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 : 804)

2018 ANNUAL REPORT 年報

PineStone 鼎石

Contents

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

804

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

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

For the year ended 31 December 2018, the Group's net loss for the year was HK$3.0 million. The loss was mostly attributable to an impairment loss of HK$9.2 million made in respect of trade receivables relating to the securities-backed lending services and a decrease in interest income from securities-backed lending services compared to last year. The decrease in interest income was mainly attributable to several customers who were in the process of settling their outstanding balances after executing our standard risk management procedures and the Group waived charging interest for certain customers for a period of time. The interest rates charged for most of these customers have resumed to a normal level near the year end. On the other hand, the group has continued to seek opportunities and our loan portfolio has expanded positively.

Outlook

During 2018, the Hong Kong stock market has experienced significant downturn with increasing volatility. Factors such as US Interest rate hike, political uncertainty as negotiations continue between the UK and the European Union on the Brexit turmoil, and the intensified Sino-US trade war between China and the US have adversely affected and dampened investors' investment sentiment and fund flow. The Group will closely observe the changes in political and business environment and dynamically explore new opportunities in different markets, clients, and products to optimize and diversify exposure for the Group's long term business development.

The Group will continue to manage our positions, monitor market conditions and adjust our risk exposures accordingly. At the same time, the Group will also explore strategic opportunities to broaden our client reach, improve our business and technology platform, cultivate business alliances collaborations, strengthen our financial positions, and diversify our portfolio risk to prepare for further expansion and a sustainable long term growth in the future.

On behalf of the Directors, 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 Directors,

Cheung Yan Leung Henry
Chairman & Executive Director

Hong Kong, 4 March 2019

Corporate Milestone

1. In March 2012, Mr. Cheung Jonathan acquired Pinestone Securities Limited ("PSL") with the intention of addressing a gap in the market and catering to investors who are interested in investing in the shares of small to medium-sized companies listed on the Stock Exchange.

2. In September 2012, PSL successfully obtained a licence under the SFO to conduct Type 1 regulated activity. In November 2012, PSL was granted a Stock Exchange Trading Right and was approved as an Exchange Participant with effect from 3 December 2012.

3. In February 2013, Pinestone Capital Group Limited ("PCGL") successfully obtained Money Lenders Licence to begin our money lending business in the form of securities-backed lending service.

4. In May 2013, Mr. Cheung Yan Leung Henry, father of Mr. Cheung Jonathan, injected additional funds in our Group to fund its further expansion.

5. In 2014, the Group's business recorded significant growth. Revenues increased by 100% from HK$16.5 million in 2013 to 2014's HK$33.0 million. Net profit increased by approximately 126% from HK$9.4 million in 2013 to HK$21.2 million in 2014.

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

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

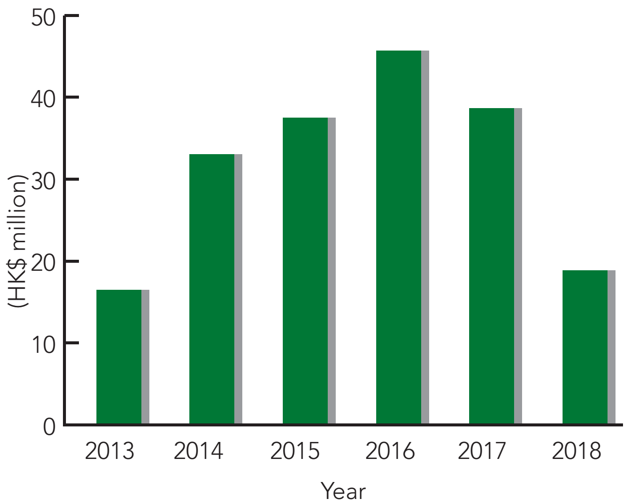
8. On 2 June 2016, the Company issued a total of 110,000,000 ordinary shares at HK$0.55 each by the way of placing to raise fund by approximately HK$60.5 million as to strengthen the Company's financial position.

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

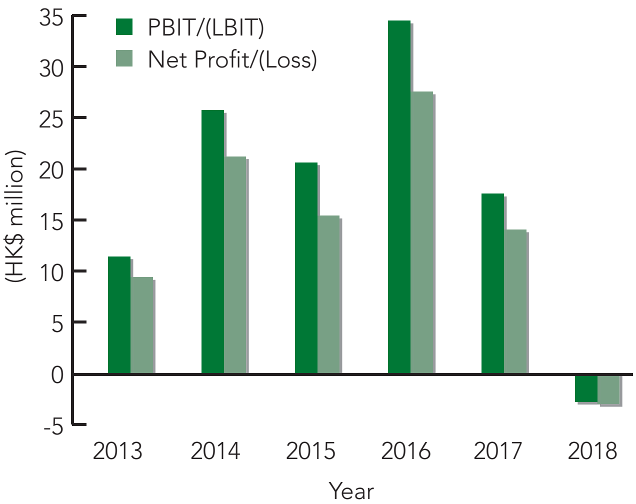
10. On 21 December 2017, the Company redeemed the HK$10,000,000 coupon bonds in full.

11. In 2018, PSL was marked its sixth years' anniversary.

Revenues



PBIT/LBIT and Net Profit/(Loss)



Management Discussion and Analysis

Background

Established in 2015, Pinestone Capital Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") is a renowned Hong Kong based financial institution providing a wide range of bespoke financial services including (i) securities brokerage, (ii) securities-backed lending and (iii) placing and underwriting businesses. On 12 June 2015, the Company was listed on GEM of the Stock Exchange (the "Listing") by way of placing (the "Placing"). On 8 June 2017, the shares of the Company were successfully transferred to the Main Board of the Stock Exchange. During the years, 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 since its debut.

Financial Highlights

Year ended 31 December (HK$'000)	2016	2016 vs 2017 Percentage	2017	2017 vs 2018 Percentage	2018
Revenue	45,706	-15%	38,689	-51%	**18,849**
Profit/(Loss) Before Income Tax	33,526	-48%	17,560	-116%	**(2,791)**
Net Profit/(Loss)	27,550	-49%	14,061	-121%	**(3,005)**
Earnings/(Loss) per share# (H.K. cents)	0.57	-49%	0.29	-121%	**(0.06)**
Total Assets	280,359	+6%	297,959	-7%	**278,234**
Total Equity	260,273	+5%	274,334	-1%	**271,329**
Key Performance Indices					
Net Profit Margin (%)	60.3		36.3		**(15.9)**
Return on Equity (%)	10.6		5.1		**(1.1)**
Return on Total Assets (%)	9.8		4.7		**(1.1)**
Current Ratio (Times)	13.9		12.5		**41.0**
Gearing Ratio (Times)	0.04		0.02		**0.0**

Earnings per share for 2016 represent adjusted weighted average number of ordinary share in issue, taking into account the bonus element in the shares issued under the placing which took place on 2 June 2016.

During 2018, the Hong Kong stock market has experienced significant downturn with increasing volatility. Factors such as US Interest rates hike, political uncertainty as negotiations continue between the UK and the European Union on the Brexit turmoil, and the intensified Sino-US trade war have adversely affected and dampened investors' investment sentiment. The Hang Seng Index ended 2018 at 25,845.7 points, representing a year-on-year decrease of 14% from 2017's 29,919.2 points.

For the year ended 31 December 2018, the Group's revenue amounted to approximately HK$18.8 million, representing a decrease of approximately 51% compared to 2017. Commission income of securities brokerage services remained stable of HK$0.9 million in 2018, which was in line with 2017. Interest income from securities-backed lending services marked a decrease of HK$18.4 million or 51% from HK$35.9 million in 2017 to HK$17.5 million in 2018.

Loss before income tax was HK$2.8 million, compared to a profit before income tax of HK$17.6 million in 2017. Net loss for the year 2018 was HK$3.0 million, compared to a net profit of HK$14.1 million in 2017. The loss was mostly attributable to an impairment loss of HK$9.2 million made in respect of trade receivables relating to the securities-backed lending services and a decrease in interest income from securities-backed lending services as compared to last year. As a result, basic loss per share was HK0.06 cents for the year ended 31 December 2018, compared to a basic earnings per share of HK0.29 cents for the year ended 31 December 2017.

Management Discussion and Analysis

Market Review

In 2018, the performance of global stock market was relatively poor. In the USA, the Dow Jones Industrial Average Index (DJIA) ended year-on-year with approximately 5.6% decrease to close at 23,327 points. In UK, FTSE 100 suffered the worst performance in a decade, tumbled by approximately 12.5% in 2018 to end at 6,728 points, down from 7,687 points on the last trading day of 2017. Global uncertainties on US interest rates hike, the exit of the UK from the European Market and the Sino-US trade war have continuously dented and weighed down investors' sentiment. At the last trading day of 2018, the Hang Seng Index fell approximately 14% year-on-year basis to end at 25,845.7 points. Looking forward, China's GDP is targeted to grow steadily at 6.2 per cent in 2019. Albeit the negotiation between China and the US on the Sino-US trade war is still going on, the tension has been alleviating. In addition, China has recently announced its innovative development plan of the Greater Bay integration with Hong Kong as one of the four core leading cities. Coupled with the "One Belt One Road" initiative, this will further boost HK's advantageous position as an international financial hub and global business centre.

Business Review

Securities Brokerage

The performance of our securities brokerage for the year ended 31 December 2018 has remained relatively stable. It marked an increase of 9% in a total transaction value of HK$421.3 million for the year ended 31 December 2018 compared to HK$385.8 million in 2017. Commission income from securities brokerage services for the year ended 31 December 2018 remained relatively the same as HK$0.9 million, which was in line with 2017.

Securities-backed Lending Services

In 2018, securities-backed lending services remained as our core-profit generator for the Group and interest income from securities-backed lending services accounted for approximately 93% of the Group's total revenue. Interest income from securities-backed lending services for the year ended 31 December 2018 was approximately HK$17.5 million, representing a decrease of 51% compared to about HK$35.8 million in 2017. The decrease was mostly attributable to the drop of the interest income from the margin financing services.

(A) *Margin Financing*

The decrease in interest income from securities-backed lending services was mainly attributable to our margin financing activities. As at 31 December 2018, the size of our loan portfolio amounted to approximately HK$235.0 million, compared to approximately HK$181.1 million as at 31 December 2017. During 2018, the average size of our margin finance loan portfolio recorded an average month-end loan balance of approximately HK$219.8 million in 2018, compared to an average month-ended loan balance of approximately HK$191.1 million in 2017. The size of our loan portfolio has expanded positively. In virtue of the repayment agreements of certain clients, the Group waived charging interest to certain customers for a period of time, interest income from margin financing services decreased to approximately HK$17.4 million in 2018, representing a decrease of about 45% from approximately HK$31.6 million in 2017.

(B) *Money Lending*

The Group recognised interest income of HK$81,000 from money lending service in 2018, as compared to HK$4.3 million in 2017.

Management Discussion and Analysis

Placing and Underwriting Services

Under normal circumstances, our placing and underwriting services are generally offered to listed companies, placing agents and/or the investors of listed companies. The business of this service depends on the market sentiment, demand or requests from the customers. Due to the sluggish demand from our customers, the Group did not derive any placing or underwriting commission income in 2018, as compared to HK$1.7 million was recorded in 2017.

Major Customers

During the year, the Group's five largest customers accounted for approximately 60% (2017: 57%) of the total revenue of the Group and the largest customer of the Group accounted for approximately 20% (2017: 14%) of the total revenue. None of the Directors or any of its close associates, or any shareholder (which to the knowledge of the Directors own 5% or more of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

Total Assets

Unit (HK$' million)/Year	2018	2017
Total Assets (HK$' million)	**278.2**	298.0
Trust Bank Balances (HK$' million)	**5.3**	16.5
Cash and Bank Balances (HK$' million)	**22.5**	93.5
Trade Receivables (HK$' million)	**224.1**	173.7
Loans Receivable (HK$' million)	**18.5**	9.8

Total assets of the Group decreased by 7% from approximately HK$298.0 million as at 31 December 2017 to approximately HK$278.2 million as at 31 December 2018. The decrease was mainly attributable to a decrease of cash of bank balances of approximately HK$71.0 million or approximately 76% from HK$93.5 million as at 31 December 2017 to HK$22.5 million as at 31 December 2018, which was partially offset by an increase in trade receivables of HK$50.4 million or approximately 29% from HK$173.7 million as at 31 December 2017 to HK$224.1 million as at 31 December 2018 coupled with an impairment provision of HK$9.2 million was made in 2018 whereas loans receivable also increased from HK$9.8 million as at 31 December 2017 to HK$18.5 million as at 31 December 2018.

Net Loss for the Year

The Group's consolidated net loss for the year was approximately HK$3.0 million when compared to a consolidated net profit of HK$14.1 million in 2017. Such decrease was partly attributable to an impairment provision of approximately HK$9.2 million which was made in respect of the trade receivables relating to the securities-backed lending services. If excluding this impairment provision and the related tax effect, which amounted to HK$7.7 million, the Group would have recorded a net profit of approximately HK$4.7 million in 2018, compared with HK$21.3 million in 2017 (excluding the impairment provision effect as well), representing a decrease of 78% in adjusted net profit when compared with 2017.

Management Discussion and Analysis

Financial Review

Revenue

Total revenue in 2018 was HK$18.8 million, representing a decrease of approximately 51% from HK$38.7 million in 2017. The decrease was mostly attributable to a drop of HK$18.4 million or approximately 51% in interest income from securities-backed lending services from HK$35.9 million in 2017 to HK$17.5 million in 2018. Commission income from securities brokerage services remained relatively the same as HK$0.9 million. During the year ended 31 December 2018, the Group did not recognise revenue from the placing and underwriting activities.

Employee Benefit Expenses

Employee benefit expense is a major expense item for the Group, which accounted for 49% out of the total expenses excluding impairment loss on trade and loans receivables amounted to HK$9.2 million in 2018. Employee benefit expenses include staff salaries, other allowances, benefits, directors' emoluments and contribution to defined contribution retirement scheme. Compared to 2017, employees benefit expenses recorded an increase of 27% from approximately HK$4.8 million in 2017 to approximately HK$6.1 million in 2018. The increase was mostly attributable to general increases for staff salaries and directors' emoluments.

Other Operating Expenses

Unit: (HK$' million)/Year	2018	2017
Other Operating Expenses	6.2	6.9
Impairment Loss on Trade and Loans Receivables	9.2	8.6
Total	15.4	15.5

Other operating expenses in 2018 amounted to HK$6.2 million (2017: HK$6.9 million), which accounted for about 50% (2017: 55%) of the total expenses excluding impairment loss on trade and loans receivables during the year ended 31 December 2018. The decrease was because the Group did not incur one-off compliance and administrative expenses in relation to transferring the Company's shares from GEM to the Main Board and a charity donation of HK$1 million which were made in 2017. Including the amount of HK$9.2 million impairment provision, other operating expenses in 2018 was HK$15.4 million, representing a decrease of approximately 1% from HK$15.5 million in 2017.

Income Tax Expense

The income tax expense for 2018 was approximately HK$0.2 million (2017: HK$3.5 million) and such decrease was consistent with the decrease in assessable profits under Hong Kong Profits Tax.

Loss for the Year

For the year ended 31 December 2018, the Group recorded loss before tax of approximately HK$2.8 million and a consolidated net loss of approximately HK$3.0 million. These figures compared to a profit before tax of approximately HK$17.6 million and a net profit of HK$14.1 million in 2017. The loss was mostly attributable to an impairment loss of HK$9.2 million made in respect of trade receivables relating to the securities-backed lending services and a decrease in interest income from securities-backed lending services of HK$18.4 million or approximately 51% in 2018 as compared to year 2017. The decrease in interest income was mainly attributable to several customers who were in the process of settling their outstanding balances after executing our standard risk management procedures and the Group waived charging interest to certain customers for a period of time. The interest rates charged for most of these customers have resumed to a normal level near year end.

Management Discussion and Analysis

Dividend

The Directors do not recommend the payment of final dividend for the year ended 31 December 2018. No dividend has been declared by the Company for the year ended 31 December 2018.

Capital Structure

As at 31 December 2018, the Group did not have any bank borrowings, compared to HK$6.1 million as at 31 December 2017. Other payables and accruals plus obligation under finance lease is minimal of HK$0.9 million compared to HK$1.0 million as at 31 December 2017. The Group maintained a healthy cash position with total cash and bank balances amounted to HK$22.5 million as at 31 December 2018 (2017: HK$93.5 million). As at 31 December 2018, the Group has a non-current long-term finance lease liabilities of HK$0.2 million and does not have capital commitment.

During 2018 the Group's operations, capital expenditure and other capital requirements were funded by cash generated from operations, bank loans and working capital.

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

Liquidity and Financial Resources

	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000
Current assets	**274,497**	295,674
Trade receivables	**224,115**	173,705
Cash and bank balances	**22,547**	93,455
Current liabilities	**6,687**	23,625
Trade payables	**5,969**	16,515
Bank Borrowings	**–**	6,083
Obligation under finance lease	**269**	–
Current Ratio (Times)	**41.0**	12.5
Gearing Ratio (Times)	**0.00**	0.02
Interest Coverage (Times)*	**N.A.**	31

* Note: N.A. as the Group reported a net loss in 2018

As at 31 December 2018, the Group's cash and bank balances amounted to approximately HK$22.5 million (2017: $93.5 million). The Group did not have any bank borrowings (2017: HK$6.1 million) but it had obligation under finance lease amounting to HK$0.3 million (2017: nil). The gearing ratio is 0.00 times as at 31 December 2018 (2017: 0.02 times). The gearing ratio is calculated as total borrowings (including obligation under finance lease) divided by total equity as at the respective date. Interest coverage is N.A. as the Group reported a loss of approximately HK$3.0 million for the year ended 31 December 2018, compared to a net profit of approximately HK$14.1 million in 2017. Interest coverage is calculated as profit before interest and tax divided by the interest expense.

Management Discussion and Analysis

The Group recorded a current ratio of approximately 41.0 times as at 31 December 2018 (2017: 12.5 times). The increase in current ratio of the Group would help boost the Group's liquidity and financial strength. The Board believes that the Group has sufficient financial resources to satisfy its working capital and to sustain its business.

Foreign Currency Exposure

The Group's functional and presentation currency is Hong Kong dollar ("HK$"). During the years ended 31 December 2018 and 2017, the Group's transactions were denominated in HK$. The Group has no material exposure to foreign currency risk. The Group has not used any derivatives to hedge against its exposure to foreign exchange risks.

Contingent Liabilities

As at 31 December 2018 and 31 December 2017, the Group did not have any material contingent liabilities.

Significant Investments

The Group did not acquire or hold any significant investment during the year ended 31 December 2018 (2017: nil).

Pledge of Assets

As at 31 December 2018, the Group did not pledge any of its assets (2017: nil).

Capital Commitments

As at 31 December 2018, the Group did not have any significant capital commitments (2017: nil).

Remuneration Policy

The remuneration committee was established for reviewing and determining the remuneration and compensation of the directors.

The remuneration of the executive Directors is determined with reference to the Directors' qualifications, experience, duties, responsibilities and performance and results of the Company.

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

Outlook

During 2018, the Hong Kong stock market has experienced significant downturn with increasing volatility. Factors such as US interest rate hike, political uncertainty as negotiations continue between the UK and the European Union on the Brexit turmoil, and the intensified Sino-US trade war between China and the US have adversely affected and dampened investors' investment sentiment and fund flow. The Group will closely observe the changes in political and business environment and dynamically explore new opportunities in different markets, clients, and product to optimize and diversify exposure for the Group's long term business development.

The Group will continue to manage our positions, monitor market conditions and adjust our risk exposures accordingly. At the same time, the Group will also explore strategic opportunities to broaden our client reach, improve our business and technology platform, cultivate business alliances collaborations, strengthen our financial positions, and diversify our portfolio risk to prepare for further expansion and a sustainable long term growth in the future.

Corporate Governance Report

Good corporate governance practices improve transparency of the Company, optimize the Company's performance, and help to enhance stakeholders' confidence and support. The board of directors (the "Board") of the Company is committed to achieve good corporate governance practices and procedures. The Board continues to improve operating efficiency, client relationship, sound risk management, internal control and accountability to shareholders. During the year under review, the Company has complied with the code provisions prescribed in the establishment and implementation of the Corporate Governance Code ("CG Code"), set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), to ensure the decision making processes and business operations are regulated in a proper manner. The Company will continuously to review its corporate governance practices as to enhance its corporate governance standards, comply with the increasingly complicated regulatory requirements, and meet with the rising expectations of the shareholders and respective investors.

Chairman and Chief Executive

CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be assigned for the same person. In the Company, Mr. Cheung Yan Leung Henry has acted as chairman and Mr. Cheung Jonathan has acted as chief executive officer. Mr. Cheung Yan Leung Henry is the father of Mr. Cheung Jonathan and they act as executive Directors as well. Decisions are made collectively by the executive Directors and occasionally are discussed with the management or various functional team members before execution. The Board believes that this arrangement enables the Company to make decisions, operate and implement follow up actions quickly. This arrangement can help achieve the Company's objectives efficiently and effectively in response to the 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 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 independent non-executive directors, all of whom are independent of the Group's businesses, are highly experienced professionals with substantial experience in areas such as management, accounting and finance. The management of the Company is of the view that the members of the Board represents rich and diversified background and industry expertise to oversee, advise and safeguard the interests of various stakeholders of the Company. The Company has received written confirmation from each independent non-executive Director of his independence pursuant to the requirement of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

Pursuant to Article 108 of the Articles and Association of the Company, at each annual general meeting of the Company, 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. At the forthcoming annual general meeting of the Company, Mr. Cheung Yan Leung Henry and Mr. So Stephen Hon Cheung will retire by rotation and, being eligible, will offer themselves for re-election.

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 to applicable laws and regulations.

Corporate Governance Report

Independent Non-Executive Directors

During the year, each of the independent non-executive Directors of the Company has signed a letter for renewal of appointment for a term of three years ending on 11 June 2021 with the Company, unless terminated earlier by either side by giving not less than one 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 Articles of 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	Annual Directors' Fees HK$'000	Commencement Date of re-appointment
Mr. Yeung King Wah	120	12 June 2018
Mr. Lai Tze Leung George	120	12 June 2018
Mr. So Stephen Hon Cheung	120	12 June 2018

Mr. Yeung King Wah and Mr. So Stephen Hon Cheung, two of the independent non-executive Directors, possess the appropriate professional qualifications, or accounting or related financial management expertise as required under Rules 3.10(1), 3.10(2) and 3.10A of Listing Rules Appendix 14. 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 2018 in accordance with Rule 3.13 of the Listing Rules of Hong Kong Stock Exchange.

Board Diversity Policy

Pursuant to the CG Code provision A.3, the Board has adopted a board diversity policy with diversity of skills, with the consideration with a number of factors, including but not limited to age, educational background, professional experience, balance-composition and synergy effect to the Company. The Company recognises and embraces the benefits of having a diverse Board to bring out ideas and opinions, critical thinking, diverse perspectives and independent judgement. All Board appointments are made on merits Candidates will be considered against objective criteria, including but not limited to as follows:

(a) participating in Board meetings to bring an independent judgment on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conducts;

(b) taking the lead where potential conflicts of interests arise;

(c) bringing a range of business and financial experience and skills to the Board;

(d) scrutinizing the Company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance.

Audit Committee

The Company has established an audit committee (the "Audit Committee") with specific written terms of reference formulated in accordance with the requirements of the Rule 3.21 of Listing Rules Appendix 14. The Audit Committee currently consists of all the three Independent non-Executive Directors ("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. The primary duties of our audit committee are mainly (i) to make recommendations to the Board on the appointment and removal of external auditors; (ii) to review and supervise the financial statements and provide advices in respect of financial reporting; (iii) to oversee internal control procedures and corporate governance of our Company; (iv) to supervise internal control systems of our Group; and (v) to monitor any continuing connected transactions.

Corporate Governance Report

During the year 2018, the Audit Committee held 3 meetings to review and assess our risk management and internal control management functions of the Group. It has also reviewed, assessed and comment on our interim and consolidated final results. The preparation of the consolidated results is in compliance with applicable accounting principles and practices adopted by the Company and the requirements of the Stock Exchange, and adequate disclosure had been made.

Nomination Committee

The Company has established a nomination committee (the "Nomination Committee") with specific written terms of reference in line with the code provisions under the CG Code, Appendix 14. 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 one executive director namely Mr. Cheung Yan Leung Henry. Mr. Cheung Yan Leung Henry is the chairman of the Nomination Committee. The primary duties of our Nomination Committee are mainly (i) to review the structure, size composition and diversity of the Board on a regular basis; (ii) to identify individuals suitable to become Board members; (iii) to assess the independence of INEDs; (iv) to make recommendations to the Board on matters relating to the appointment or re-appointment of directors; and (v) to make recommendations to the Board regarding the candidates to fill vacancies of our Board. When identifying suitable director candidates, and making recommendation to the board, the nomination committee would take into consideration of various candidates in views of his/her background of education, experiences, expertise with the industry and his/her past directorships. During the year under review, the Nomination Committee had reviewed the structure, size, composition and diversity of the Board. The Nomination Committee will continue to review the necessity of more competent staff to join in the expansion of the Group.

Remuneration Committee

Pursuant to Appendix 14, CG Code, 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. Cheung Jonathan. 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 the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; (ii) to review other remuneration matters, including benefits in kinds and other compensation payable to our Directors and senior management; and (iii) to review performance based remunerations and to establish a formal transparent procedure for developing policy in relation to remuneration. During the year, the Remuneration Committee has reviewed and revised the remuneration package of the Directors of the Company.

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

Directors/Board Committees*	Board Meetings	Audit Committee	Remuneration Committee	Nomination Committee
Mr. Cheung Yan Leung Henry	C (6/6)	–	–	C (1/1)
Mr. Cheung Jonathan	M (6/6)	–	M (3/3)	–
Mr. So Stephen Hon Cheung	M (4/6)	M (2/3)	M (2/3)	M (0/1)
Mr. Yeung King Wah	M (6/6)	C (3/3)	C (3/3)	M (1/1)
Mr. Lai Tze Leung George	M (6/6)	M (3/3)	M (3/3)	M (1/1)

* No. of attendance 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 year ended 31 December 2018 is as follows:

Fee Amount	HK$'000
Audit Services	568
Non-audit Services	–
Total	568

Remuneration Policy

The remuneration of the executive directors is subject to review by the Remuneration Committee and their remuneration is determined with reference to the Directors' qualifications, experience, duties, responsibilities and performance and results of the Company. The Group's remuneration policies are in line with prevailing market practice. The Group's employees are remunerated according to their performance, working experience and market conditions. As at 31 December 2018, the Group had 14 employees, compared to 15 in 2017. Apart from basic salaries, other staff benefits include discretionary bonus, provident funds and medical scheme.

Sufficiency of Public float

Based on the information that is publicly available and within the knowledge of the Directors of the Company, the Company has maintained sufficient public float of 25% issued shares which worth more than HK$30 million under the Listing Rules 17.38A as at the latest practicable date and prior to the issue of this report.

Environmental, Social and Governance Report ("ESG")

We have envisaged and adopted the ESG Reporting Guide in the writing of our reports. Please refer to pages 25 to 36.

Non-Competition Undertaking

Each of the controlling Shareholders has made an annual declaration to the Company that during the year 2018, it has 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 stipulated in the Non-Competition Undertakings and have confirmed that, as far as the INEDs can ascertain, there is no breach of any of such undertakings.

Directors' Securities Transactions

The Company has adopted Appendix 10 Model Code for Securities Transactions by the Directors for dealing in securities of the Company (the "Required Standard of Dealing").

Following specific enquiries to all the Directors, each of them have confirmed that they have complied with the Required Standard of Dealings throughout the year 2018. The Company has not been notified of any incident of non-compliance during such period.

Corporate Governance Report

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

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 2018.

Directors' Training and Professional Development

Pursuant to the Code Provision A.6.5 under Appendix 14 of the Listing Rules, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Reading materials on relevant topics are sent to the directors where appropriate. All directors and employees are encouraged to attend relevant training courses to keep abreast of the latest market and regulation changes. The participations by the directors and employees in the continuous professional development are recorded individually.

Risk Management and Internal Control

The Board is responsible for maintaining sound and effective internal control system. A comprehensive internal and risk management system is essential to meet the objectives and safeguard the interests of the shareholders, continuous development and assets of the Company. The Group's principal businesses are exposed to two major types of business risk, namely financial and non-financial risks. Financial risks include liquidity risk, credit risk and operational risk, whereas non-financial risks mainly cover legal and compliance risks. A subsidiary of the Company is subject to the statutory liquidity requirements as prescribed by the regulators. The Group has monitored its financial risk to ensure that it maintains adequate liquid capital to fund its business commitments and to comply with the Securities and Futures Rules (Cap.571N).

The Company has developed its systems of internal control and risk management for its needs and to mitigate the risks that it is exposed to. The Directors have periodically assessed and reviewed the effectiveness of the Group's internal control system, including, in particular, credit, financial, operational and compliance controls and risk management functions to assure that it is adequate to protect the interests of all stakeholders. A formal and stringent policy has been established which provides clear guidance on the practical considerations for setting "know-your-client" procedures, credit lines, trading limits, concentration limits and procedures on following up breaches of concentration limits, with regard to the quality, liquidity and volatility of securities collateral, credit worthiness of clients. A credit committee has been built to regularly review, monitor and implement a robust control framework of collateral assessment, credit risk analysis and stress tests to promptly identify and mitigate risks exposure.

Each department is also required to keep the directors informed of material developments of the department's business and implementation of the policies and strategies set by the Board on a regular basis. If there is any delinquency in interest or principal payment, or any deficiency of individual client's pledged securities or assets, it may prompt follow up actions on margin calls, additional capital request, request repayment, selling collaterals, request diversification of portfolio of collateral stocks, liaise with the margin clients on repayment schedule, various solutions or any other actions senior management deems necessary. For non-financial risks, a compliance committee has been set up to ensure our Group's compliance with relevant rules and regulations and to oversee and rectify internal control matters. The Board is of the view that the Group's current internal control review system is adequate and effective but will perform periodical reviews so as to improve and safeguard our internal control system.

Investors' Relations

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

Corporate Governance Report

Shareholders' Rights to Nominate a Director

If a shareholder of the Company (the "Shareholder") wishes to propose a person other than a director, (the "Director") for election as a new Director of the Company, the Shareholder must 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, and the person's biographical details. Such Notice must be signed by the Shareholder concerned (other than the person to be proposed), accompanied by a letter of consent (the "Letter") signed by the person proposed to be elected on his/her willingness to be elected as a Director.

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

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

Shareholders' Rights on Convening an Extraordinary General Meeting

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

Enquiries to the Board

Shareholders may at any time make a request for the Company's information to the extent that such information is publicly available to the Company Secretary who is responsible for forwarding communications relating to the Board or ordinary business matters, such as suggestions, inquiries and complaints, to the Directors of the Company. Shareholders may send their enquiries to our enquiry email at enquiry@pinestone.com.hk or send them directly to our office at Unit 1506, 15th Floor, Wheelock House, 20 Pedder Street, Central, Hong Kong.

Putting forward proposals at a general meeting

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

Biography of Directors and Senior Management

Executive Directors

Mr. Cheung Yan Leung Henry, aged 68, 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 been a fellow member of the Hong Kong Institute of Certified Public Accountants since May 1987. He is the father of Mr. Cheung Jonathan.

Mr. Cheung Jonathan, aged 32, 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. Cheung Yan Leung Henry, the Chairman of the Company.

Independent Non-Executive Director

Mr. Yeung King Wah, aged 60, 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 George, aged 67, was appointed as INED on 22 May 2015. He has over 30 years' 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 63, 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' 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.

Biography of Directors and Senior Management

Senior Management

Ms. Wong Siu Kuen, aged 60, joined our Group in February 2013. She is our Senior Vice President and is the Head of the Operations Department. 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 20 years' 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 31, 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 10 years' 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 Cornell University in the US in May 2009.

Company Secretary

Mr. Au Kin Kee Kinson, aged 54, 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 June 1997 to May 2001. He then joined Gartner Inc. as client relationship manager from June 2001 to June 2015. 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 Law Degree from the University of Wolverhampton. Mr. Au is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrator. According to the requirements of Rule 3.29 of the Listing Rules, Mr. Au undertook no less than 15 hours of relevant professional training during the year ended 31 December 2018.

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 2018.

Principal Activities

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

Corporate Reorganisation

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability on 14 January 2015. Pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of shares of the Company on GEM of The Stock Exchange of Hong Kong Limited, the Company became the holding company of the subsidiaries now comprising the Group on 12 May 2015. Details of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure" section to the Prospectus. The Company issued and placed 120,000,000 new shares at a subscription price of HK$0.50 per share. The shares of the Company were listed on the GEM of the Stock Exchange with effective on 12 June 2015. On 15 March 2016, the Company held a stock split of 10-for-1 shares as to increase the liquidity of the shares of the Company. On 2 June 2016, the Company placed 110,000,000 new shares at the placing price of HK$0.55 each to raise approximately HK$60.5 million. On 8 June, 2017, the Company successfully transferred from GEM to list its shares to trade on the Main Board of the Stock Exchange.

Financial Statements and Appropriations

The financial performance of the Group for the year ended 31 December 2018 and the financial position of the Group at that date are set out in the consolidated financial statements from pages 42 to 99 of this annual report.

The Directors do not recommend the payment of any dividend in respect of the financial year ended 31 December 2018.

Share Capital

Details of movements in the Company's share capital during the year are set out in note 26 to the consolidated financial statements.

Property, Plant and Equipment

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

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's Articles of Association and there is no restriction against such rights under the laws of the Cayman Islands.

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 2018.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 27 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

Directors' Report

Directors

The Directors of the Company during the year ended 31 December 2018 and up to the date of this report are:

Executive Directors

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

Independent Non-Executive Directors (INEDs.)

Mr. YEUNG King Wah (楊景華)
Mr. LAI Tze Leung George (黎子亮)
Mr. 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 pages 17 to 18 of this annual report.

Directors' Service Contracts

Each of our executive Directors has entered into a service contract with our Company. Each of our INEDs has also entered into a letter of appointment with our Company for a term of three years commencing from 12 June 2018, which may be terminated by not less than three months' notice in writing served by either party to the other.

Permitted Indemnity Provision

During the year, the Company has arranged for appropriate insurance covering Director's and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622, Laws of Hong Kong) when the Directors' Report prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance (Chapter 622, Laws of Hong Kong).

Directors' 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 2018, 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 (which has the same meaning as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO.

Long positions in the shares of the Company:

Name of Directors	Number of the shares interest and nature of interests			Approximate Percentage of the total issued share capital of the Company
	Personal	Corporate	Total	
Cheung Yan Leung Henry *(Note 1)*	–	2,520,000,000	2,520,000,000	51.3%
Cheung Jonathan *(Note 2)*	–	1,080,000,000	1,080,000,000	22.0%

Notes:

1. The interests disclosed includes 2,520,000,000 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 1,080,000,000 Shares of the Company beneficially held by Snail Capital Limited ("SCL"), which is wholly owned by Mr. Cheung Jonathan.

Save as disclosed above, as at 31 December, 2018, none of the Directors and chief executives of the Company and/or any of their respective associates had any interest or 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.

Directors' Interests in Significant Transactions, Arrangements and Contracts

Save for those disclosed in note 33, there is no transaction, arrangement or contracts of significance in relation to the Group's business to which the Company, or any of its subsidiaries was a party and in which a Director of the Company or an entity connected with a Director has or had a material interest, whether directly or indirectly, subsisted during or at the end of the financial year.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed under the sections headed "Directors' Interests in Shares and Underlying Shares" above and "Share Option Scheme" below, at no time during the year ended 31 December 2018 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement which enables the Directors and chief executives of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of acquisition of shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

Directors' Report

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

As at 31 December 2018, substantial shareholders (not being the Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the ordinary shares of the Company:

Name of Shareholders	Capacity and nature of interests	*Notes*	Total	Approximate Percentage of the total issued share capital of the Company
HCC	Directly Beneficially owned	*1*	2,520,000,000	51.3%
SCL	Directly Beneficially owned	*2*	1,080,000,000	22.0%

Notes:

1. HCC is 100% owned by Mr. Cheung Yan Leung Henry, who is the beneficial owner of 2,520,000,000 shares in the Company. Mr. Cheung Yan Leung Henry owned 51.3% of the issued shares of the Company.

2. SCL is 100% owned by Mr. Cheung Jonathan, who is the beneficial owner of 1,080,000,000 shares in the Company. Mr. Cheung Jonathan owned 22.0% of the issued shares of the Company.

Save as disclosed above, the Directors and chief executives of the Company are not aware that there is any party who, as at 31 December 2018, had an interest or short position in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

Share Option Scheme

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, including Directors of the Company, consultants, advisors and attract human resources that are valuable. The maximum number of options granted to each eligible participant shall not exceed 1.0% of the Company's issued shares as of the date of the grant. Upon acceptance of the offer of an option, the grantee shall pay HK$1 to the consideration as consideration for option granted. As at 31 December 2018, there was no options outstanding. No share option has been granted to any eligible participants 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 11 to the consolidated financial statements.

Directors' Report

Competing Interest

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

Related Party Transactions

Details of the related party transactions are set out in note 33 to the consolidated financial statement. These transactions also constitute de minimis continuing connected transactions and exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

Confirmation of Independence

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to CG Code A6 and considers all the INEDs to be independent.

Final Dividend

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2018.

Corporate Governance

The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 to the Listing Rules. A report on the principal corporate governance practices adopted by the Company is set out from pages 11 to 16 of this annual report.

Non-Competition Undertaking

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

Pension Scheme

The Company and its subsidiaries operating in Hong Kong are required to participate in a defined contribution retirement scheme ("MPF Scheme") set up in accordance with the Hong Kong Mandatory Fund Schemes Ordinance, under which employers and employees are each required to make regular contributions calculated at 5% of the employer's relevant income ("Mandatory Contributions") to the MPF Scheme, subject to the minimum and maximum relevant income levels as prescribed by law.

Any Mandatory Contributions paid for and in respect of an employee are fully and immediately vested in employee once paid to the trustee of the MPF Scheme and any investment return derived from the investment of the Mandatory Contributions is also fully and immediately vested in the employee. The employees are entitled to all of the accrued benefits derived from the employers' Mandatory Contributions upon retirement at the age of 65 years old, death of total incapacity, subject to other applicable provisions of law.

Directors' 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.

Auditor

The consolidated financial statements for the year ended 31 December 2018 have been audited by the Company's auditor, BDO Limited, who shall retire and, being eligible, offer themselves for re-appointment at the annual general meeting. A resolution for the re-appointment of BDO Limited as auditor of the Company will be proposed at the annual general meeting.

Annual General Meeting

The annual general meeting for the financial year 2018 of the Company will be held at 11:00 a.m. on Friday, 24 May 2019 at Unit 1506, 15th Floor, Wheelock House, 20 Pedder Street, Central Hong Kong and a notice of annual general meeting will be published and despatched in due course.

Closure of Register of Members to Ascertain Shareholders' Entitlement to Attend and Vote at the Annual General Meeting

The register of members of the Company for the annual general meeting will be closed from Monday, 20 May 2019 to Thursday, 23 May 2019, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attendance at the annual general meeting to be held on Friday, 24 May 2019, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than Friday, 17 May 2019 at 4:30 pm.

On behalf of the Directors

Cheung Jonathan
Executive Director

Hong Kong, 4 March 2019

Environmental, Social and Governance Report

Introduction

As a Hong Kong based financial institution engaged in securities brokerage, securities-backed lending and placing and underwriting business, Pinestone Capital Limited and its subsidiaries (the "Group") are pleased to present this Environmental, Social and Governance ("ESG") Report in accordance with the Environmental, Social and Governance Reporting Guide ("ESG Guide"), in compliance with the "comply or explain" provision as set out in Appendix 27 of the Listing Rules governing the Main Board. This report aims to give our stakeholders a more comprehensive understanding of our practices and performance in the context of ESG.

The information stated in this report covers the period from 1 January 2018 to 31 December 2018 (the "reporting period") which aligns with the financial year as the 2018 annual report of the Group.

Scope of Report

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

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

Stakeholders Engagement and Materiality Analysis

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

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

Environmental, Social and Governance Report

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

Major Stakeholder	Major Communication Channels	Major Concerns
Shareholders and Investors	• Press release, Corporate Announcements and Circulars • Annual and Interim Reports • Annual General Meetings	• Profitability • Financial Stability • Information Disclosure & Transparency
Employees	• Trainings and Team Building Activities • Business Meetings and Briefings • Performance Appraisals	• Compensation & Benefits • Career Development and Training Opportunities • Health & Safety Work Environment
Suppliers	• Phone Calls, Conferences, Emails	• Cooperation on Fair Terms
Customers	• Customer Complaint Hotlines • Meetings and Correspondences	• Quality of Products and Services • Understanding of the Products and Services • Privacy Protection
Public Community	• Charitable and Volunteering Activities • Community Interactions	• Corporate Social Responsibilities • Community Investment and Charitable Activities
Government and Supervisory Institutions	• Major Meeting and Policy Consultation • Information Disclosures • Institutional Visits	• Compliance Operation • Corporate Governance • Environmental Protection

Throughout the year, through a wide range of communication channels, we found that ESG compliance, environmental emissions and anti-fraud measures are the main focuses of our stakeholders.

Environmental, Social and Governance Report

Areas of Concern

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

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

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

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

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

Environmental, Social and Governance Report

A. Environmental Aspects

A1 Emissions & A2 Use of Resources

In order to seek long-term sustainability of the environment, the Group is prudent in controlling its emissions, and complies with relevant environmental laws and regulations during its daily operations.

The Group's primary business is the provision of quality financial services which has minimal direct impact to the environment.

Overall, the Group generates with relatively low energy consumption and raw materials usage. The Group does not generate any hazardous waste and our employees rarely travel for business purposes. As such, the Group's main contribution to the carbon footprint comes from indirect greenhouse gas (GHG) emissions from electricity consumption, primarily due to the use of office equipment in the workplace, including but not limited to the lighting systems, air-conditionings and office machineries.

Emissions	**Units**	**2017**	**2018**	**Percentage Increase (+) or Decrease (-)**
Total GHG emissions	tonnes	9.87	**8.81**	-11%
Total GHG emissions per floor area	tonnes/m^2	0.01	**0.01**	-11%
Total GHG emissions per employee	tonnes/employee	0.66	**0.63**	-4%

During the year, the total carbon emissions were approximately 8.81 tonnes, representing a decrease of 1.06 tonnes, or 11%, compared with the figure in the last fiscal year. The Group will continue to assess and record its greenhouse gas emissions and other environmental data annually and compare it with last year's data to assist the Group in further developing emission reduction targets in the future.

Electricity Consumption

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

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

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

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

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

(5) Teleconferences and internet-meeting practices are encouraged to avoid unnecessary business travel.

Environmental, Social and Governance Report

Electricity Consumption	Units	2017	2018	Percentage Increase (+) or Decrease (-)
Total energy consumption	kWh	12,494	**11,157**	-11%
Total energy consumption per floor area	kWh/m^2	7.36	**6.57**	-11%
Total energy consumption per employee	kWh/employee	832.93	**769.93**	-4%

The Group will continue to improve the efficiency of resource utilization and gradually establish a quantitative target for future electricity use based on resource utilization in the current year.

Water Consumption

Our office is located in the prime business distinct in Hong Kong where the water fee is included in the overall management fees. The Group's water consumption is minimal and is mainly used for drinking. Thus, the corresponding data is not available for calculation in the GHG emission.

Paper Usage

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

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

(2) Encourage double sides printing and the use of scrap papers in printing

(3) Recycled paper is used for intra-group informal documents and draft papers;

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

(5) Encourages the shredding and recycling of documents that are no longer needed.

Paper Usage	Units	2017	2018	Percentage Increase (+) or Decrease (-)
Total paper consumption	kilograms	1,577	**1,653**	+5%
Total paper consumption per employee	kilograms/ employee	105.13	**118.06**	+12%

During the year, the total paper used was 1,653 kg with an intensity of 118.06 kg per employee. This figure represents an increase of 76 kg, or 5%, compared to the total paper usage in 2017. This increase was mainly due to the increase in business opportunities that led to increased operations and the need for papers during the year.

Environmental, Social and Governance Report

Investment Practices

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

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

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

The Group would like to work with companies that respect workers' and human rights, ensure health and safety in working conditions and the surrounding community and provide fair and equitable wages and benefit.

Companies with good governance help to ensure long term success. The major corporate governance issues include financial reporting and other disclosures, investor relationship, executive compensation, conflict of interest and regulatory compliance.

The Group shares the set of principles and best practices with our major customers and encourages them to apply the same principles when selecting a company to invest.

A3 The Environment and Natural Resources

Since our business is mainly office-based, the impact on the environment is minimal. The main environmental impact of the business is the indirect impact of carbon dioxide generated by power and paper usage in the daily activities of the business.

The Group has taken steps to reduce its impact on the environment by adopting energy saving measures mentioned in A1 Emissions and A2 Use of Resources.

Environmental, Social and Governance Report

B. Social

B1 Employment and Labor Practices

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

The Group strictly complies with the Hong Kong Employment Ordinances and other legal employment requirements, avoiding any child employment, discrimination, harassment or offenses against the laws of Hong Kong. We strive to fulfill our responsibilities to employees, respects their legitimate rights and interests, promote their professional development, improve our working environment and pay attention to the physical and mental health of employees, in order to realize the common development of the Group and its employees.

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

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

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

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

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

During the year under review, the Group was not aware of any litigation cases regarding labor and employment practices brought against the Group or its employees were noted.

Environmental, Social and Governance Report

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

Percentage of Employees by Age Group

	Age Group					
Year	**21-30**	**31-40**	**41-50**	**51-60**	**>61**	**Total**
2018	7%	29%	7%	21%	36%	100%
2017	7%	33%	7%	20%	33%	100%

Percentage of Employees by Gender

Year	**Male**	**Female**	**Total**
2018	29%	71%	100%
2017	33%	67%	100%

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

The employee turnover rate was low. Only one employee left the company during the reporting period, compared to two from last year.

B2 Health and Safety

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

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

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

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

During the year under review, the Group was not aware of any violations of Hong Kong health and safety laws and regulations.

Environmental, Social and Governance Report

B3 Development and Training

The Group is required to comply with the various ordinances, rules and guidelines including but not limited to the Securities and Futures Commission Ordinance, Cap 571 ("SFO"), the Personal Data (Privacy) Ordinance, Cap 486, the Main Board Listing Rules and the Hong Kong Securities and Futures Commission's Guideline on Anti-Money Laundering and Counter-Terrorist Financing ("AML Guideline").

Each licensed individual in the organization must fulfill the Continuous Professional Training (CPT) requirements made under Section 399 of the SFO for each regulated activity within each calendar year.

Pursuant to the Code provision A.6.5 under Appendix 14 of the Mainboard Listing Rules, all directors are also required to participate in continuous professional training to develop and refresh their knowledge and skills. Our compliance team is responsible for collecting all relevant regulatory changes and working closely with our Company Secretary to determine if professional training is required for relevant employees and directors to ensure they have the knowledge and skills they need to perform their duties.

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

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

B4 Labor Standards

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

During the recruitment process, all candidates are required to provide identification proof to ensure compliance with the relevant laws and regulations on prohibiting child labor and forced labor. If applicants are found in providing any counterfeiting or forgery information, the Group has right to dismiss the employee immediately.

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

During the year under review, the Group was not aware of any non-compliance with laws and regulations which have a significant impact on employment and labor practices.

Environmental, Social and Governance Report

B5 Supply Chain Management

Due to the nature of the business, the Group only has a few suppliers of office supplies and equipment and is not highly dependent on these suppliers.

The Group has established processes in accordance with certain requirements and standards set by the Group to select and evaluate suppliers to ensure that the purchased goods comply with relevant standards and criteria.

In selecting and evaluating suppliers, the Group also pays attention to their environmental compliance record as well as their commitment to social responsibility. Environmentally and socially responsible suppliers will be prioritized in the selection process.

B6 Operating Practices and Product Responsibility

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

Securities-Backed Lending

Our securities-backed lending businesses are composed of two main streams of services, namely margin financing and money lending, which remain the main source of our revenue in 2018.

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

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

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

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

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

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

Environmental, Social and Governance Report

The licensing of money lenders and regulation of money-lending transactions are governed by the Money Lenders Ordinance, Cap 163. Whilst margin loans can only be used for the purchase of securities via our Group's securities brokerage, customers may use loans granted under the money lender license for other purposes.

The group has followed all forms and procedures prescribed under the provisions of the Money Lenders Ordinance when making relevant application for the renewal of Money Lender Licenses and conducting our money lending business.

Protection of Customers' Data

The nature of our business requires that we frequently and regularly collect, retain, and utilize personal data from our existing and potential customers. Therefore, we must abide by the fair information practices as stipulated in the data protection principles of the Personal Data (Privacy) Ordinance.

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

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

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

B7 Anti-Corruption & Anti-Money Laundering

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

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

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

Environmental, Social and Governance Report

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

During the period under review, the Group has complied with all applicable anti-money laundering laws and regulations in Hong Kong, including the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance, Cap 615 (the AMLO) and the Guideline on Anti-Money Laundering and Counter-Terrorist Financing issued by the SFC. The Group was not aware of any of non-compliance with laws or regulations that has a significant impact concerning bribery, extortion, fraud or money laundering during the year.

B8 Community

Recognizing our responsibility to the community, we are committed to providing available resources to support the community and encouraging employees to participate in various charitable and voluntary activities.

We actively advocate employees to participate in charitable events, to arouse attention to the community and drive further participation in community services.

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

Independent Auditor's Report

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

(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Pinestone Capital Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 42 to 99, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Independent Auditor's Report

Key Audit Matters (continued)

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

Refer to notes 2(g)A(ii), 4(ii), 17, 18 and 37(a) in the consolidated financial statements

As at 31 December 2018, the Group had trade receivables due from margin clients amounting to HK$234,972,000 and loans receivable amounting to HK$19,695,000. The Group has applied HKFRS 9 *Financial Instruments* ("HKFRS 9") on 1 January 2018 and assessed impairment for these receivables based on expected credit losses model. Loss allowance for expected credit losses amounting to HK$16,627,000 and HK$1,181,000 respectively have been made for the trade receivables due from margin clients and loans receivable as at 31 December 2018.

Assessing expected credit losses on trade and loans receivables is a subjective area as it requires application of judgment and uses of estimates. Judgment is applied in assessing whether the credit risk of the receivables has increased significantly since initial recognition and whether the receivables are credit-impaired. In this regard, management considers factors including the collateral ratio, that is the level of securities collateral in proportion to the outstanding receivables; the changes in the expected behaviour of the margin clients or the borrowers; the value of the securities collateral as well as those relevant forward-looking information and how it has impact on the historical data. These require significant judgment by the management. Estimates are used mainly in assessing the recoverable amount of the securities collateral and the ultimate realisation of these receivables having regard to the sales proceeds and costs of selling the securities collateral and other credit enhancement measures.

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

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

- Testing key controls over monitoring credit assessment of customers relating to new customers acceptance and annual review of existing customers, reviewing policies and procedures in monitoring the trading activities and level of securities collateral of margin clients as well as for valuing and managing collateral, and reviewing the margin call procedures for margin shortfall;

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

- Assessing the factors considered by the management for determining whether the credit risk of the receivables has increased significantly since initial recognition and whether the receivables are credit-impaired which include:

  - Re-performing the calculation of collateral ratio;

  - Challenging management in applying the collateral ratio and considering other factors including changes in behaviour of the margin clients and borrowers and changes in value of collateral in doing their assessment;

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

  - Assessing how reasonably management has incorporated in their assessment forward-looking information including expected changes in economic and financial conditions which is expected to cause a significant change in the customers' ability to meet their debt obligations; and

Independent Auditor's Report

Key Audit Matters (continued)

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

- Assessing the amount of loss allowance made by the management including:

    - Assessing the appropriateness and reasonableness of the estimation techniques, inputs and assumptions used by the management to determine the loss allowance amount;

    - assessing management's estimation of the recoverable amount of securities collateral which includes checking their current market value and price fluctuation in the past and assessing their quality, assessing other sources of cash flows, where applicable, and assessing how reasonably management has incorporated forward-looking information in doing the estimation such as assessing the financial market analysis and individual stock analysis performed by the management; and

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

Other Information in the Annual Report

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

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

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

Directors' Responsibilities for the Consolidated Financial Statements

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

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

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

Independent Auditor's Report

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

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

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

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

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

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

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

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

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

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

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

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

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

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

BDO Limited
Certified Public Accountants
Lee Ming Wai
Practising Certificate no. P05682

Hong Kong, 4 March 2019

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	6	**18,849**	38,689
Other income	7	**5**	2
Commission and fee expenses		**(61)**	(123)
Employee benefit expenses	8	**(6,070)**	(4,766)
Depreciation		**(95)**	(113)
Impairment losses on trade and loans receivables	17 & 18	**(9,203)**	(8,605)
Other operating expenses		**(6,168)**	(6,936)
Finance costs	9	**(48)**	(588)
(Loss)/Profit before income tax	10	**(2,791)**	17,560
Income tax expense	12	**(214)**	(3,499)
(Loss)/Profit for the year		**(3,005)**	14,061
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year		**(3,005)**	14,061
		HK cents	HK cents
(Loss)/Earnings per share			
Basic and diluted	14	**(0.06)**	0.29

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**300**	96
Intangible asset	16	**500**	500
Statutory deposits placed with stock exchange and clearing house		**205**	205
Deferred tax assets	25	**2,732**	1,484
		3,737	2,285
Current assets			
Trade receivables	17	**224,115**	173,705
Loans receivable	18	**18,514**	9,848
Other receivables, deposits and prepayments	19	**1,166**	1,000
Tax recoverable		**2,879**	1,197
Trust bank balances held on behalf of customers	20	**5,276**	16,469
Cash and bank balances	21	**22,547**	93,455
		274,497	295,674
Current liabilities			
Trade payables	22	**5,969**	16,515
Other payables and accruals		**667**	985
Borrowings	23	**–**	6,083
Obligation under finance lease	24	**51**	–
Tax payable		**–**	42
		6,687	23,625
Net current assets		**267,810**	272,049
Total assets less current liabilities		**271,547**	274,334
Non-current liabilities			
Obligation under finance lease	24	**218**	–
Net assets		**271,329**	274,334
CAPITAL AND RESERVES			
Share capital	26	**4,910**	4,910
Reserves	27	**266,419**	269,424
Total equity		**271,329**	274,334

On behalf of the directors

Mr. Cheung Yan Leung Henry
Director

Mr. Cheung Jonathan
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Share capital HK$'000 (note 26)	Share premium* HK$'000 (note 27)	Capital reserve* HK$'000 (note 27)	Retained profits* HK$'000 (note 27)	Total HK$'000
At 1 January 2017	4,910	217,210	(4,866)	43,019	260,273
Profit for the year	–	–	–	14,061	14,061
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive income for the year	–	–	–	14,061	14,061
At 31 December 2017 and 1 January 2018	**4,910**	**217,210**	**(4,866)**	**57,080**	**274,334**
Loss for the year	**–**	**–**	**–**	**(3,005)**	**(3,005)**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**–**	**(3,005)**	**(3,005)**
At 31 December 2018	**4,910**	**217,210**	**(4,866)**	**54,075**	**271,329**

* 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 2018

	Notes	2018 HK$'000	2017 HK$'000
Operating activities			
(Loss)/Profit before income tax		**(2,791)**	17,560
Adjustments for:			
Depreciation on property, plant and equipment		**95**	113
Impairment losses on trade and loans receivables		**9,203**	8,605
Bank interest income		**(5)**	(2)
Interest expense		**48**	588
Operating profit before working capital changes		**6,550**	26,864
Decrease in statutory deposits placed with stock exchange and clearing house		**–**	25
Increase in trade receivables		**(59,613)**	(13,165)
(Increase)/Decrease in loans receivable		**(8,666)**	45,639
Increase in other receivables, deposits and prepayments		**(166)**	(297)
Decrease/(Increase) in trust bank balances held on behalf of customers		**11,193**	(9,750)
(Decrease)/Increase in trade payables		**(10,546)**	9,505
(Decrease)/Increase in other payables and accruals		**(318)**	14
Net cash (used in)/from operations		**(61,566)**	58,835
Income tax paid		**(3,186)**	(8,185)
Net cash (used in)/from operating activities		**(64,752)**	50,650
Investing activities			
Purchase of property, plant and equipment		**(30)**	(106)
Bank interest income		**5**	2
Net cash used in investing activities		**(25)**	(104)
Financing activities	*32(b)*		
Proceeds from borrowings		**–**	12,450
Repayment of borrowings		**(6,072)**	(16,378)
Interest paid		**(59)**	(577)
Net cash used in financing activities		**(6,131)**	(4,505)
Net (decrease)/increase in cash and cash equivalents		**(70,908)**	46,041
Cash and cash equivalents at beginning of year		**93,455**	47,414
Cash and cash equivalents at end of year		**22,547**	93,455
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		**22,547**	93,455

Notes to the Financial Statements

1. Corporate Information

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

The address of its registered office is PO Box 1350, Clifton House, 75 Fort Street, 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 ("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 2018 were approved and authorised for issue by the directors on 4 March 2019.

2. 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 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 the 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 4.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

(b) Business combination

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.

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.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

(c) Subsidiaries

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

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

(d) Property, plant and equipment

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

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

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, residual 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
Motor vehicle	3 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 2(p)).

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

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

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

(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 leasee under finance lease

Assets held under finance leases are initially recognised as assets as their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the lease term and is calculated so that it represents a constant proportion of the lease liabilities. The capital element reduces the lease liabilities.

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 2(p)). 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 2(p)).

(g) Financial instruments

A. *Policies applicable from 1 January 2018*

(i) Financial assets

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

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

Financial assets with embedded derivatives are considered at their entirety when determining whether their cash flows are solely payments of principal and interest on the principal outstanding.

The Group classifies its financial assets in the following measurement categories:

– financial assets at amortised cost;

– financial assets at fair value through other comprehensive income; and

– financial assets at fair value through profit or loss.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

(g) Financial instruments (continued)

A. Policies applicable from 1 January 2018 (continued)

(i) Financial assets (continued)

The classification is generally based on two criteria:

– the business model under which the financial asset is managed; and

– the contractual cash flow characteristics of the financial asset.

The subsequent measurement of financial assets depends on their classification as follows:

Debt instruments

There are three measurement categories into which the Group classifies its debt instruments:

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

– Fair value through other comprehensive income
Financial assets that are held within a business model whose objective is to be achieved by both collecting contractual cash flows and selling the financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at fair value though other comprehensive income. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

– Fair value through profit or loss
Financial assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. Changes in fair value and interest income are recognised in profit or loss.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

(g) Financial instruments (continued)

A. *Policies applicable from 1 January 2018 (continued)*

(i) Financial assets (continued)

Equity instruments

– Fair value through profit or loss

Equity investments at fair value through profit or loss are subsequently measured at fair value. Changes in fair value, dividend income and interest income are recognised in profit or loss.

– Fair value through other comprehensive income

For equity investment which is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at fair value through other comprehensive income, they are subsequently measured at fair value and changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Dividend income is recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. On disposal of the investment, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. Equity instruments at fair value through other comprehensive income are not subject to impairment assessment.

(ii) Impairment loss on financial assets

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

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

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

(g) Financial instruments (continued)

A. Policies applicable from 1 January 2018 (continued)

(ii) Impairment loss on financial assets (continued)

The ECL are measured on either of the following bases:

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

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

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

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

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

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

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

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

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

(g) Financial instruments (continued)

A. *Policies applicable from 1 January 2018 (continued)*

(ii) Impairment loss on financial assets (continued)

For investments in debt instruments that are measured at fair value through other comprehensive income, impairment loss is recognised in other comprehensive income and accumulated in the fair value reserve without reducing the carrying amounts of those debt instruments.

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

(iii) Financial liabilities

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

A financial liability is classified as (i) financial liabilities at amortised cost; or (ii) financial liabilities at fair value through profit or loss.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

(g) Financial instruments (continued)

A. Policies applicable from 1 January 2018 (continued)

(iii) Financial liabilities (continued)

Financial liabilities at fair value through profit or loss (continued)

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, borrowings and obligation under finance lease are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (note 2(q)).

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) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the accounting policy set out in note 2(g)A(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15").

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

(g) Financial instruments (continued)

A. Policies applicable from 1 January 2018 (continued)

(vi) Financial guarantee contracts (continued)

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECL on the financial guarantees are determined to be higher than the carrying amount of the guarantees. To determine ECL, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(vii) Derecognition

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

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

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(viii) Offsetting of financial instruments

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

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

(g) Financial instruments (continued)

B. *Policies applied until 31 December 2017*

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. Accordingly, the comparative financial information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(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.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

(g) Financial instruments (continued)

B. Policies applied until 31 December 2017 (continued)

(ii) Impairment loss on financial assets (continued)

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 period 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.

(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 are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (note 2(q)).

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.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

(g) Financial instruments (continued)

B. Policies applied until 31 December 2017 (continued)

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue* ("HKAS 18").

(vii) 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.

(viii) Offsetting of financial instruments

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

(h) Recognition of revenue and other income

Income is classified by the Group when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

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

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

(h) Recognition of revenue and other income (continued)

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

– the customers simultaneous receives and consumes the benefits provided by the Group's performance as the Group performs;

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

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

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

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

The Group recognises revenue on the following basis:

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

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

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

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

(h) Recognition of revenue and other income (continued)

(iv) Interest income:

Policy applicable from 1 January 2018

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

Policy applied until 31 December 2017

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

Commission income from securities brokerage services, handling fee income and income from placing and underwriting services were recognised on a similar basis prior to 1 January 2018 under HKAS 18.

(i) Contract costs, contract assets and contract liabilities (Policies applicable from 1 January 2018)

Contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventories or property, plant and equipment.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to subcontractors). Other costs of fulfilling a contract, which are not capitalised as inventories, or property, plant and equipment, are expensed as incurred.

Capitalised contract costs are stated as cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of goods or services to which the costs relate. The accounting policy for revenue recognition is set out in note 2(h).

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

(i) Contract costs, contract assets and contract liabilities (Policies applicable from 1 January 2018) (continued)

Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(h)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 2(g)A(ii). Loss allowance for contract assets is measured at an amount equal to lifetime ECL. Contract assets are reclassified to receivable when the right to the consideration has become unconditional (note 2(j)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2(h)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

(j) Trade and other receivables (Policy applicable from 1 January 2018)

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

(k) 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.

(l) Trade and other payables (Policy applicable from 1 January 2018)

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(g)A(vi), trade and other payables are subsequently stated at amortised cost (see note 2(g)A(iii)) unless the effect of discounting would be immaterial, in which case they are stated at cost.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

(m) 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 the reporting period.

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

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

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

(n) 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 the 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 Financial Statements

2. Summary of Significant Accounting Policies (continued)

(o) 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.

(p) 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.

(q) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

(r) 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.

(s) 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.

(t) 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.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

(t) Related parties (continued)

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.

3. Adoption of New or Revised HKFRSs

(a) Adoption of new or revised HKFRSs – effective 1 January 2018

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 2018:

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

Amendments to HKFRS 2 Classification and Measurement of Share-based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The adoption of these amendments has no impact on these financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax.

Notes to the Financial Statements

3. Adoption of New or Revised HKFRSs (continued)

(a) Adoption of new or revised HKFRSs – effective 1 January 2018 (continued)

HKFRS 9 Financial Instruments

HKFRS 9 *Financial Instruments* ("HKFRS 9") replaces HKAS 39 *Financial Instruments: Recognition and Measurement* ("HKAS 39") for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (i) classification and measurement; (ii) impairment; and (iii) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the new accounting policies are set out in note 2(g)A above.

(i) Classification and measurement of financial instruments

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. However, it eliminates the previous HKAS 39 categories for financial assets of held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost; (ii) financial assets at fair value through other comprehensive income; or (iii) financial assets at fair value through profit or loss. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

The Group's financial assets as at 1 January 2018 composed of trade receivables, loans receivable, deposits, trust bank balances held on behalf of customers and cash and bank balances, which were previously classified as loans and receivables and measured at amortised cost under HKAS 39. These financial assets meet the "solely payments of principal and interest" criterion and it is the Group's business model to hold these financial assets to collect their contractual cash flows. Accordingly, they are classified as financial assets at amortised cost and continue to be subsequently measured at amortised cost upon the adoption of HKFRS 9.

Notes to the Financial Statements

3. Adoption of New or Revised HKFRSs (continued)

(a) Adoption of new or revised HKFRSs – effective 1 January 2018 (continued)

HKFRS 9 Financial Instruments (continued)

(i) Classification and measurement of financial instruments (continued)

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 January 2018 under HKAS 39 HK$'000**	**Carrying amount as at 1 January 2018 under HKFRS 9 HK$'000**
Trade receivables, loans receivable and deposits	Loans and receivables	Financial assets at amortised cost	183,971	183,971
Trust bank balances held on behalf of customers	Loans and receivables	Financial assets at amortised cost	16,469	16,469
Cash and bank balances	Loans and receivables	Financial assets at amortised cost	93,455	93,455

The measurement categories for all financial liabilities remain the same, except for financial guarantee contracts (see note 2(g)A(vi)). The carrying amounts for all financial liabilities (including financial guarantee contracts) at 1 January 2018 have not been impacted by the initial adoption of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at fair value through profit or loss at 1 January 2018.

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "ECL model". HKFRS 9 requires the Group to recognise an allowance for ECL for trade receivables, loans receivable and deposits earlier than HKAS 39. Trust bank balances held on behalf of customers and cash and bank balances are also subject to ECL model but the impairment is immaterial for the current period as the counterparties are reputable banks.

Under HKFRS 9, impairment loss is measured on either of the following bases: (i) 12-month ECL (these are the ECL that result from possible default events within 12 months after the reporting date); and (ii) lifetime ECL (those are ECL that result from all possible default events over the expected life of a financial instrument).

In addition, loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investment at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income, instead of reducing the carrying amount of the assets.

The initial adoption of HKFRS 9 has no material impact on the Group's loss allowance for trade receivables and loans receivable as at 1 January 2018. For further details of the Group's accounting policy for accounting for credit losses, see note 2(g)A(ii).

Notes to the Financial Statements

3. Adoption of New or Revised HKFRSs (continued)

(a) Adoption of new or revised HKFRSs – effective 1 January 2018 (continued)

HKFRS 9 Financial Instruments (continued)

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECL requirements, if any, are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the consolidated statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9, if any, are recognised in retained profits and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39 and thus, certain comparative information may not be comparable to the current period.

The assessment of the Group's business model within which a financial asset is held was made as of the date of initial application, i.e. 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances existing at the time of initial recognition of the assets.

In addition, if an investment in a debt investment had low credit risk at the date of initial application, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

HKFRS 15 Revenue from Contracts with Customers (HKFRS 15)

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations. HKFRS 15 has established a five steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim at enabling users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has chosen to recognise the cumulative effect of initially applying HKFRS 15, if any, as an adjustment to the opening balance of retained profits at the date of initial application, i.e. 1 January 2018. As a result, the financial information presented for 2017 would not be restated.

Notes to the Financial Statements

3. Adoption of New or Revised HKFRSs (continued)

(a) Adoption of new or revised HKFRSs – effective 1 January 2018 (continued)

HKFRS 15 Revenue from Contracts with Customers (HKFRS 15) (continued)

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various services are set out below:

For commission income from providing securities brokerage services, the Group's performance obligation is satisfied upon execution of the trade orders based on the instruction of the clients. For income from providing placing and underwriting services and handling fee income, the Group's performance obligation is satisfied upon arranging the relevant transactions or rendering the relevant services. There is only one performance obligation in respect of each of the Group's services. The accounting treatment for those services under the Group's previous accounting policies and the requirements of HKFRS 15 are the same.

For interest income from securities-backed lending services, the Group derives such interest income from offering securities-backed financing to its customers which include margin financing and money lending facilities. HKFRS 15 does not apply to financial instruments and other contractual rights or obligations that are within the scope of HKFRS 9 and accordingly, interest income from securities-backed lending services falls outside the scope of HKFRS 15 and is determined based on the guidance contained in HKFRS 9. Following the requirements of ECL model in HKFRS 9, interest income is either calculated on the gross carrying amount (i.e. without adjustments for ECL) or based on the amortised cost (i.e. the gross carrying amount adjusted for the loss allowance).

Based on the above, the application of HKFRS 15 has no material impact on the timing and amounts of revenue recognised in the reporting periods.

Amendments HKFRS 15 Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first, year.

HK(IFRIC) – Int 22 Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretation specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of these amendments has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

Notes to the Financial Statements

3. Adoption of New or Revised HKFRSs (continued)

(b) New or revised HKFRSs that have been issued but are 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:

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]

1 Effective for annual periods beginning on or after 1 January 2019

2 Effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period

3 Effective for annual periods beginning on or after 1 January 2020

HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 *Leases* and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classify cash repayments of the lease liability into a principal portion and an interest portion and present them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach with the cumulative effect of initial application recognised on 1 January 2019 and will not restate comparative amounts for the year prior to first adoption. The lease liabilities of leases previously classified as operating leases will be recognised on the date of initial application at the present value of the remaining lease payments, discounting using the Group's incremental borrowing rate at the date of initial application. The right-of-use assets will be measured on the date of initial application at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to those leases recognised in the statement of financial position immediately before the date of initial application.

The Group reviewed all of the Group's leasing arrangements during 2018 in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

Notes to the Financial Statements

3. Adoption of New or Revised HKFRSs (continued)

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

HKFRS 16 Leases (continued)

The Group leases an office under operating lease arrangement, which is currently accounted for as operating lease. As at 31 December 2018, the Group has non-cancellable operating lease commitment of HK$5,762,000 (note 31). The Group expects to recognise a right-of-use asset of approximately HK$5,078,000 and lease liabilities of HK$5,143,000 (after adjustments for prepayment and accrued lease payments recognised as at 31 December 2018) on 1 January 2019. On initial application of HKFRS 16, overall net assets will decrease by HK$65,000, and net current assets will decrease by HK$1,722,000 due to the presentation of a portion of the liability as a current liabilities.

The Group expects that net profit will decrease by approximately HK$104,000 for the year ending 31 December 2019 as a result of adopting HKFRS 16. Operating cash flows will increase and financing cash flows will decrease by approximately HK$2,077,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows used in financing activities.

HK(IFRIC) – Int 23 Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12 *Income Taxes* by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 9 Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met, instead of at fair value through profit or loss.

Except for the above, other new or revised HKFRSs that have been issued but are not yet effective are unlikely to have material impact on the Group's results and financial position upon application.

Notes to the Financial Statements

4. Critical Accounting Judgment and Key Sources of Estimation Uncertainty

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

Key sources of estimation uncertainty

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

(i) *Impairment of non-financial assets*

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

(ii) *Impairment of financial assets*

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

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

Details of the key assumptions and inputs used are set out in note 37(a).

(iii) *Measurement of deferred tax assets*

The Group has recognised deferred tax assets which amounted to HK$2,732,000 as at 31 December 2018. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against with deductible temporary differences can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits. Where the timing and/or the amount of future taxable income differ from the expectation, a material adjustment to the deferred tax assets may be necessary. Further details of the Group's deferred tax assets are set out in note 25.

Notes to the Financial Statements

5. Segment Information

(a) Operating segment information

The information reported to the executive directors, who are the chief operating decision makers for the purposes 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.

(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:

	2018 **HK$'000**	2017 HK$'000
Customer I	**4,226**	5,526
Customer II	**2,312**	N/A
Customer III	**2,103**	N/A
Customer IV	**N/A**	5,567
Customer V	**N/A**	3,849

N/A: not applicable as revenue from these customers was less than 10% of the Group's revenue for the respective year

Notes to the Financial Statements

6. 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 derived from the Group's principal activities comprises of the following:

	2018 HK$'000	2017 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15 *(note)*		
– Commission income from securities brokerage services	909	917
– Income from placing and underwriting services	–	1,663
– Handling fee income	481	246
– Others	1	17
	1,391	2,843
Revenue from other sources		
– Interest income from securities-backed lending services	17,458	35,846
	18,849	38,689

Note: Revenue from contracts with customers derived by the Group for the year ended 31 December 2018 amounting to HK$1,391,000 (2017: HK$2,843,000) are recognised at a point in time.

7. Other Income

	2018 HK$'000	2017 HK$'000
Bank interest income	5	2

8. Employee Benefit Expenses

Employee costs (including directors' emoluments) comprises:

	2018 HK$'000	2017 HK$'000
Salaries, allowances and other benefits	5,768	4,619
Commission expenses	158	–
Contributions to defined contribution retirement plan	144	147
	6,070	4,766

Notes to the Financial Statements

9. Finance Costs

	2018 HK$'000	2017 HK$'000
Interest on borrowings	**48**	588

10. (Loss)/Profit Before Income Tax

(Loss)/Profit before income tax is arrived at after charging:

	2018 HK$'000	2017 HK$'000
Auditor's remuneration *(note)*	**568**	614
Operating lease charges in respect of building	**1,604**	1,466

Note: Auditor's remuneration included remuneration paid/payable for audit services of HK$568,000 (2017: HK$533,000) whereas no non-audit service fee was paid in 2018 (2017: HK$81,000).

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

(a) Directors' emoluments

Directors' emoluments are disclosed as follows:

	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonus HK$'000	Contributions to retirement benefits scheme HK$'000	Total HK$'000
Year ended 31 December 2018					
Executive directors					
Mr. Cheung Yan Leung Henry	–	500	400	–	900
Mr. Cheung Jonathan	–	500	400	16	916
Independent non-executive directors					
Mr. Yeung King Wah	120	–	–	–	120
Mr. Lai Tze Leung George	120	–	–	–	120
Mr. So Stephen Hon Cheung	120	–	–	–	120
	360	1,000	800	16	2,176

Notes to the Financial Statements

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

(a) Directors' emoluments (continued)

	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonus HK$'000	Contributions to retirement benefits scheme HK$'000	Total HK$'000
Year ended 31 December 2017					
Executive directors					
Mr. Cheung Yan Leung Henry	–	240	–	–	240
Mr. Cheung Jonathan	–	240	–	12	252
Independent non-executive directors					
Mr. Yeung King Wah	120	–	–	–	120
Mr. Lai Tze Leung George	120	–	–	–	120
Mr. So Stephen Hon Cheung	120	–	–	–	120
	360	480	–	12	852

Notes:

No directors waived or agreed to waive any emoluments during the year ended 31 December 2018 (2017: nil).

No emolument was paid by the Group to any of the directors as an inducement to join or upon joining the Group, or as compensation for loss of office (2017: nil).

(b) Five highest paid individuals

Of the five (2017: five) individuals whose emoluments were the highest in the Group during the year, two (2017: nil) were directors of the Company whose emoluments are included in note 11(a) above. The emoluments payable to the remaining three (2017: five) highest paid individuals are as follows:

	2018 HK$'000	2017 HK$'000
Salaries, allowances and other benefits	**1,681**	2,157
Discretionary bonus	**398**	356
Contributions to defined contribution retirement plan	**52**	81
	2,131	2,594

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 (2017: nil).

Notes to the Financial Statements

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

(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:

	2018 Number of individuals	2017 Number of individuals
Nil to HK$1,000,000	**4**	4

12. Income Tax Expense

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

	2018 HK$'000	2017 HK$'000
Current tax – Hong Kong Profits Tax		
– tax for the year	**1,524**	4,971
– over-provision in respect of prior years	**(62)**	(46)
	1,462	4,925
Deferred tax *(note 25)*		
– current year	**(1,367)**	(1,426)
– attributable to decrease in tax rate	**119**	–
	(1,248)	(1,426)
Income tax expense	**214**	3,499

The Group is subject to Hong Kong Profits Tax. For the year ended 31 December 2017, Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit for the year.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying entities will be taxed at 8.25% whereas profits above HK$2 million will be taxed at 16.5%. The profits of entities not qualifying for the two-tiered profit tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime is applicable to a nominated qualifying entity in the Group for its annual reporting periods beginning on or after 1 January 2018.

Notes to the Financial Statements

12. Income Tax Expense (continued)

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

	2018 **HK$'000**	2017 HK$'000
(Loss)/Profit before income tax	**(2,791)**	17,560
Tax on (loss)/profit before income tax, calculated at Hong Kong Profits Tax rate of 16.5%	**(461)**	2,897
Effect on adoption of two-tiered profits tax rates regime	**(19)**	–
Tax effect of expenses not deductible for tax purposes	**506**	639
Tax effect of tax losses not recognised	**131**	–
Tax effect of other temporary differences not recognised	**–**	9
Effect on opening deferred tax balances resulting from an decrease in applicable tax rate	**119**	–
Over-provision in respect of prior years	**(62)**	(46)
Income tax expense	**214**	3,499

13. Dividends

The directors of the Company do not recommend the payment of any dividend in respect of the year ended 31 December 2018 (2017: nil).

14. (Loss)/Earnings Per Share

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

	2018 **HK$'000**	2017 HK$'000
(Loss)/Earnings		
(Loss)/Profit for the year attributable to owners of the Company	**(3,005)**	14,061

	2018 **Number of shares** **'000**	2017 Number of shares '000
Weighted average number of ordinary shares		
Weighted average number of ordinary shares in issue during the year	**4,910,000**	4,910,000

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

Notes to the Financial Statements

15. Property, Plant and Equipment

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Computer system and software HK$'000	Motor vehicle HK$'000	Total HK$'000
Cost					
At 1 January 2017	445	158	216	–	819
Additions	106	–	–	–	106
At 31 December 2017 and 1 January 2018	**551**	**158**	**216**	**–**	**925**
Additions	**–**	**–**	**–**	**299**	**299**
At 31 December 2018	**551**	**158**	**216**	**299**	**1,224**
Accumulated depreciation					
At 1 January 2017	421	119	176	–	716
Charge for the year	47	27	39	–	113
At 31 December 2017 and 1 January 2018	**468**	**146**	**215**	**–**	**829**
Charge for the year	**83**	**6**	**1**	**5**	**95**
At 31 December 2018	**551**	**152**	**216**	**5**	**924**
Net carrying amount					
At 31 December 2018	**–**	**6**	**–**	**294**	**300**
At 31 December 2017	83	12	1	–	96

During the year ended 31 December 2018, the Group acquired a motor vehicle at acquisition cost of HK$299,000 under finance lease arrangement. As at 31 December 2018, the net carrying value of motor vehicle held under finance lease is HK$294,000 (2017: nil).

Notes to the Financial Statements

16. Intangible Asset

	Trading right HK$'000
Cost	
At 1 January 2017, 31 December 2017 and 31 December 2018	**500**
Accumulated impairment	
At 1 January 2017, 31 December 2017 and 31 December 2018	–
Net carrying amount	
At 31 December 2018	**500**
At 31 December 2017	500

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

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

Trading right is tested for impairment by the directors by estimating its recoverable amount based on value-in-use calculation. For such purposes, trading right is allocated to the businesses of securities brokerage, placing and underwriting services and margin financing as one cash generating unit ("CGU"). For the year ended 31 December 2018, 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 (2017: 2 years).

The key assumptions used in the budget plan include:

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

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

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

(d) The discount rate applied to the cash flow projections is 14% for the year ended 31 December 2018 (2017: 14%). The discount rate used is pre-tax and reflect specific risks relating to the businesses.

The key assumptions adopted by the management have been determined based on past performance and management's expectation on market development. Based on the result of the above impairment testing, the directors determined that there is no impairment in respect of the trading right as at 31 December 2018 (2017: nil).

Notes to the Financial Statements

17. Trade Receivables

	2018 **HK$'000**	2017 HK$'000
Trade receivables arising from securities dealing and margin financing *(note (a))*		
– Margin clients *(note (b))*	**234,972**	181,129
– Clearing house *(note (c))*	**5,770**	–
	240,742	181,129
Less: Loss allowance *(note (d))*	**(16,627)**	(7,424)
	224,115	173,705

Notes:

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

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

In 2017, the Group demanded certain margin clients to deposit more money or securities to maintain their margin accounts, and sold their securities collateral to reduce the balances due from them. In addition, the Group entered into repayment agreement with each of those margin clients to agree on a repayment schedule to settle their outstanding balances by monthly instalment of seven to ten months by deposit of cash. According to the repayment agreements, the margin clients were allowed to deposit securities in equivalent market value. The aggregate amount of trade receivables due from these margin clients as at 31 December 2017 was HK$86,029,000, which were non-interest bearing, recoverable within one year and not yet past due based on the repayment schedules.

The remaining trade receivable balances as at 31 December 2017 were HK$95,100,000, of which HK$50,025,000 were current and HK$45,075,000 were repayable on demand. These margin loans were interest-bearing at fixed rates varying from 12.5% to 20.0% per annum.

During the year ended 31 December 2018, those margin clients who had entered into repayment agreements with the Group in 2017 fulfilled their obligation under the repayment agreements mainly by way of depositing securities collateral rather than cash. The trade receivables due from those margin clients amounted to HK$88,242,000 as at 31 December 2018, which were repayable on demand and interest-bearing at 12.5% per annum.

The remaining trade receivables as at 31 December 2018 were HK$146,730,000, of HK$93,881,000 were current and HK$52,849,000 were repayable on demand. These margin loans were interest-bearing at fixed rates ranging from 8.0% to 12.5% 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 2018 (2017: nil).

Notes to the Financial Statements

17. Trade Receivables (continued)

Notes: (continued)

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

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

	2018 **HK$'000**	2017 HK$'000
At 1 January	**7,424**	–
Impairment losses charged to profit or loss	**9,203**	7,424
At 31 December	**16,627**	7,424

The Group recognises impairment loss on trade receivables for the years ended 31 December 2018 and 2017 respectively based on the accounting policies stated in notes 2(g)A(ii) and 2(g)B(ii). Further details of the Group's credit policy and credit risk arising from trade receivables and the loss allowance arising from ECL are set out in note 37(a).

18. Loans Receivable

	2018 **HK$'000**	2017 HK$'000
Loans receivable arising from money lending *(note (a))*		
– unsecured loans	**–**	11,029
– secured loans	**19,695**	–
	19,695	11,029
Less: Loss allowance *(note (b))*	**(1,181)**	(1,181)
	18,514	9,848

Notes:

(a) The loans receivable as at 31 December 2018 amounting to HK$8,666,000 were secured, interest-bearing at fixed rates ranging from 8.0% to 15.0% per annum and repayable in 2019. The borrowers, which are also margin clients of the Group's securities dealing business, either (i) have entered into securities charge agreement with the Group charging certain securities or securities portfolio as collateral which were deposited in the designated custodian account maintained by the borrower; or (ii) have undertaken to maintain a net assets value at a specified amount in term of market value of securities held or cash in the designated margin account maintained by the borrower. The remaining loans receivable of HK$11,029,000 was secured, interest-free and repayable on demand. The borrower, who is also a margin client of the Group's securities dealing business, has deposited certain securities in the designated custodian account maintained by the borrower.

The loan receivable as at 31 December 2017 of HK$11,029,000 was unsecured and non-interest bearing. In respect of this balance, the Group entered into repayment agreement with the borrower to agree on a repayment schedule to settle the borrower's outstanding balance by monthly instalment of ten months by deposit of cash until 28 October 2018. In practice, the borrower was allowed to settle by way of depositing securities in equivalent market value. The loan receivable as at 31 December 2017 was not yet past due based on the repayment schedule agreed with borrower.

During the year, the borrower fulfilled her obligation under the repayment agreement by way of depositing securities to the Group. Loan receivable due from this borrower amounted to HK$11,029,000 as at 31 December 2018.

Notes to the Financial Statements

18. Loans Receivable (continued)

Notes: (continued)

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

	2018 HK$'000	2017 HK$'000
At 1 January	**1,181**	–
Impairment losses charged to profit or loss	**–**	1,181
At 31 December	**1,181**	1,181

The Group recognises impairment loss on loans receivable for the years ended 31 December 2018 and 2017 based on the accounting policies stated in notes 2(g)A(ii) and 2(g)B(ii). Further details of the Group's credit policy and credit risk arising from loans receivable and the loss allowance arising from ECL are set out in note 37(a).

19. Other Receivables, Deposits and Prepayments

	2018 HK$'000	2017 HK$'000
Deposits	**574**	418
Prepayments	**592**	582
	1,166	1,000

20. Trust Bank Balances Held on Behalf of Customers

In respect of the Group's business of securities dealing, the Group maintains segregated trust accounts with authorised financial institutions to hold client's monies. The Group classifies clients' monies separately under current assets in the consolidated statement of financial position and has recognised the corresponding balances due to cash and margin clients separately under trade payables (note 22) on the grounds that the Group is liable for any loss or misappropriation of clients' monies and does not have a currently enforceable right to offset those payables with the deposits placed.

21. Cash and Bank Balances

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

Notes to the Financial Statements

22. Trade Payables

	2018 HK$'000	2017 HK$'000
Trade payables arising from securities dealing		
– Cash clients	**2,496**	14,366
– Margin clients	**2,430**	2,102
– Clearing house	**1,043**	47
	5,969	16,515

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

Margin and cash client payables as at 31 December 2018 and 2017 included balances payable to certain related parties. Further details of these balances are set out in note 33(b).

23. Borrowings

	2018 HK$'000	2017 HK$'000
Current liabilities		
Bank loans	**–**	6,083

Notes:

The Group's bank loans as at 31 December 2017 were scheduled for repayment within one year after 31 December 2017. 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.

The bank loans as at 31 December 2017 were interest-bearing at fixed rates ranged from 2.0% to 2.1% per annum and were secured by the corporate guarantee executed by the Company.

The bank loans of the Group were scheduled to repay as follows:

	2018 HK$'000	2017 HK$'000
On demand or within one year		
Bank loans	**–**	6,083

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

Notes to the Financial Statements

24. Obligation under Finance Lease

The Group leases a motor vehicle in 2018 and the lease is classified as finance lease. The lease obligation is secured by the leased asset.

The future lease payments under the finance lease are due as follows:

	Minimum lease payments HK$'000	Interest HK$'000	Present value of minimum lease payments HK$'000
As at 31 December 2018			
Not later than one year	**65**	**(14)**	**51**
Later than one year but not later than five years	**237**	**(19)**	**218**
	302	**(33)**	**269**

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

	2018 HK$'000	2017 HK$'000
Current liabilities	**51**	–
Non-current liabilities	**218**	–
	269	–

The finance lease obligations under this arrangement are subject to corporate guarantee provided by the Company.

Notes to the Financial Statements

25. Deferred Tax Assets

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

	Depreciation in excess of related depreciation allowance HK$'000	Impairment provision on trade and loans receivables HK$'000	Total HK$'000
At 1 January 2017	58	–	58
Credited to profit or loss *(note 12)*	6	1,420	1,426
At 31 December 2017 and 1 January 2018	**64**	**1,420**	**1,484**
(Charged)/Credited to profit or loss *(note 12)*			
Current year effect	**(4)**	**1,371**	**1,367**
Effect on opening balances resulting from change in tax rate	**–**	**(119)**	**(119)**
At 31 December 2018	**60**	**2,672**	**2,732**

As at 31 December 2018, the Group has unused tax losses amounting to approximately HK$938,000 (2017: nil) available for offset future profit. No deferred tax assets in respect of these tax losses have been recognised in the consolidated financial statements due to unpredictability of future profit streams. These tax losses have no expiry date.

26. Share Capital

Ordinary shares	**Par value HK$**	**Number of shares**	**Amount HK$'000**
Authorised:			
At 1 January 2017, 31 December 2017 and 31 December 2018	**0.001**	**500,000,000,000**	**500,000**

Ordinary shares	**Par value HK$**	**Number of shares**	**Amount HK$'000**
Issued and fully paid:			
At 1 January 2017, 31 December 2017 and 31 December 2018	**0.001**	**4,910,000,000**	**4,910**

Notes to the Financial Statements

27. 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 following transactions under the reorganisation carried out by the group companies for the purpose of the listing:

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

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

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 are as follows:

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2017	217,210	(13,110)	204,100
Loss for the year	–	(3,750)	(3,750)
At 31 December 2017 and 1 January 2018	**217,210**	**(16,860)**	**200,350**
Loss for the year	**–**	**(2,993)**	**(2,993)**
At 31 December 2018	**217,210**	**(19,853)**	**197,357**

Notes to the Financial Statements

28. 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 to the Company as a consideration for option granted.

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

29. Holding Company Statement of Financial Position

Below is the statement of financial position of the Company as at 31 December 2018.

	Notes	**2018 HK$'000**	2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	*30*	**104,581**	104,581
Current assets			
Prepayments		**542**	547
Amounts due from subsidiaries		**95,310**	95,781
Cash and bank balances		**2,087**	4,847
		97,939	101,175
Current liabilities			
Other payables and accruals		**253**	496
Net current assets		**97,686**	100,679
Net assets		**202,267**	205,260
CAPITAL AND RESERVES			
Share capital	*26*	**4,910**	4,910
Reserves	*27*	**197,357**	200,350
Total equity		**202,267**	205,260

On behalf of the directors

Mr. Cheung Yan Leung Henry
Director

Mr. Cheung Jonathan
Director

Notes to the Financial Statements

30. Investments in Subsidiaries

Details of the subsidiaries as at 31 December 2018 are as follows:

Name of subsidiary	Place of incorporation and type of legal entity	Place of operations	Issued and paid up capital	Effective interest held by the Company		Principal activities
				Directly	Indirectly	
Pinestone Securities Limited	Hong Kong/Limited liability company	Hong Kong	119,000,000 shares of HK$119,000,000	–	100%	Provision of securities brokerage services, placing and underwriting services as well as margin financing services
PCGL	Hong Kong/Limited liability company	Hong Kong	1,000,000 shares of HK$1,000,000	–	100%	Provision of money lending services
PIGL	The BVI/Limited liability company	Hong Kong	1 ordinary share of United States dollars ("US$") 1 each	100%	–	Investment holding
Pinestone International Limited	The BVI/Limited liability company	Hong Kong	1 ordinary share of US$1 each	100%	–	Investment holding
Pinestone Principal Investment Limited ("PPIL")	Hong Kong/Limited liability company	Hong Kong	1 share of HK$1	100%	–	Inactive

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

31. Commitments

Operating lease commitments – the Group as lessee

The Group leases an office under operating lease arrangement. The lease runs for an initial period of three years (2017: three years) and is non-cancellable. The total minimum lease payments under the lease are due as follows:

	2018	2017
	HK$'000	HK$'000
Within one year	**2,077**	1,135
Later than one year and not more than five years	**3,685**	–
	5,762	1,135

Notes to the Financial Statements

32. Notes to the Consolidated Statement of Cash Flows

(a) During the year ended 31 December 2018, the Group acquired a motor vehicle at acquisition cost of HK$299,000 (note 15) under finance lease arrangement (note 24). The Group paid down payment of HK$30,000 in December 2018 and the remaining balance of HK$269,000 is to be settled by 36 monthly instalments commencing on 28 January 2019.

(b) Reconciliation of liabilities arising from financing activities:

	Borrowings HK$'000 *(note 23)*	**Obligation under finance lease HK$'000** *(note 24)*
At 1 January 2018	**6,083**	**–**
Changes from cash flows:		
Repayment of bank loans	**(6,072)**	**–**
Interest paid	**(59)**	**–**
Total changes from financing cash flow	**(6,131)**	**–**
Other changes:		
Interest expense	**48**	**–**
New finance lease *(note (a))*	**–**	**269**
	48	**269**
At 31 December 2018	**–**	**269**

	Borrowings HK$'000 *(note 23)*
At 1 January 2017	10,000
Changes from cash flows:	
Proceeds from new bank loans	12,450
Repayment of bank loans	(6,378)
Repayment of bonds	(10,000)
Interest paid	(577)
Total changes from financing cash flows	(4,505)
Other changes:	
Interest expense	588
At 31 December 2017	6,083

Notes to the Financial Statements

33. 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 2018 HK$'000	2017 HK$'000
Mr. Cheung Yan Leung Henry	Director	Brokerage income	**26**	11
Mr. Cheung Jonathan	Director	Brokerage income	**1**	–
Ms. Chow Shuk Yi Zoe*	Close family member of director	Brokerage income	**2**	8

* spouse of Mr. Cheung Jonathan

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

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

	As at 1 January 2018 HK$'000	Maximum outstanding during the year^ HK$'000	As at 31 December 2018 HK$'000	Margin financing facilities granted HK$'000 (note)	Securities held
Mr. Cheung Yan Leung Henry	**1,090**	**N/A**	**805**	**500**	**Marketable securities**
Mr. Cheung Jonathan	**–**	**300**	**313**	**500**	**Marketable securities**
Ms. Chow Shuk Yi Zoe	**110**	**–**	**–**	**–**	**Marketable securities**

	As at 1 January 2017 HK$'000	Maximum outstanding during the year ^ HK$'000	As at 31 December 2017 HK$'000	Margin financing facilities granted HK$'000	Securities held
Mr. Cheung Yan Leung Henry	1,985	263	1,090	500	Marketable securities
Mr. Cheung Jonathan	–	–	–	500	Marketable securities
Ms. Chow Shuk Yi Zoe	N/A	–	110	–	Marketable securities

^ These amounts represented the maximum amounts due from the directors and persons connected with directors during the respective years

Note: The margin financing facilities granted to Mr. Cheung Yan Leung Henry and Mr. Cheung Jonathan were terminated in September 2018.

Notes to the Financial Statements

33. Related Party Transactions (continued)

(b) (continued)

Balance due to other related parties

	2018 HK$'000	2017 HK$'000
Key management	–	35

(c) Compensation of key management personnel

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

	2018 HK$'000	2017 HK$'000
Salaries, allowances and other benefits	4,194	3,000
Contributions to defined contribution retirement plan	71	79
	4,265	3,079

34. Capital Management

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

The capital structure of the Group consists of debts, which include borrowings and obligation under finance lease disclosed in note 23 and 24 respectively and equity, comprising share capital and reserves.

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

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

	2018 HK$'000	2017 HK$'000
Borrowings	–	6,083
Obligation under finance lease	269	–
	269	6,083
Equity	271,329	274,334
Gearing ratio	0%	2%

Notes to the Financial Statements

34. Capital Management (continued)

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.

35. Summary of Financial Assets and Financial Liabilities by Category

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

	2018 **HK$'000**	2017 HK$'000
Financial assets		
Finance assets at amortised cost		
– Trade receivables, loans receivable and deposits	**243,203**	–
– Trust bank balances held on behalf of customers	**5,276**	–
– Cash and bank balances	**22,547**	–
Loans and receivables		
– Trade receivables, loans receivable and deposits	**–**	183,971
– Trust bank balances held on behalf of customers	**–**	16,469
– Cash and bank balances	**–**	93,455
	271,026	293,895
Financial liabilities		
Financial liabilities at amortised cost		
– Trade payables	**5,969**	16,515
– Other payables and accruals	**667**	985
– Borrowings	**–**	6,083
– Obligation under finance lease	**269**	–
	6,905	23,583

(a) Financial instruments not measured at fair value

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

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

Notes to the Financial Statements

35. Summary of Financial Assets and Financial Liabilities by Category (continued)

(b) Financial instruments measured at fair value

As at 31 December 2017 and 2018, the Group did not have any financial instruments measured at fair value and accordingly, no analysis on fair value hierarchy is presented.

36. Offsetting Financial Assets and Financial Liabilities

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

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

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

	Amounts due from customers and HKSCC	
	2018	2017
	HK$'000	HK$'000
Gross amount of recognised financial assets (net of provision for impairment)	**230,781**	173,705
Gross amount of financial liabilities offset in the consolidated statement of financial position	**(6,666)**	–
Net amount of financial assets included in the consolidated statement of financial position as trade receivables	**224,115**	173,705
Related amounts not offset in the consolidated financial statements – Financial collateral	**(214,742)**	(86,299)
Net amount	**9,373**	87,406

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

	Amounts due to customers and HKSCC	
	2018	2017
	HK$'000	HK$'000
Gross amount of recognised financial liabilities	**12,635**	16,515
Gross amount of financial assets offset in the consolidated statement of financial position	**(6,666)**	–
Net amount of financial liabilities included in the consolidated statement of financial position as trade payables	**5,969**	16,515

Notes to the Financial Statements

37. Financial Risk Management

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

(a) Credit risk

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

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

In respect of the securities dealing and margin financing businesses, the Group's credit risk exposure is spread over a number of customers. Accordingly, the Group has no significant concentration of credit risk on a single customer in this respect. To reduce credit risk, the Group requests collateral from individual margin client and the value of such collateral has to be maintained at certain level in proportion to the outstanding balance due from the margin client ("collateral ratio"). In addition, the Group has formulated certain credit policy procedures for monitoring trading activities and level of securities collateral of margin clients in particular for those margin clients whose collateral ratio has reached alarming level. The Group has also implemented procedures for monitoring the value of the securities collaterals, including assessing the quality and liquidity of the securities collaterals, closely monitoring the volatility of the market prices of the securities collateral taking into consideration of their current market prices and historical price movements, latest information and news of the related listed companies and other relevant factors regarding the financial market that may have impact on the market prices of the securities collateral.

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

In respect of the money lending business, in granting loans to customers, management assesses the background and financial condition of the customers and requests securities collateral from the customers in order to minimise credit risk. Management monitors the collateral ratio of borrowers on an on-going basis and would request borrowers to increase the value of securities collateral should the need arise.

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

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

Notes to the Financial Statements

37. Financial Risk Management (continued)

(a) Credit risk (continued)

Impairment under ECL model

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

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

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

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

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

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

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

A financial asset is considered to be credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred which include significant financial difficulty of the debtors; collateral ratio of the relevant trade receivable or loan receivable exceeding the Group's tolerable level; and significant decrease in the value of the collateral.

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

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

Notes to the Financial Statements

37. Financial Risk Management (continued)

(a) Credit risk (continued)

Impairment under ECL model (continued)

Movements in the loss allowance for trade receivables due from margin clients and loans receivable for the year ended 31 December 2018 are as follows:

	Lifetime ECL – not credit-impaired	
	Trade receivables HK$'000	Loans receivable HK$'000
At 1 January	7,424	1,181
New receivables originated, net of settlement	736	–
Increase in allowance, net	8,467	–
At 31 December	16,627	1,181

The gross carrying amounts of these trade receivables and loans receivable are mainly due from those customers with whom the Group had entered into repayment agreements in 2017 as mentioned in notes 17(b) and notes 18(a). Having considered the collateral ratio of those customers, the value of their collateral securing their outstanding balances and their behaviour, management has concluded that the credit risk of these trade receivables and loans receivable has increased significantly since its initial recognition but these trade receivables and loans receivable are not credit-impaired.

The increase in loss allowance during the year is mainly due to changes in risk parameters including probability of default and market value of the securities collateral.

Collateral for the trade receivables and loans receivable are the securities of small to medium-sized companies listed in Hong Kong. Those securities are less liquid and more volatile in respect of their value, which have been taken into consideration in arriving at the measurement of ECL.

Prior to 1 January 2018, impairment loss was recognised only when there was objective evidence of impairment (see note 2(g)B(ii)). As at 31 December 2017, trade receivables due from margin clients and loans receivable of HK$86,029,000 and HK$11,029,000 respectively were determined to be impaired and impairment provision of HK$7,424,000 and HK$1,181,000 respectively were recognised. The amount of impairment was measured as the difference between the receivables' recoverable amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) of the receivables discounted at the receivables' original effective interest rate.

Notes to the Financial Statements

37. Financial Risk Management (continued)

(b) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's interest rate risk mainly arises from trade receivables, loans receivable, bank balances, borrowings and finance lease liabilities. Trade receivables, loans receivable, borrowings and finance lease liabilities carrying interest at fixed rates expose the Group to fair value interest rate risk while bank balances carrying interest at variable rates expose the Group to cash flow interest rate risk.

The Group's finance lease liabilities as at 31 December 2018 and bank borrowings as at 31 December 2017 are arranged at fixed rates. Details of the Group's bank borrowings and finance lease liabilities are disclosed in notes 23 and 24 respectively.

The directors of the Company consider the Group's cash flow interest rate risk on bank balances is not significant due to low level of deposit interest rate.

The Group currently does not have an interest rate hedging policy. However, management closely monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group did not have any floating rate borrowings as at 31 December 2017 and 2018 and accordingly, no sensitivity analysis on interest rate exposure is presented.

(c) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and other payables and its financing obligations, and also in respect of its cash flow management. In addition, a subsidiary of the Company is regulated by SFC and is subject to certain requirements under the Securities and Futures (Financial Resources) Rules and accordingly, the Group has to monitor the liquidity of this subsidiary to ensure compliance with the relevant rules. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

Specifically, for bank loans which contain 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 its unconditional rights to call the loans with immediate effect. The maturity analysis for other financial liabilities is prepared based on the scheduled repayment dates.

Notes to the Financial Statements

37. 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	More than two years but less than five years HK$'000
As at 31 December 2018					
Trade payables	**5,969**	**5,969**	**5,969**	**–**	**–**
Other payables and accruals	**667**	**667**	**667**	**–**	**–**
Obligation under finance lease	**269**	**302**	**65**	**65**	**172**
	6,905	**6,938**	**6,701**	**65**	**172**
As at 31 December 2017					
Trade payables	16,515	16,515	16,515	–	–
Other payables and accruals	985	985	985	–	–
Bank loans	6,083	6,083	6,083	–	–
	23,583	23,583	23,583	–	–

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.

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000
As at 31 December 2017			
Bank loans	6,083	6,131	6,131

5 Years Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements in this annual report and prior year financial statements are as follows:

Results

	For the year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**18,849**	38,689	45,706	37,502	33,025
Other income	**5**	2	5	73	7
Commission and fee expenses	**(61)**	(123)	(1,600)	–	–
Employee benefit expenses	**(6,070)**	(4,766)	(4,665)	(4,487)	(2,768)
Depreciation	**(95)**	(113)	(89)	(189)	(204)
Impairment loss on trade and loans receivables	**(9,203)**	(8,605)	–	–	–
Other operating expenses	**(6,168)**	(6,936)	(4,871)	(12,277)	(4,322)
Finance costs	**(48)**	(588)	(960)	(164)	–
(Loss)/Profit before income tax	**(2,791)**	17,560	33,526	20,458	25,738
Income tax expense	**(214)**	(3,499)	(5,976)	(5,048)	(4,521)
(Loss)/Profit for the year	**(3,005)**	14,061	27,550	15,410	21,217
Other comprehensive income for the year	**–**	–	–	–	–
Total comprehensive income for the year	**(3,005)**	14,061	27,550	15,410	21,217

Asset and liabilities

	As at 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**278,234**	297,959	280,359	216,330	164,141
Total liabilities	**(6,905)**	(23,625)	(20,086)	(44,107)	(133,082)
Net assets	**271,329**	274,334	260,273	172,223	31,059