 30 September 2016, 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 ordinary shares of the Company:

Name of directors	Number of the shares interested and nature of interest			Approximate percentage of the total issued share capital of the Company (%)
	Personal	Corporate	Total	
Henry Cheung (Note 1)	–	2,520,000,000	2,520,000,000	51.3
Jonathan Cheung (Note 2)	–	1,080,000,000	1,080,000,000	22.0

Notes:

1. HCC & Co. Limited ("HCC") has beneficially held 2,520,000,000 Shares of the Company. HCC is wholly owned by Mr. Henry Cheung.
2. Snail Capital Limited ("SCL") has beneficially held 1,080,000,000 Shares of the Company. SCL is wholly owned by Mr. Jonathan Cheung.

Save as disclosed above, as at 30 September 2016, none of the Directors and chief executives of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules.

Other Information

Directors' Rights to Acquire Shares or Debentures

Save as disclosed under the paragraphs headed "Directors' Interests in shares and underlying shares" above and "Share Option Scheme" below, at no time during the period for the nine months ended 30 September 2016 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.

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

As at 30 September 2016, substantial shareholders (not being the Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the ordinary shares of the Company:

Name of shareholders	Capacity and nature of interest	Notes	Total number	Approximate percentage of the total issued share capital of the Company (%)
HCC	Directly beneficially owned	1	2,520,000,000	51.3
SCL	Directly beneficially owned	2	1,080,000,000	22.0

Notes:

- HCC is 100.0% owned by Mr. Henry Cheung, who is the beneficial owner of 2,520,000,000 shares in the Company. Mr. Henry Cheung owned approximately 51.3% of the issued shares of the Company.
- SCL is 100.0% owned by Mr. Jonathan Cheung, who is the beneficial owner of 1,080,000,000 shares in the Company. Mr. Jonathan Cheung owned approximately 22.0% of the issued shares of the Company.

Other Information

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

Save as disclosed above, the Directors and chief executives of the Company are not aware that there is any party who, as at 30 September 2016, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

Share Option Scheme

The Group has adopted a share option scheme on 22 May 2015 (the "**Share Option Scheme**") for the purpose of providing incentives and rewards to eligible persons who contributed to the success of the Group's operation. The board of directors, may at their 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. Unless otherwise cancelled or amended, the share option scheme will remain in force for a period of 10 years. There is no outstanding option and no option has been granted under the Share Option Scheme since its adoption.

Corporate Governance

Pursuant to the Rule 17.22 and 17.24 of the GEM Listing Rules, the Company has complied with and does not have advances to any entity nor advances to affiliated companies. In addition, pursuant to the Rule 17.23 of the GEM Listing Rules, our major shareholders have not pledged of the shares of the Company. Throughout the nine months ended 30 September 2016, the Board has reviewed the Group's corporate governance practices and is satisfied that the Company has complied with the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rule.

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

Other Information

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

Neither the Company, nor any of its subsidiaries has purchased, sale or redeemed any of the listed shares of the Company from the date of the listing on 12 June 2015 to the end of the reporting period, being 30 September 2016.

Competing Interests

As at 30 September 2016, none of the Directors, substantial Shareholders and their repetitive associates (as defined in the GEM Listing Rules) has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Interest of the Compliance Adviser

As at the date of this report, Altus Capital Limited (“Altus”), the compliance adviser of the Company, except for (i) Altus 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.

Audit Committee

The Audit Committee has been established with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 of the Corporate Governance Code. The Audit Committee currently comprises three independent non-executive Directors and is chaired by Mr. Yeung King Wah. The other members are Mr. Lai Tze Leung George and Mr. So Stephen Hon Cheung respectively. The primary duty of the Audit Committee is to review and supervise the Company’s financial reporting process, the internal control systems of the Group and the monitoring of continuing connected transactions. Pursuant to C.3.3 of the Code on Corporate Governance Practices, the Audit Committee has reviewed the unaudited condensed consolidated results of the Group for the nine months ended 30 September 2016 and confirmed that the preparation of such complied with applicable accounting principles and practices adopted by the Company and the requirements of the Stock Exchange, and adequate disclosure had been made.

Other Information

Board of Directors

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

Executive Directors:

Mr. Cheung Yan Leung Henry

Mr. Jonathan Cheung

Independent Non-executive Directors:

Mr. Yeung King Wah

Mr. Lai Tze Leung George

Mr. So Stephen Hon Cheung

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

Hong Kong, 9 November 2016

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

