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)

2022

ANNUAL REPORT
年報

Contents

Corporate Information

Board of Directors (The "Board")

Chairman

Mr. Cheung Yan Leung Henry

Executive Director

Mr. Lee Chun Tung
(appointed on 14 September 2022)
Mr. Cheung Jonathan (resigned on 7 September 2022)
Mr. Cheung Yan Leung Henry
(redesignated as non-Executive Director
on 29 December 2022)

Non-Executive Directors

Mr. Cheung Yan Leung Henry
(redesignated on 29 December 2022)
Mr. Yau Tung Shing (appointed on 2 September 2022)

Independent Non-Executive Directors

Mr. Lau Kelly (appointed on 2 September 2022)
Mr. Wong Chun Peng Stewart
(appointed on 7 September 2022)
Ms. Fu Yiman (appointed on 10 October 2022 &
resigned on 28 February 2023)
Mr. Cheng Man Pan (appointed on 14 November 2022)
Mr. Yeung King Wah (resigned on 14 November 2022)
Mr. Lai Tze Leung George (resigned on 10 October 2022)
Mr. So Stephen Hon Cheung
(resigned on 14 November 2022)

Audit Committee

Mr. Cheng Man Pan *(Chairman)*
(appointed on 14 November 2022)
Mr. Lau Kelly (appointed on 10 October 2022)
Ms. Fu Yiman (appointed on 14 November 2022 &
resigned on 28 February 2023)
Mr. Wong Chun Peng Stewart
(appointed on 28 February 2023)
Mr. Yeung King Wah (resigned on 14 November 2022)
Mr. Lai Tze Leung George (resigned on 10 October 2022)
Mr. So Stephen Hon Cheung
(resigned on 14 November 2022)

Nomination Committee

Mr. Lau Kelly *(Chairman) (appointed as Chairman on 29 December 2022 & appointed as member on 10 October 2022)*
Mr. Wong Chun Peng Stewart
(appointed on 14 November 2022)
Ms. Fu Yiman (appointed on 14 November 2022 &
resigned on 28 February 2023)
Mr. Cheng Man Pan (appointed on 14 November 2022)
Mr. Yeung King Wah (resigned on 14 November 2022)
Mr. Lai Tze Leung George (resigned on 10 October 2022)
Mr. So Stephen Hon Cheung
(resigned on 14 November 2022)
Mr. Cheung Yan Leung Henry
(resigned on 29 December 2022)

Remuneration Committee

Mr. Cheng Man Pan *(Chairman)*
(appointed on 14 November 2022)
Mr. Lau Kelly (appointed on 10 October 2022)
Mr. Wong Chun Peng Stewart
(appointed on 14 November 2022)
Ms. Fu Yiman (appointed on 14 November 2022 &
resigned on 28 February 2023)
Mr. Cheung Jonathan (resigned on 7 September 2022)
Mr. Yeung King Wah (resigned on 14 November 2022)
Mr. Lai Tze Leung George (resigned on 10 October 2022)
Mr. So Stephen Hon Cheung
(resigned on 14 November 2022)

Company Secretary

Mr. Au Kin Kee Kinson *ACS ACIS*

Authorised Representatives

Mr. Cheung Yan Leung Henry
Mr. Yau Tung Shing (appointed on 7 September 2022)
Mr. Cheung Jonathan (resigned on 7 September 2022)

Trading Stock Code

804

Corporate Information

Registered Office
Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman, KY1-1108
Cayman Islands

Headquarter and Principal Place of Business in Hong Kong
Room 1807, 18/F.,
China Resources Building
26 Harbour Road, Wan Chai
Hong Kong

Hong Kong Branch Share Registrar & Transfer Office
Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

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

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

Company's Website
www.pinestone.com.hk

Executive Director's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of Pinestone Capital Limited (the "Company"), I am pleased to present to you details of the Company's (together with its subsidiaries, the "Group") annual performance and business development for the year ended 31 December 2022 (the "Year").

Review

The world economy had been facing the most challenging years in recent history and continued to be affected by different political and economic issues in the year 2022, including on-going geopolitical tensions in Ukraine, volatility of energy prices and lingering effects of the COVID-19 global pandemic. However, the most apparent issue currently is the rising pressure of inflation which prompted the United States Federal Reserve to raise interest rates drastically. These factors had an obvious effect on the performance of the financial market, where the Hang Seng Index plunged to as low as approximately 14,597 points in October 2022 from a high of approximately 25,050 points in February 2022, representing a drop of approximately 42%. This ultimately made investors' sentiments much worse, as seen by the decrease in volume of initial public offerings and the average daily turnover in the Hong Kong stocks market, which in turn severely depressed investor attitudes. Although the Hong Kong economy had shown signs of recovery in different aspects, it is still vulnerable as economic prospects remains uncertain and rising interest rates led to tightening of financial conditions of the general public. The market's fluctuation and volatility continue to be the main theme, with investors' confidence being dampened. The Group recorded a total revenue of approximately HK$19.5 million for the Year, representing a decrease of approximately 22% compared to approximately HK$25.0 million in 2021. The decrease was primarily attributable to the decrease in securities-backed lending services. Net loss for the Year was HK$41.5 million, compared to a net loss of HK$4.9 million in 2021. The increase was primarily attributable to the increase in an impairment loss of approximately HK$49.6 million in respect of trade and loans receivables made related to securities-backed lending services.

Outlook

Global and local economic activity are on the road to recovery as the COVID-19 global pandemic gradually stabilizes on a global scale and social distancing measures are further relaxed or cancelled. However, the likelihood of a global recession has increased as the recovery's momentum is being battered by persistently high inflation, which resulted in interest rates rising. This will increase borrowing costs and have a negative impact on the value of various assets. The Group continues to proceed prudently to navigate through these times of uncertainty. Looking forward, the Group will explore expanding our customer base and continue to improve and diversify our financial position, seek for strategic business opportunities to further develop our businesses, broaden our business reach in the financial market by cultivating corporate alliances collaborations and position the Group's business for further and sustainable growth in the long term. In addition, in order to mitigate the credit risk level and improve the financial performance of the Group, the Group will review the internal control of the Group in year 2023. It is anticipated that the results of services provided by the Group will recover to pre-pandemic levels in the next few years.

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

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

Hong Kong, 24 March 2023

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 of Hong Kong Limited (the "Stock Exchange").

2. In September 2012, PSL successfully obtained a licence under the Securities and Futures Ordinance (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 June 12, 2015, the share of the Company was successfully listed on GEM of the Stock Exchange by placing 120 million shares at HK$0.50 each.

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 successfully transferred its shares to the Main Board of the Stock Exchange.

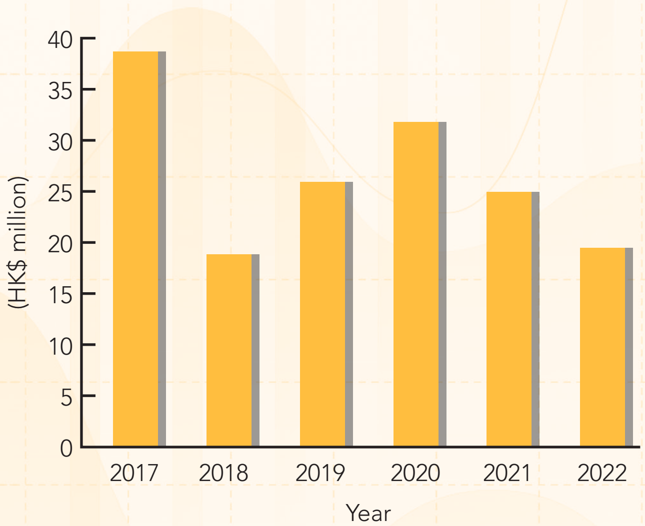
10. On 21 December, 2017, the Company redeemed the HK$10,000,000 coupon bonds in full.

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

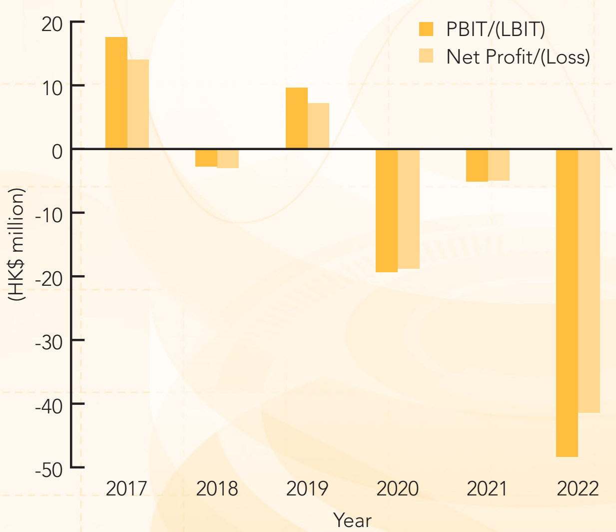
12. In 2021, the Company had relocated its headquarter to Room 1807, 18/F, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong.

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

Revenues



PBIT/LBIT and Net Profit/(Loss)



Management Discussion and Analysis

Background

Established in 2015, the Group is a renowned Hong Kong based financial institution providing a wide range of bespoke financial services including (i) securities brokerage, (ii) securities-backed lending and (iii) placing and underwriting businesses. On 12 June 2015, the Company was listed on GEM of the Stock Exchange (the "Listing") by way of placing (the "Placing"). On 8 June 2017, the Company successfully transferred to list on the Main Board of the Stock Exchange. In 2022, the Company exploited and extended the scope of its money lending services (the "Money Lending Services") from securities-backed lending services to other secured lending services.

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

Financial Highlights

Year ended 31 December (HK$'000)	2021	2021 vs 2022 Percentage	2022
Revenue	24,973	(22%)	**19,471**
Loss before Income Tax	(5,106)	847%	**(48,345)**
Net Loss	(4,933)	741%	**(41,470)**
Loss per Share (H.K. cents)	(2.15)	715%	**(17.52)**
Total Assets	199,300	(15%)	**169,942**
Total Equity	191,723	(14%)	**164,476**
Key Performance Indices			
Net Profit Margin (%)	(19.8)		**(213.0)**
Return on Equity (%)	(2.6)		**(25.2)**
Return on Total Assets (%)	(2.5)		**(24.4)**
Current Ratio (Times)	32.0		**32.2**
Gearing Ratio (Times)#	0.01		**0.01**

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

For the year ended 31 December 2022, the Group's revenue amounted to a total of approximately HK$19.5 million, representing a decrease of approximately 22% compared to approximately HK$25.0 million in 2021. The decrease was driven by the decrease of income generated from various services provided. Commission income from the securities brokerage services decreased to HK$0.2 million in 2022, compared to HK$0.5 million as at 31 December 2021. Income generated from securities-backed lending services decreased to HK$19.2 million, representing a decrease of approximately 20% from approximately HK$24.2 million in 2021. The Group recorded nil income from placing and underwriting services as compared to an income of approximately HK$83,000 in 2021.

For the year ended 31 December 2022, loss before income tax increased to HK$48.3 million, compared to a loss before income tax of approximately HK$5.1 million in 2021. Net loss for the year ended 31 December 2022 was HK$41.5 million, compared to a net loss of HK$4.9 million in 2021. The loss was mostly attributable to an impairment loss of approximately HK$49.6 million in respect of trade and loans receivables made related to securities-backed lending services during the year 2022, representing an increase of approximately HK$37.1 million or approximately 297% increase compared to an impairment loss on trade and loans receivables of approximately HK$12.5 million for the year ended 31 December 2021.

Management Discussion and Analysis

If excluding this impairment loss of approximately HK$49.6 million and deferred tax credit of approximately HK$7.5 million, the Group would have recorded a net profit of approximately HK$0.6 million for the year ended 31 December 2022.

Basic loss per share was HK17.52 cents for the year ended 31 December 2022, compared to basic loss per share of HK2.15 cents (restated) for the year ended 31 December 2021.

The Directors do not recommend the payment of final dividend for the year ended 31 December 2022.

Market Review

The world economy had been facing the most challenging years in recent history and continued to be affected by different political and economic issues in the year 2022, including on-going geopolitical tensions in Ukraine, volatility of energy prices and lingering effects of the COVID-19 global pandemic. However, the most apparent issue currently is the rising pressure of inflation which prompted the United States Federal Reserve to raise interest rates drastically. These factors had an obvious effect on the performance of the financial market, where the Hang Seng Index plunged to as low as approximately 14,597 points in October 2022 from a high of approximately 25,050 points in February 2022, representing a drop of approximately 42%. This ultimately worsened investors' sentiments as seen by the decrease in volume of initial public offerings and the average daily turnover in the Hong Kong stocks market, which in turn severely depressed investor attitudes. Although the Hong Kong economy had shown signs of recovery in different aspects, it is still vulnerable as economic prospect remains uncertain and rising interest rates led to tightening of financial conditions of the general public. The market's fluctuation and volatility continue to be the main theme, with investors' confidence being dampened.

Business Review

Securities Brokerage Services

Commission income of the securities brokerage services is highly correlated to the overall market sentiment and the demand from our customers. In 2022, our securities brokerage services marked a decrease in total transaction value to HK$89.7 million, compared to HK$247.6 million in 2021. Commission income from securities brokerage services decreased to HK$0.2 million for the year ended 31 December 2022 from HK$0.5 million for the year ended 31 December 2021.

Securities-backed lending Services

In 2022, securities-backed lending services remained our core-profit generator for the Group. Our securities-backed lending services include two major businesses, margin financing and money lending services. Interest income from securities-backed lending services for the year ended 31 December 2022 decreased by approximately 20% to HK$19.2 million, compared to approximately HK$24.2 million in 2021. Interest income from margin financing services decreased by HK$3.7 million or approximately 24% to HK$11.9 million in 2022 while money lending services decreased by HK$1.2 million or approximately 14% to HK$7.3 million in 2022.

Management Discussion and Analysis

For margin financing services, there is no fixed term of repayment for trade receivables while the term to maturity of the loan receivables range from approximately 5 months to 1 year. The interest rates of the aforementioned receivables range from approximately 8% to 24% per annum. The Group provides margin financing and/or money lending services after the relevant client has passed the Group's credit assessment and other applicable internal control procedures. Where collaterals are required, such loans are generally secured by listed securities as collaterals. Due diligence performed by the Group on our margin financing and money lending clients generally involves know your client ("KYC") procedures including obtaining information as to source and amount of income, proof of other net assets, ID copy, address proof, etc.

As at 31 December 2022, our largest borrower in the securities-backed lending segment had outstanding receivables of approximately HK$33 million (31 December 2021: HK$40 million), representing approximately 16% (2021: 24%) of the Group's total trade and loan receivables. The five largest borrowers (in aggregation with loans granted to persons connected with each of them, if any) had outstanding receivables of approximately HK$130 million (2021: HK$128 million) as at 31 December 2022, representing approximately 66% (2021: 76%) of the Group's total trade and loan receivables as at 31 December 2022.

During the year, the Group has exploited more resources and business opportunities for the scope of the Group's existing money lending services (the "Money Lending") from securities-backed lending services to other secured lending services. The Board believes that the Money Lending services would extend the scope of the Group's existing business and diversify its business scope with a view to broadening the Group's revenue basis to enhance its profitability and achieving better return of the shareholders.

(A) *Margin Financing*

Our margin financing services are generally provided to individual and corporate investors. Upon completion of relevant account opening, KYC procedures and the deposit of sufficient collateral and/or cash, the Group would grant a margin facility to such individual investors for the purpose of trading stocks. The Group generates interest income from such margin financing as revenue. Interest income from margin financing services decreased to approximately HK$11.9 million in 2022, representing a decrease of approximately 24% from approximately HK$15.6 million in 2021. As at 31 December 2022, the Group recorded a total loan balance of approximately HK$90.8 million, representing a decrease of approximately 10% from a total loan balance of approximately HK$100.7 million as at 31 December 2021.

(B) *Money Lending*

Our money lending services are also provided to individual and corporate borrowers. Upon completion of relevant account opening, KYC and credit assessment procedures, the Group would grant a loan facility to such borrowers for their own financing needs. The Group generates interest income from such loan facility as revenue. The Group recognised interest income of approximately HK$7.3 million from money lending service in 2022, representing a decrease of approximately 14% as compared to HK$8.5 million in 2021. As at 31 December 2022, the Group recorded total loan receivables attributable to our money lending clients of approximately HK$111.4 million, representing an increase of approximately 64% when compared to HK$68.0 million as at 31 December 2021. In September and October 2022, the Group had successfully granted two substantial corporate lending loans to third party borrowers with total amount of approximately HK$20.0 million and HK$18.0 million respectively. Charging interest rates are 15.0% per annum of each loan with the borrowing period of 12 months.

Management Discussion and Analysis

1. In relation to the Group's five largest borrowers, further information as to the breakdown and client type of the Group's borrowers under its Money Lending Business is set out in the table below:

Client	Type	Background	Relationship among the borrowers *(note1)*	Source of client	Interest rate % p.a.	Term	Value of collateral as at 31 December 2022 *(note 2)* HK$' million (Approximately)	Original book value of loan receivable as at 31 December 2022 *(note 2)* HK$' million (Approximately)	Accumulated impairment losses as at 31 December 2022 HK$' million (Approximately)	Net amount of loan receivable as at 31 December 2022 HK$' million (Approximately)	Proportion out of the Group's total loan receivable as at 31 December 2022 % (Approximately)
1st largest client	Corporate	Culture diffusion	None	By client referral	15%	12 months	share charge of $92.8 *(note 3)*	20.0	–	20.0	29
2nd largest client	Corporate	Investment	None	By client referral	15%	12 months	share charge of $56.5 *(note 4)*	18.1	–	18.1	26
3rd largest client	Individual	Manager of trading company	None	By client referral	15% and 12%	8 months and 12 months	None *(note 5)*	17.6	12.3	5.3	8
4th largest client	Individual	Self-employed	None	By client referral	15%	5 months	None *(note 6)*	14.7	8.8	5.9	9
5th largest client	Individual	Director of marketing company	None	By client referral	15% and 12%	9 months and 12 months	None *(note 5)*	13.9	9.7	4.2	6
others								25.7	10.3	15.4	22
							Total:	110	41.1	68.9	100

Notes:

1. Based on the best information and knowledge of the Group as at the date hereof.

2. Such collaterals are comprised of unlisted securities.

3. The 1st largest client had a share charge as collaterals of approximately HK$92.8 million for the client's termed loan.

4. The 2nd largest client had a share charge as collaterals of approximately HK$56.5 million for the client's termed loan.

5. The 3rd and 5th largest clients had no collaterals in the margin account (non-termed) for those clients' termed and non-termed loan.

6. The 4th largest client had no collaterals in the margin account (non-termed) for the client's termed loan.

Management Discussion and Analysis

2. In relation to the Group's due diligence on money lending clients and its Credit Committee's approval, the head of the Group's credit department reviews the due diligence results and the loan proposals together with the documents offered in support of the loan application based on the information as obtained in the works already disclosed in the aforementioned sections. The loan application will then be presented for consideration by the Credit Committee with assessments on factors such as past relationship with the client, quality (i.e. market value, liquidity, etc.) of the collateral (if applicable), Loan to Securities Ratio (if applicable), the client's investment portfolio (if applicable), term of the loan (if applicable), the client's creditworthiness, etc. The Group's Credit Committee is chaired by an executive Director and is comprised of 4 other members including a non-executive director, an independent non-executive Director and two senior management of the Company. For loan applications of under HK$5.0 million, any three members of the five-person Credit Committee can approve such application. For loan applications equal to or exceeding HK$5.0 million, the approval of one executive Director in addition to that of two other members of the Credit Committee is required.

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

   Based on the best information and knowledge of the Group as at the date hereof, the Group is not aware that there is any relationship amongst the Group's clients with outstanding loan receivable as at 31 December 2022.

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

Placing and Underwriting Services

The Group asserts that the aforementioned unfavorable economic factors also hurt the sub-underwriting, placing, and underwriting services because our main focus is on small company IPOs, including GEM. The business of this service depends on the demand or requests from our customers. No revenue was generated from placing and underwriting services for the Group in 2022, compared to an income of approximately HK$83,000 derived in 2021. During the year 2022, the Group had negotiated in four underwriting or placing mandates, but regrettably none of them came to fruition.

Management Discussion and Analysis

Major Customers and Major Suppliers

During the year, the Group's five largest customers accounted for approximately 66% (2021: 72%) of the total revenue of the Group and the largest customer of the Group accounted for approximately 21% (2021: 19%) 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. The Group's principal activities are securities brokerage services, securities-backed lending services and placing and underwriting services. In the Board's opinion, the Group has no major suppliers due to the nature of the Group's principal activities.

Share Consolidation

On 21 October 2022, the Company underwent a share consolidation for twenty (20) Existing Shares of par value HK$0.001 each in the issued and unissued share capital of the Company be consolidated into one (1) Consolidated Share of par value HK$0.02. The Board considers that the Share Consolidation will enable the Company to comply with the trading requirements at the extremities under the Listing Rules and reduce the overall transaction and handling costs of dealings in the Shares.

Placing of 45,118,900 new Shares under the General Mandate

On 8 November 2022, the Company successfully placed 45,118,900 new shares, representing approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares immediately upon completion of the Placing, at the placing price of HK$0.32 (the "2022 Placing") per share. The gross and net proceeds from the Placing, after deduction of the placing commission and other related expenses, were approximately HK$14.44 million and HK$14.22 million, respectively. The Company intended to use such net proceeds for expanding the existing business of the Group.

Total Assets

Unit (HK$'million)/Year	**2022**	2021
Total Assets (HK$'million)	**169.9**	199.3
Trust Bank Balances (HK$'million)	**3.1**	2.6
Cash and Bank Balances (HK$'million)	**30.1**	45.6
Trade Receivables (HK$'million)	**53.2**	91.0
Loans Receivable (HK$'million)	**68.9**	51.3
Trade Payables (HK$'million)	**(3.1)**	(2.9)
Net Assets (HK$'million)	**164.5**	191.7

As at 31 December 2022, the total assets of the Group decreased to approximately HK$169.9 million, representing a decrease of approximately 15% from approximately HK$199.3 million as at 31 December 2021. The decrease was mainly attributable to a decrease of cash and bank balances of HK15.5 million, representing a decrease of approximately 34% to HK$30.1 million at 31 December 2022 compared to HK$45.6 million as at 31 December 2021. As at 31 December 2022, the amount of trade payables amounted to HK$3.1 million, representing an increase of approximately 7% compared to HK$2.9 million on a year-on-year basis of 2021. As at 31 December 2022, loans receivable increased to approximately HK$68.9 million, representing an increase of approximately 34% from HK$51.3 million in 2021. Trade receivables decreased by approximately 42% to HK$53.2 million as at 31 December 2022 from approximately HK$91.0 million as at 31 December 2021. Such decrease was partially attributable to the decrease in turnover of the margin financing. As at 31 December 2022, net assets of the Group decreased by approximately 14% to HK$164.5 million from HK$191.7 million in 2021.

Management Discussion and Analysis

Net Loss for the Year

In 2022, the Group's consolidated net loss for the year was approximately HK$41.5 million when compared to a net loss of HK$4.9 million in 2021. Such substantial loss is primarily attributable to the recognition of impairment losses of approximately HK$49.6 million in respect of trade and loans receivables relating to securities-backed lending services for the year ended 31 December 2022, representing an increase of approximately HK$37.1 million or approximately 297% increase compared to an impairment losses on trade and loans receivables of approximately HK$12.5 million for the year ended 31 December 2021. If excluding this impairment loss of approximately HK$49.6 million and deferred tax credit of approximately HK$7.5 million, the Group would have recorded a net profit of approximately HK$0.6 million for the year ended 31 December 2022.

Financial Review

Revenue

Total revenue in 2022 amounted to HK$19.5 million, representing a decrease of approximately 22% from HK$25.0 million in 2021. Geopolitical tensions in Ukraine, energy price volatility, the COVID-19 outbreak and the implementation of anti-epidemic measures by the Hong Kong government, and the pressure of rising inflation that led the US Federal Reserve to sharply raise interest rates have all combined to harm the Company's businesses. All our segment of services have been adversely affected by the sluggish economy and the lackluster performance of the Hong Kong stock market. Commission income from securities brokerage services decreased to HK0.2 million in 2022, compared to HK$0.5 million in 2021. Interest income from securities-backed lending services decreased to HK$19.2 million in 2022, representing a decrease of approximately 20% from HK$24.2 million in 2021. For the placing and underwriting services, no revenue was generated for the Group in 2022 as compared to an income of HK$83,000 in 2021.

The decline in revenue in 2022 was also caused by eight customers of the money lending and margin financing businesses who were unable to make their repayments because they had experienced severe losses. Due to the aforementioned unfavorable situation, the Company recorded an impairment loss of approximately HK$49.6 million in relation to trade and loans receivables made related to the Securities-backed Lending Segment and excluded approximately HK$4.1 million from the fee income from the Securities-backed Lending Segment in 2022 on having adopted the expected credit loss ("ECL") model on assessment of impairment.

Employee Benefit Expenses

Employee benefit expenses accounted for approximately 14% (2021: 31%) out of the total expenses in 2022, which is a major expense item for the Group. Employee benefit expenses include staff salaries, allowances, benefits, directors' emoluments and contribution to defined contribution retirement scheme. Employee benefit expenses recorded an increase of approximately 9% to approximately HK$10.1 million in 2022 from approximately HK$9.3 million in 2021. The increase was mostly attributable to general increases for staff salaries and directors' emoluments.

Other Operating Expenses

Unit: (HK$'million)/Year	**2022**	2021
Other operating expenses *(note a)*	**7.1**	6.3
Impairment losses on trade and loans receivables, net *(note b)*	**49.6**	12.5
Total other operating expenses	**56.7**	18.8

Note a: Other operating expenses in 2022 amounted to HK$7.1 million, compared to HK$6.3 million in 2021 (excluding charge for impairment losses on trade and loans receivables) which accounted for about 41% (2021: 40%) of the total expenses (which only included employee benefit expenses and other operating expenses). The increase was mostly attributable to the increase in compliance, professional and administrative expenses incurred during the year.

Note b: For the year ended 31 December 2022, net impairment losses of HK$49.6 million (the "Impairments") (31 December 2021: HK$12.5 million) were recognised under expected credit loss ("ECL") model required under HKFRS 9, of which HK$24.9 million were attributable to trade receivables from margin clients whereas the remaining HK$24.7 million were attributable to loans receivables. For the year ended 31 December 2021, net impairment losses of HK$12.5 million were recognised, of which HK$7.2 million were attributable to trade receivables from margin clients whereas the remaining HK5.3 million were attributable to loans receivables.

Management Discussion and Analysis

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

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

In respect of the Group's non-termed loan business, the Group has set up a Credit Committee consisting of senior management, responsible officers and senior officers which is responsible for formulating credit policies and guidelines to ensure the Group's business risks are contained within calculated levels.

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

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

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

The Group has set up a Credit Committee for its termed loan business which has full authority to handle all credit related matters of the Group. The primary duties of the Credit Committee are, among other things, to approve and oversee the Group's credit policy and to monitor its loan portfolio.

All decisions made on loan applications are handled by the Credit Department and are subject to independent reviews of the Group's management. All new customers have to pass the Group's financial background and credit checks before a loan, which must be approved by the Credit Committee, can be granted.

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

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

The Company confirmed that the aforementioned credit policies have been strictly followed during the year ended 31 December 2022.

Impairment review has been performed by management to assess impairment loss on trade receivables from margin clients as well as loans receivable from customers. The following set out details of the ECL model adopted by the Group:

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

(1) Probability of Default;

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

(3) Exposure at Default.

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

Management Discussion and Analysis

(a) **Trade receivables due from margin clients**

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

Management classify the margin client into 3 stages based on their default risk. In assessing the default risk, management has considered collateral ratio, loan to margin ratio, concentration ratio and amount of actual shortfall. In addition, management has also considered the following factors in the assessment of default risk:

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

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

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

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

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

Stage 1: For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination.

Stage 2: For exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired. Below are indicators of significant increase in credit risks:

(a) If Concentration Ratio exceeds 50%; AND

(i) if Collateral Ratio is 60% or higher; or

(ii) if Loan to Margin Ratio is 150% or more;

(b) If Concentration Ratio is 50% or below; AND

(i) if Collateral Ratio is 70% or higher; or

(ii) if Loan to Margin Ratio is 200% or higher;

(c) The Group maintains close contact with the margin clients and the margin clients is responsive to the Group's request; and

(d) Negotiation with client for credit enhancement measures, e.g. entering into repayment agreement with the Group and fulfilling their obligation according to the agreed terms.

Stage 3: Exposures are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. Below are events indicating that the balance is credit-impaired:

(a) The Group makes liquidation call to margin clients to liquidate their securities collateral to settle the outstanding balances;

(b) The margin client is not responsive to the Group's request; and

(c) The Group loses contact with the margin clients.

Management Discussion and Analysis

In determining the probability of default, management would make reference to the default rates studies conducted by certain external credit rating agency, e.g. Moody's Rating. In addition, management would incorporate forward-looking economic information through the use of industry trend and experienced credit judgment to reflect qualitative factors.

In determining the LGD, management would estimate (i) the probability of price changes based on observed historical price movements of the underlying securities collateral, adjusted for forward-looking information through the use of the stock market analysis and taking into account of the latest stock market condition; (ii) the estimated cash recoverable from the margin clients without resorting to liquidation of securities collateral; (iii) sale proceeds based on the latest discussion with the third parties in selling the debts; (iv) time value of money, if applicable.

(b) Loans receivable

The Group applies general approach in measuring loss allowance for ECL on loans receivable.

Normally, the Group granted loans to borrowers with period less than one year. As set out in section 7.1 of PSL's client master agreement, all securities, receivables and money held by client in PSL shall be subject to a general lien in favour of PSL and PSL's group company. If the borrower would like to dispose of the securities collateral in the margin account, PSL will first check if there are sufficient securities collateral in the borrower's margin account to cover PCGL's loan balances and if there is any shortfall, PSL will not execute the order.

As the term loans are normally repaid in lump sum on maturity, they would not be past due during the loan period and thus, past due day information is not meaningful in assessing if there is significant increase in credit risk during the loan period. In case where the loans are secured by securities collateral, management considers the collateral value provides more useful information in assessing the probability of default. In this regard, the Group has rebutted the presumption in HKFRS 9 that there have been significant increases in credit risk since initial recognition when the loans receivables are more than 30 days past due.

In assessing default risk of loan receivables, management considered the following factors:

– collateral ratio (if any);

– amount of actual shortfall;

– delay in repayment;

– responsive to the Group's request in repayment after maturity of loan;

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

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

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

– significant changes in the value of the collateral supporting the obligation or credit enhancement, if applicable.

Management Discussion and Analysis

Management classify loan receivables based on the following:

Stage 1:	For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination.
Stage 2:	For exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired. Below are indicators of significant increase in credit risks: Repayment of loan is delayed by borrower; Collateral Ratio (if any) is 60% or higher; and Responsive to the Group's request
Stage 3:	Exposures are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. Below are events indicating that the balance is credit-impaired: (a) The Group makes liquidation call to borrowers to liquidate their securities collateral (if any) to settle the outstanding balances; (b) The borrower is not responsive to the Group's request; and (c) The Group loses contract with the borrowers.

In assessing default risk of loan receivables, management would make reference to the default rates studies conducted by certain external credit rating agency, e.g. Moody's Rating. In addition, management would incorporate forward-looking economic information through the use of industry trend and experienced credit judgment to reflect qualitative factors.

In determining the LGD, management would estimate (i) the probability of price changes based on observed historical price movements of the underlying securities collateral (if any), adjusted for forward-looking information through the use of the stock market analysis and taking into account of the latest stock market condition; (ii) the estimated cash recoverable from the borrowers without resorting to liquidation of securities collateral (if any); (iii) sale proceeds based on the latest discussion with the third parties in selling the debts; (iv) time value of money, if applicable.

Management Discussion and Analysis

Based on the above impairment assessment, impairments provisions were made in respect of 8 individual clients, including margin clients and customers in money lending business (the "Relevant Client(s)"). The following tables set out further details and circumstances of the Relevant Clients and the details of the impairments:

	Name of Relevant Client	Relationship (either existing or prior) With the Company and its connected person	Means of introduction to the Group	Type of loan	Term of the loan	Principal amount *(note 1)*	Interest rate
1.	Relevant Client A	Independent third party	By referral	Non-Termed Loan	N/A	HK$0.1 million	12.5% p.a.
2.	Relevant Client B	Independent third party	By referral	Non-Termed Loan	N/A	HK$4.8 million	12.5% p.a.
3.	Relevant Client C	Independent third party	By referral	Non-Termed Loan	N/A	HK$5.7 million	12.5% p.a.
4.	Relevant Client D	Independent third party	By referral	Non-Termed Loan	N/A	HK$14.7 million	24% p.a.
5.	Relevant Client E	Independent third party	By referral	Non-Termed Loan	N/A	HK$18.7 million	24% p.a.
6.	Relevant Client F	Independent third party	By referral	Non-Termed Loan	N/A	HK$10.8 million	24% p.a.
7.	Relevant Client E	Independent third party	By referral	Termed Loan	9 months and 12 months	HK$7 million and HK$8.8 million	15% p.a. and 12% p.a.
8.	Relevant Client G	Independent third party	By referral	Termed Loan	5 months	HK$14 million	15% p.a.
9.	Relevant Client D	Independent third party	By referral	Termed Loan	8 months and 12 months	HK$9 million and HK$4.4 million	15% p.a. and 12% p.a.
10.	Relevant Client H	Independent third party	By referral	Termed Loan	12 months	HK$8.8 million	12% p.a.
11.	Relevant Client A	Independent third party	By referral	Termed Loan	12 months	HK$8.8 million	12% p.a.
12.	Relevant Client C	Independent third party	By referral	Termed Loan	12 months	HK$4.4 million	12% p.a.

Note:

1. Outstanding balance with accrued interest as at 31 December 2022 for non-term loans.

Management Discussion and Analysis

	Name of Relevant Client	Outstanding amount (principal together with accrued interests) as at 31 December 2022	Amount of impairments as at 31 December 2022	Type of guarantee/ security and net realizable value	Indication of significant increase in credit risk since initial recognition
1.	Relevant Client A	HK$0.1 million	HK$56,829	None	When the client failed to settle margin call initially made by the Group with subsequent follow-ups
2.	Relevant Client B	HK$4.8 million	HK$4.8 million	None	When the client failed to settle margin call initially made by the Group with subsequent follow-ups
3.	Relevant Client C	HK$5.7 million	HK$2.3 million	None	When the client failed to settle margin call initially made by the Group with subsequent follow-ups
4.	Relevant Client D	HK$14.7 million	HK$10.3 million	None	When the client failed to settle margin call initially made by the Group with subsequent follow-ups
5.	Relevant Client E	HK$18.7 million	HK$13.1 million	None	When the client failed to settle margin call initially made by the Group with subsequent follow-ups
6.	Relevant Client F	HK$10.8 million	HK$4.3 million	None	When the client failed to settle margin call initially made by the Group with subsequent follow-ups
7.	Relevant Client E	HK$13.9 million	HK$9.7 million	None	When the client failed to repay the loan on maturity
8.	Relevant Client G	HK$14.7 million	HK$8.8 million	None	When the client failed to repay the loan on maturity
9.	Relevant Client D	HK$17.6 million	HK$12.3 million	None	When the client failed to repay the loan on maturity
10.	Relevant Client H	HK$10.3 million	HK$4.1 million	None	When the client failed to repay the loan on maturity
11.	Relevant Client A	HK$10.3 million	HK$4.1 million	None	When the client failed to repay the loan on maturity
12.	Relevant Client C	HK$5.2 million	HK$2.1 million	None	When the client failed to repay the loan on maturity

Management Discussion and Analysis

The Group has taken part of the following due diligence exercise for aforementioned Relevant Clients A to H; full KYC procedures such as obtaining information on the source and amount of income, proof of other net assets, a copy of an ID, address proof, etc.

The Group's assessment on credit risk for the aforementioned Relevant Clients A to H involves assuming that the Group had liquidated all of the collateral and might commence legal proceedings against the clients.

Although the impairments provisions were made during the year ended 31 December 2022, the Group reserves its rights to take all necessary measures to recover such outstanding amounts due from the Relevant Clients to protect the interests of the Group and the shareholders of the Company.

Income Tax Expenses/Credit

The income tax credit for 2022 was approximately HK$6.9 million (2021: income tax credit of HK$173,000) and such charges were consistent with an increase in adjusted losses under Hong Kong Profits Tax.

Loss for the Year

For the year ended 31 December 2022, the Group recorded loss before income tax of approximately HK$48.3 million and a net loss of approximately HK$41.5 million, as compared to a loss before income tax of approximately HK$5.1 million and a net loss of approximately HK$4.9 million in 2021. The loss was mostly attributable to impairment losses of HK$49.6 million made in respect of trade and loans receivables relating to the securities-backed lending services, in which HK$24.9 million were attributable to trade receivables from margin clients and the remaining HK$24.7 million were attributable to loans receivables for the year ended 31 December 2022. Such impairment losses of HK$49.6 million represented an increase of approximately HK$37.1 million or 297% of impairment losses on trade and loans receivables of approximately HK$12.5 million for the year ended 31 December 2021.

Management Discussion and Analysis

Dividend

Directors did not recommend the payment of final dividend for the year ended 31 December 2022 (2021: nil). Total dividend payout by the Company for the year ended 31 December 2022 was nil (2021: nil).

Capital Structure

As at 31 December 2022, the Group did not have any bank borrowings. As at 31 December 2022, other payables and accruals plus lease liabilities were HK$2.3 million compared to HK4.7 million in 2021. The Group maintained a healthy cash position with total cash and bank balances amounted to HK$30.1 million as at 31 December 2022 (2021: HK$45.6 million). As at 31 December 2022, the Group had total amount of non-current lease liabilities of HK$0.6 million (2021: HK$1.6 million) and did not have capital commitments. The Group's long term debt to equity ratio was approximately 1% in 2022 (2021: 1%).

To strengthen the Company's financial position and exploit more business opportunities, the Company placed 45,118,900 new shares at the placing price of HK$0.32 each to raise approximately HK$14.22 million (net proceed) on 8 November 2022. The proceeds have been used for expanding the business of the Group.

During 2022, the Group's operations, capital expenditure and other capital requirements were funded by cash generated from operations 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 2022 HK$'000	As at 31 December 2021 HK$'000
Current assets	**156,179**	191,765
Trade receivables	**53,187**	91,007
Cash and bank balances	**30,140**	45,580
Current liabilities	**4,843**	5,990
Trade payables	**3,119**	2,851
Lease liabilities	**964**	924
Non-current lease liabilities	**623**	1,587
Current Ratio (times)	**32.25**	32.01
Gearing Ratio (times)#	**0.01**	0.01

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

Management Discussion and Analysis

Foreign Currency Exposure

The Company's functional and presentation currency is Hong Kong dollar ("HK$"). During the years ended 31 December 2022 and 2021, the Group's transactions were denominated in HK$. The Group had no material exposure to foreign currency risk. The Group has not used any derivatives to hedge against its exposure to foreign exchange risks.

Contingent Liabilities

As at 31 December 2022 and 31 December 2021, the Group did not have any material contingent liabilities.

Significant Investments

The Group did not acquire or hold any significant investment during the year 2022 (2021: nil).

Pledge of Assets

As at 31 December 2022, the Group did not pledge any of its assets (31 December 2021: nil).

Capital Commitments

As at 31 December 2022, the Group did not have any significant capital commitments (31 December 2021: nil).

Employees and 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. In 2022, the Group has hired nine new employees with five employees left. As at 31 December 2022, the Group had 17 employees (31 December 2021: 13 employees). Apart from basic salaries, other staff benefits include discretionary bonus, provident funds and medical scheme.

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

Outlook

Global and local economic activity are on the road to recovery as the COVID-19 global pandemic gradually stabilizes on a global scale and social distancing measures are further relaxed or cancelled. However, the likelihood of a global recession has increased as the recovery's momentum is being battered by persistently high inflation, which resulted in interest rates rising. This will increase borrowing costs and have a negative impact on the value of various assets. The Group continues to proceed prudently to navigate through these times of uncertainty. Looking forward, the Group will continue to improve and diversify our financial position, seek for strategic business opportunities to further develop our businesses, broaden our business reach in the financial market by cultivating corporate alliances collaborations and position the Group's business for further and sustainable growth in the long term. In addition, in order to mitigate the credit risk level and improve the financial performance of the Group, the Group will review the internal control of the Group in year 2023. It is anticipated that the results of services provided by the Group will recover to pre-pandemic levels in the next few years.

Corporate Governance Report

Good corporate governance practices improve the transparency of the Company, optimize the Company's performance, and help to enhance stakeholders' confidence and support. The board of directors (the "Board") of the Company is committed to achieve good corporate governance practices and procedures. During the year under review, the Company has complied with the code provisions prescribed in the establishment and implementation of the Corporate Governance Code ("CG Code") as set out in Appendix 15 of the Corporate Governance Code and Corporate Governance Report governing the Listing of Securities on the Stock Exchange of Hong Kong Limited to ensure that the Company's business operation is operated and regulated in a proper manner. The Company has adopted the CG Code to the extent applicable for its corporate governance practices. The Company will continuously review its corporate governance practices so as to enhance its corporate governance standards, comply with the increasingly complicated regulatory requirements, and meet with the rising expectations of the shareholders and respective investors.

Chairman and Chief Executive

CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same person. Mr. Cheung Yan Leung Henry has remained as the chairman. Mr. Lee Chun Tung ("Mr. Lee") , joined in September 2022, has been assigned for the executive Director of the Company. Mr. Lee's role is mainly focused on seeking business opportunities, as well as on the operation and administration of the Company. The roles of the chairman and the chief executive officer are separate. Their division of responsibilities have been defined and well-established. The chairman oversees the Board and acts in the best interest for directing the future of the Company. Decisions are made by the executive Director and occasionally discussed with the management 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 an effective management and operation of the Company.

The Board

During the period, the Board has been redesigned and now consists of one executive Director, two non-executive Directors and four independent non-executive Directors with a variety of experience and skills. Mr. Cheung Yan Leung Henry has redesignated as non-executive Director in December 2022. The Composition of the Board ensures a balance of skills and experience appropriate to the requirements of the development of business and exercising fiduciary duties for the Company. The independent non-executive Directors, all of whom are independent of the Group's businesses, are mixed gender and are highly experienced professionals with substantial experience in areas such as management, accounting, law and finance. All members of the Board represent rich and diversified background and industry expertise to oversee, advise and safeguard the interests of various stakeholders of the Company. Their brief biographical particulars and their relationship among the Board are set out on page 29 of this annual report. Pursuant to the requirement of the Listing Rules, the Company has reviewed and received written confirmation from each independent non-executive Director of his independence for an annual review. During the year under review, the Company considered that all independent non-executive Directors were independent in accordance with the independence guidelines set out in the Listing Rules.

Executive Director

Executive Director is responsible for the Group's operation and executing the strategies adopted by the Board. He ensures that proper internal control system is in place and the Group's business conforms to applicable laws and regulations.

Executive Director's Commencement Date

Name	Annual Director's Fees (HK$'000)	Commencement Date of Employment
Lee Chun Tung	240	14 September 2022

Corporate Governance Report

Non-Executive Director

A non-executive Director is a member of a company's board of directors who does not hold an executive office. Non-executive Director acts as an independent advisor for the direction and businesses of the Company. He is not responsible for the daily operation of the company.

Non-executive Director's Commencement Date

Name	Annual Director's Fees (HK$'000)	Commencement Date of Employment
Yau Tung Shing	240	2 September 2022
Cheung Yan Leung Henry*	1,560	29 December 2022

* Role redesinated from Executive to Non-Executive Director

Independent Non-Executive Directors

During the year, the existing four independent non-executive Directors have been newly joined the Company, unless terminated earlier by either side by giving not less than three month's prior written notice and subject to retirement by rotation and re-election at the Company's AGM in accordance with the Articles of Association of the Company. The commencement dates of the independent non-executive Directors are as follows:

Independent Non-Executive Directors' Commencement Date

Name	Annual Directors' Fees HK$'000	Commencement date of Appointment
Mr. Lau Kelly	144	2 September 2022
Mr. Wong Chun Peng Stewart	144	7 September 2022
Ms. Fu Yiman*	144	10 October 2022
Mr. Cheng Man Pan	144	14 November 2022

(*) resigned on 28 February 2023

Mr. Cheng Man Pan, an independent non-executive Director, possesses the appropriate professional qualifications, or accounting or related financial management expertise as required under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules. Mr. Wong Chun Peng Stewart is a qualified solicitor in Hong Kong with extensive experience in businesses both in Hong Kong and China. 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 2022 in accordance with Rule 3.13 of the Listing Rules.

Corporate Governance Report

Board Diversity Policy

Pursuant to the CG Code provision A.3, the Board has adopted a board diversity policy with diversity of skills and gender. The Company recognises and embraces the benefits of having a diverse Board. All Board appointments are made on merits and candidates will be considered against the Board's objective criteria, having due regard for the benefits of diversity of the Board.

Audit Committee

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

During the year 2022, the Audit Committee held four meetings to review and assess our risk management and internal control management functions of the Group. It has also reviewed, assessed and comment on our interim and consolidated final results. The preparation of the consolidated results is in compliance with applicable accounting principles and practices adopted by the Company and the requirements of the Stock Exchange of Hong Kong Limited, and adequate disclosure had been made.

Nomination Committee

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

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 four INEDs, namely Mr. Cheng Man Pan, Ms. Fu Yiman, Mr. Wong Chun Peng Stewart and Mr. Lau Kelly respectively. Mr. Cheng Man Pan is the Chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are mainly (i) to review and make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; (ii) to review other remuneration matters, including benefits in kinds and other compensation payable to our Directors and senior management; and (iii) to review performance based remunerations and to establish a formal transparent procedure for developing policy in relation to remuneration. During the year, the Remuneration Committee has reviewed and revised the remuneration package of the Directors of the Company.

Corporate Governance Report

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 (15/15)	–	–	C (5/5)
Mr. Cheung Jonathan#	M (6/15)	–	M (2/5)	–
Mr. So Stephen Hon Cheung@	M (13/15)	M (2/4)	M (4/5)	M (4/5)
Mr. Yeung King Wah@	M (13/15)	C (2/4)	C (5/5)	M (5/5)
Mr. Lai Tze Leung George^	M (11/15)	M (2/4)	M (4/5)	M (4/5)
Mr. Yau Tung Shing	M (10/15)	–	–	–
Mr. Lee Chun Tung	M (7/15)	–	–	–
Mr. Lau Kelly	M (10/15)	M (2/4)	M (1/5)	C (1/5)
Mr. Wong Chun Peng Stewart	M (9/15)	–	M (0/5)	M (0/5)
Mr. Cheng Man Pan	M (2/15)	C (2/4)	C (0/5)	M (0/5)
Ms. Fu Yiman*	M (5/15)	M (1/4)	M (0/5)	–

(#) resigned on 7 September 2022

(^) resigned on 10 October 2022

(@) resigned on 14 November 2022

($) ceased as Chairman of the Nomination committee on 29 December 2022

(*) resigned on 28 February 2023

(^) no. of attendance during the year

Notes:

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

Auditor's Remuneration

BDO Limited provided services in respect of the audit of the Company's consolidated financial statements which were prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the year ended 31 December 2022.

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

Fee Amount	HK$'000
Audit Services	579
Non-audit Services	0
Total	579

The statement of the auditor regarding their reporting responsibilities for the financial statements is set out in the Independent Auditor's Report on pages 58 to 62 of this Annual Report.

Corporate Governance Report

Remuneration Policy

The remuneration of the executive directors is subject to review by the Remuneration Committee and their remuneration is determined with reference to the Directors' qualifications, experience, duties, responsibilities and performance and results of the Company. The Group's remuneration policies are in line with prevailing market practice. The Group's employees are remunerated according to their performance, working experience and market conditions. During the year 2022, the Group recorded 38% turnover rate with 5 employees left and an additional 9 new employees joining the Group. As at 31 December 2022, the Group had 17 employees, compared to 13 in 2021. 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 38 to 57.

Non-Competition Undertaking

Each of the controlling Shareholders has made an annual declaration to the Company that during the year 2022, he 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 2022. The Company has not been notified of any incident of non-compliance during such period.

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

During the year ended 31 December 2022, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the listed shares of the Company.

Directors' Training and Professional Development

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.

Corporate Governance Report

Anti-Money Laundering & Corruption

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

Risk Management and Internal Control

The 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 risks, namely financial and non-financial risks. Financial risks include liquidity risk, credit risk, market risk and operational risk, whereas non-financial risks mainly cover legal and compliance risks. The Company has developed its systems of internal control and risk management for its needs and to mitigate the risks 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. In view of business risk, a formal 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 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. Any deficiency of individual client's pledged securities or assets, it may prompt follow up actions on margin calls, request repayment, request diversification of portfolio of margin clients, liaise with the margin clients on various solutions or any other actions senior management which are deemed necessary. For non-financial risks, a compliance committee has been set up to ensure our Group's compliance is in line 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 on which financial and other information relating to the Group and its business are disclosed.

Shareholders' Rights to Nominate a Director

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

Corporate Governance Report

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

Putting forward proposals at a general meeting

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

Directors' Responsibility

The Directors acknowledge their responsibilities for preparing the financial statements of the Company are to give a true and fair view and comply with the Listing Rules Appendix 14 C.1.3., HKFRS, other regulatory requirements and accounting standards. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern as at 31 December 2022. Accordingly, the Directors have prepared the consolidated financial statements for the year ended 31 December 2022 on a going concern basis.

Biography of Directors and Senior Management

Chairman

Mr. Cheung Yan Leung Henry, aged 71, has been the Chairman 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.

Executive Director

Mr. Lee Chun Tung, aged 51, was appointed as an executive Director on 14 September 2022. Mr. Lee has over 20 years of experience in investment banking, financial services and securities companies. Mr. Lee obtained his Master's degree of science in financial engineering from City University of Hong Kong in 2007 and the Bachelor's (Honour) degree in accounting and finance from Manchester Metropolitan University in 1994. Mr. Lee is currently under the employment of Woso Finance Limited as Business Development Manager since June 2022 and Mr. Lee has been appointed as an independent non-executive Director for China Uptown Group Company Limited (whose shares are listed on main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 2330)) since June 2022.

Non-Executive Directors

Mr. Yau Tung Shing, aged 32, was appointed as an non-executive Director on 2 September 2022. Mr. Yau has extensive years' experience in corporate finance, mergers and acquisitions and fund-raising exercises in various ventures and projects with a deal portfolio covering private entities and publicly listed companies in Hong Kong and the People's Republic of China. He is also a licensed person registered under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") to carry out Type 6 (advising on corporate finance) regulated activity. He serves as the responsible officer of corporate finance (Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance) in Silverbricks Securities Company Limited since August 2022. Mr. Yau has been appointed as an independent non-executive Director for MOG Holdings Limited (whose shares are listed on main board of the Stock Exchange (stock code: 1942)) since August 2022. Mr. Yau obtained his bachelor's degree in Business Administration (Honours) from the City University of Hong Kong in July 2014, and the degree of Master of Science in Finance from the City University of Hong Kong.

Mr. Cheung Yan Leung Henry has been redesigned and changed his role from executive to non-executive Director of the Company from 29 December 2022.

Independent Non-Executive Director

Mr. Lau Kelly, aged 44, was appointed as an independent non-executive Director on 2 September 2022. He has more than 11 years of experience in business management and regulatory compliance. He has worked with the Hong Kong Police Force for twelve years between December 1998 and July 2010, receiving commendations from Secretary of Civil Service and Secretary of Home Affairs for highly rated performances during his tenure. Subsequently, Mr. Lau worked with Easy Finance Limited as principal consultant between May 2011 and October 2015, responsible for all regulatory and legal compliances. Mr. Lau was also an executive director, chief executive officer, compliance office and authorized representative for hmvod Limited, a company listed on the GEM of the Stock Exchange of Hong Kong Limited (stock code: 8103) between December 2015 and December 2020.

Biography of Directors and Senior Management

Mr. Wong Chun Peng Stewart, aged 56, was appointed as an independent non-executive Director on 7 September 2022. Mr. Wong has more than 27 years of experience in the legal industry. Mr. Wong worked at Deacons Graham & James as a trainee solicitor from August 1993 to July 1995 and became an associate solicitor in the China Practice Group from August 1995 to December 1996. Mr. Wong was qualified as a solicitor of the High Court of Hong Kong in September 1995. Mr. Wong has practised law in a number of international firms such as Deacons (posting as a representative in Beijing, the PRC) from September 2002 to March 2005, Baker McKenzie from January 2007 to July 2009 and Hogan Lovells from February 1999 to March 2002, and has worked as in-house counsel in two listed companies in Hong Kong, namely Dickson Concepts (International) Limited, which is listed on the Main Board of the Stock Exchange (stock code: 0113) and Samsonite International S.A., which is also listed on the Main Board (stock code: 1910), from August 2009 to May 2013 and May 2013 to January 2016, respectively. Mr. Wong also practised as a consultant in law firms such as YTL & Co. from February 2017 to July 2018 and AH Lawyers from April 2020 to September 2020. Mr. Wong has been a principal of Stewart Wong & Associates, which is a law firm where he has been involved in the provision of a wide array of legal services, including mergers and acquisitions, litigation and general commercials. He was also an independent non-executive Director of TL Natural Gas Holdings Limited (stock code: 8536) from 28 June 2017 to 19 June 2020. Mr. Wong graduated from the City Polytechnic of Hong Kong (currently known as the City University of Hong Kong) with a bachelor's degree of law with first class honours in November 1991. He also obtained his master's degree in law from the University of Cambridge in England in June 1993.

Ms. Fu Yiman, aged 32, was appointed as an independent non-executive Director, on 10 October 2022. Ms. Fu worked at China Investment Securities Company Limited as a senior project manager from July 2015 to September 2016. She has worked as head of internal control team in project management department in Kaiyuan Securities Co., Ltd. from October 2016 to August 2017. Ms. Fu also practised as a managing director in bond financing department of Guorong Securities Co., Ltd. from September 2017 to June 2021. Ms. Fu obtained her bachelor's degree in Accounting in 2013 and her master's degree in accounting in 2015 from the Dongbei University of Finance and Economics.

Mr. Cheng Man Pan, aged 53, was appointed as an independent non-executive Director, on 14 November 2022. Mr. Cheng worked at KPMG Peat Marwick as audit supervisor from September 1992 to June 1996. He has worked at CCT Telecom as a senior project manager from December 1997 to March 1998. Mr. Cheng has worked as a chief financial controller in Celestial Asia Securities Holdings Limited (whose shares are listed on mainboard of the Stock Exchange (stock code: 1049)) from March 1998 to June 2004. He has worked as a chief operating officer and a executive Director for CASH Financial Services Group Limited (whose shares are listed on mainboard of the Stock Exchange (stock code: 510)) from June 2004 to April 2008, then he was served under CASH Financial Services Group Limited as a managing director of retail business group and executive Director for CASH Financial Services Group Limited from May 2008 to June 2011. He also worked as a managing director of China business development and executive Director from July 2011 to September 2012 and practiced as a managing director of investment services and executive Director from October 2012 to December 2013 for CASH Financial Services Group Limited. Mr. Cheng was a director of Maroubra Assets Limited from December 2014 to June 2021. He becomes a founder and managing director of Macqueen Asset Management Limited, a licensed corporation registered under SFO to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities, starting from June 2021 to now. Mr. Cheng obtained his bachelor's degree in Accounting in 1992 from City University of Hong Kong and his executive master's degree of Business Administration in 2013 from the Chinese University of Hong Kong.

Biography of Directors and Senior Management

Senior Management

Ms. Wong Siu Kuen, aged 64, 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 15 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 35, 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 seven 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.

Mr. Lee Tai Tong, aged 50, joined our group in October 2022 and has acted as a Responsible Officer of Pinestone Securities Limited since November 2022. Mr. Lee has been licensed by SFC to carry out Type 1 (dealing in securities) regulated activity since June 1997. Mr. Lee has over twenty years of experience in the securities industry. He had worked at National Resources Securities Ltd., Magusta Securities Ltd., First Shanghai Securities Ltd., and Ewarton Securities Ltd. He previously held executive positions or served as a director at 8 Securities Ltd. (SoFi HK) and Prior Securities Ltd. He is responsible to liaise with SFC, directs and oversees the overall operations of the type 1 regulated activity. He earned a Bachelor of Commerce degree at Saint Mary's University of Canada in 1994.

Miss Cheung Ka Yi, aged 32, has joined as a Director of Pinestone Securities Limited since September 2022. She has assumed management position in the company's administration, operation and control. She is also a key member of the credit committee. In 2013, she earned a BSc (Hons) in Investment Science from Hong Kong Polytechnic University. Upon graduation, she had taken executive positions with World Universal (International) Limited, and the Hong Kong Monetary Authority previously.

Company Secretary

Mr. Au Kin Kee Kinson, aged 58, joined our Group in November 2015 as our Director of Finance and Company Secretary. His major responsibilities are to review the finance and accounting functions and oversee financial reporting matters of our Group. Mr. Au has over fifteen years of experience in the securities industry. He worked in OSK Asia Securities Limited from September 1992 to April 1997. His last position was research manager. He joined Asia Financial (Securities) Limited as research manager from June 1997 to June 2015. He then joined Gartner Inc. as client relationship manager from June 1997 to June 2015. Mr. Au is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrator. According to the requirements of Rule 3.29 of the Listing Rules, Mr. Au undertook no less than 15 hours of relevant professional training during the year ended 31 December 2022.

Directors' Report

The Directors are pleased to present their report and the audited consolidated financial statements of the Pinestone Capital Limited (the"Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2022.

Principal Activities

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

Corporate Reorganisation

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability on 14 January 2015. Pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the subsidiaries now comprising the Group on 12 May 2015. Details of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure" section to the Company's prospectus. The Company issued and placed 120,000,000 new shares of HK$0.01 each at a subscription price of HK$0.50 per share. The Shares of the Company were listed on GEM of the Stock Exchange with effect on 12 June 2015. On 15 March 2016, the Company held a stock split of 10-for-1 shares as to increase the liquidity of the shares of the Company. On 2 June 2016, the Company placed 110,000,000 new shares at the placing price of HK$0.55 each to raise approximately HK$60.5 million. On 8 June, 2017, the Company successfully transferred from GEM to list its shares to trade on the Main Board of the Stock Exchange. On 21 October 2022, the Company underwent a 20-for-1 shares consolidation to comply with the trading requirements at the extremities under the Listing Rules and reduce the overall transaction and handling costs of dealings in the Shares. On 8 November 2022, the Company placed 45,118,900 new shares of HK$0.02 each at the placing price of HK$0.32 to raise approximately HK$14.29 million.

Financial Statements and Appropriations

The financial performance of the Group for the year ended 31 December 2022 and the financial position of the Group at that date are set out in the consolidated financial statements from pages 63 to 115 of this annual report.

The Directors do not recommend the payment of final dividend in respect of the financial year ended 31 December 2022 (2021: nil).

The Company did not pay any interim dividend for the first six months ended 30 June 2022 (2021: nil).

Share Capital

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

Property, Plant and Equipment

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

Pre-emptive Rights

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

Directors' Report

Purchase, Sale or Redemption of Listed Shares

During the year ended 31 December 2022, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of its listed shares of the Company.

Reserves

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

Distributable Reserves

As at 31 December 2022, the Company's reserves available for distribution amounted to approximately HK$158.7 million (31 December 2021: HK$153.5 million). Details of distributable reserve of the Company are set out in note 26 to the Financial Statements.

Directors

The Directors of the Company during the year ended 31 December 2022 and up to the date of this report are:

Executive Director

Mr. LEE Chun Tung (李鎮彤)

Non-executive Directors

Mr. CHEUNG Yan Leung Henry (張仁亮) (Chairman & redesignated as non-executive Director from 29 December 2022)
Mr. YAU Tung Shing (邱東成)

Independent Non-Executive Directors (INEDs.)

Mr. LAU Kelly (劉基力)
Mr. WONG Chun Peng Stewart (黃俊鵬)
Ms. FU Yiman (傅譯漫)*
Mr. CHENG Man Pan (鄭文彬)

(*) resigned on 2023

Board of Directors and Senior Management

Biographical information of Directors and senior management of the Group are set out from pages 29 to 31 of this annual report.

Directors' Service Contracts

Our executive Director and non-executive Directors have entered into a service contract with our Company and each of our INEDs has entered into a letter of appointment with our Company for a term of three years commencing, 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 Company and its Associated Corporations

As at 31 December 2022, none of the Directors and chief executives of the Company and/or any of their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (which has the same meaning as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO.

Directors' Interests in Significant Transactions, Arrangements and Contracts

Save for those disclosed in note 31, there is no transaction, arrangement or contracts of significance in relation to the Group's business to which the Company, or any of its subsidiaries was a party and in which a Director of the Company or an entity with him has or had a material interest, whether directly or indirectly, subsisted at any time during the year 2022.

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 2022 as the Company, or any of its subsidiaries or associated corporations, a party to any arrangement which enables the Directors and chief executives of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of acquisition of shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

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

As at 31 December 2022, 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
Ultimate Vantage	Directly beneficially owned	*1*	64,557,500	23.85%

Notes:

1. Ultimate Vantage is 100% owned by Mr. Hong Zhaohong, who is the beneficial owner of 64,557,500 shares in the Company. Mr. Hong Zhaohong owned 23.85% of the issued shares of the Company.

Directors' Report

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 2022, had an interest or short position in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

Share Option Scheme

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

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

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

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

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

Directors' Report

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

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

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

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

(c) the nominal value of a share.

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

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

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

Competing Interest

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

Related Party Transactions

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

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

Confirmation of Independence

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

Dividend Policy

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

Directors' Report

Dividends

The Directors do not recommend the payment of final dividend for the year ended 31 December 2022. (31 December 2021: nil)

The Company did not pay any interim dividend for the six months ended 30 June 2022 (30 June 2021: nil)

Total dividends paid by the Company for the year ended 31 December 2022 were nil (2021: nil.)

Events After the Reporting Period

The Directors are not aware of any significant event requiring disclosure that have been taken place subsequent to 31 December 2022 and up to the date of this report.

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 22 to 28 of this annual report.

Non-Competition Undertaking

Details of Non-Competition Undertaking of Mr. Cheung Yan Leung Henry 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.

Auditors

The consolidated financial statements of the Company for the year ended 31 December 2022 have been audited by the Company's auditor, BDO Limied, who shall retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting ("AGM"). A resolution for the re-appointment of BDO Limited as auditor of the Company will be proposed at the AGM.

Annual General Meeting

The AGM for the financial year 2022 of the Company will be held at 2:00 p.m. on 31 May 2023 (Wednesday) at Room 1807, 18/F., China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong and a notice of AGM will be published and despatched in due course.

On behalf of the Directors

Lee Chun Tung
Executive Director

Hong Kong, 24 March 2023

Environmental, Social and Governance Report

Introduction

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

Statement from the Board

The global economy continues its uneven recovery amid lingering novel coronavirus ("COVID-19") pandemic-related disruptions. In addition, the concerns over the negative impact of the newly-identified Omicron variant clouded over global economic growth in 2022. The Group has remained resilient in these challenging times with sound risk management and strong corporate governance.

To further integrate the principal of sustainable business into our business development strategy, our board of directors (the "Board") has been responsible for the evaluation, prioritization and management of ESG-related issues. This year was a successful year as the Group has reduced the overall GHG emissions through the combined efforts of our staffs across different business units as well as the effective energy conservation measures. As a green company, the Group will continue to encourage employees to lower electricity consumption and revise these energy conservation measures to further reduce the GHG emissions in the future.

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

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

Scope of Report

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

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

Reporting Period

The information stated in this report covers the period from 1 January 2022 to 31 December 2022 (the "Reporting Period") which aligns with the financial year as the 2022 annual report of the Group.

Environmental, Social and Governance Report

ESG Governance Structure

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

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

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

Reporting Framework

This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in Appendix 27 of the Rules Governing the Listing of Securities (the "Listing Rules") on Main Board of Stock Exchange.

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

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

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

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

Environmental, Social and Governance Report

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

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

Stakeholders Engagement

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

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

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

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

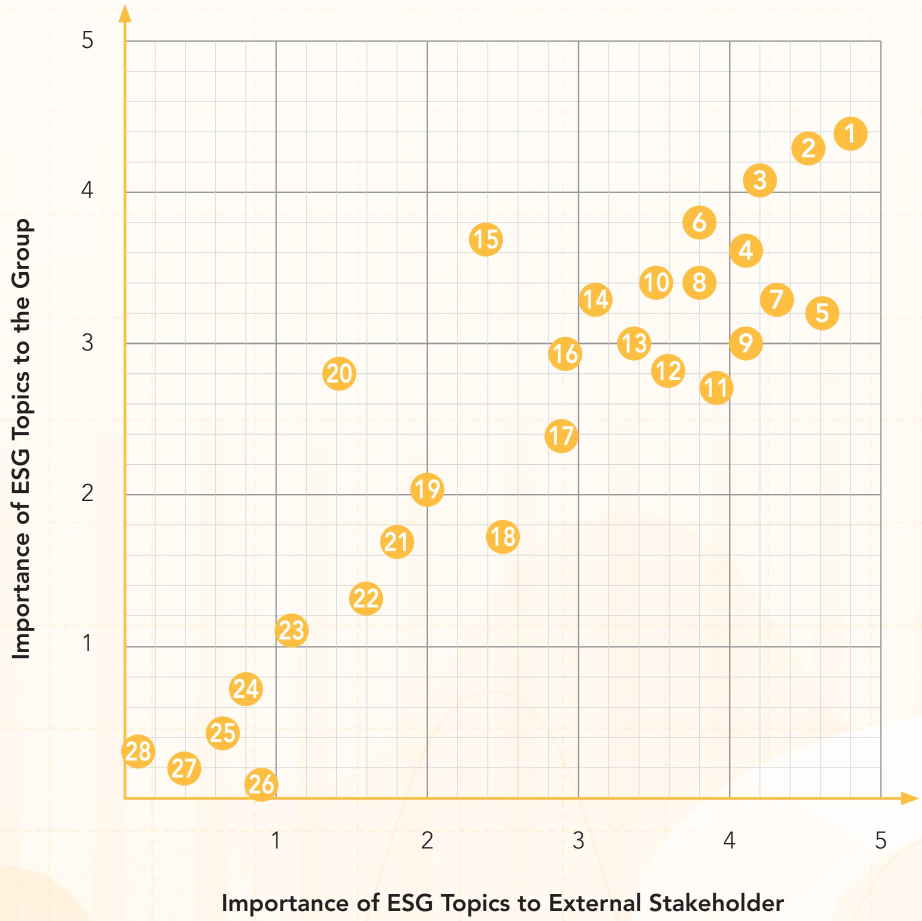
Environmental, Social and Governance Report

Materiality Assessment

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

The result of the materiality assessment is shown below:

Materiality Assessment Matrix



Environmental, Social and Governance Report

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

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

Areas of Concern

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

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

Environmental, Social and Governance Report

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

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

Stakeholders' Feedback

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

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

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

A. Environmental

A1 Emissions

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

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

GHG Emissions

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

Environmental, Social and Governance Report

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

Emissions	Units	2022	2021	Percentage Increase (+) or Decrease (-)
Total GHG emissions	tonnes	8.01	9.10	-12%
Total GHG emissions per floor area	tonnes/ft^2	Less than 0.01	Less than 0.01	-16%
Total GHG emissions per employee	tonnes/employee	0.47	0.70	-33%

In 2021 and 2022, the total GHG emissions were approximately 9.10 tonnes and 8.01 tonnes respectively. The decrease in GHG emissions between these two years was about 12% or 1.09 tonnes. The GHG emissions for the Group were primarily contributed by the usage of electricity. Since there has been a change in the office's floor, the percentage in GHG emissions per floor area decreased by 16%. The total GHG emissions per employee decreased by 33% in the Reporting Period.

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

Hazardous Waste and Non-hazardous Waste

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

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

Environmental, Social and Governance Report

A2 Use of Resources

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

Energy Consumption

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

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

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

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

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

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

Energy Consumption	**Units**	**2022**	**2021**	**Percentage Increase (+) or Decrease (-)**
Total energy consumption	kWh	9,007	10,289	-12%
Total energy consumption per floor area	kWh/ft^2	5.12	6.06	-16%
Total energy consumption per employee	kWh/employee	529.8	791.5	-33%

Compared to last year's figures, the Group's total energy consumption have decreased by 12%. The total energy consumption per floor area have decreased by 16%, which was due to the decrease in total energy consumption in 2022 and the increase in floor area. The total energy consumption per employee has decreased by 33%, which was due to the decrease in total energy consumption in 2022 and the increase in the number of employees. The Group will continue to maintain the efficiency of resource utilisation and gradually establish a quantitative target for future electricity usage based on resource utilisation in the current year.

Environmental, Social and Governance Report

The Group's ability to use energy efficiently can be revealed by its intention and measures for the reductions in energy consumption. Energy consumption has a direct effect on the environmental footprint of the Group, its operational costs, and exposure to certain risks (e.g. fluctuations in energy supply and prices). The Group's policies and measures specific to managing energy use have been stated above. We consider such policies had been adopted and measures had been achieved for the year ended 31 December 2022.

Water Consumption

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

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

Paper Usage

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

1. Encourage employees to reduce the use of paper by assessing the necessity of printing before use;
2. Encourage double sides printing and the use of scrap papers in printing;
3. Use recycled paper for intra-group informal documents and draft papers;
4. Send electronic greetings over email or other forms of electronic applications, such as WhatsApp or WeChat, rather than faxing or writing; and
5. Encourage the shredding and recycling of documents that are no longer needed.

Paper Usage	**Units**	**2022**	**2021**	**Percentage Increase (+) or Decrease (-)**
Total paper consumption	Kilograms (kg)	337	372	-9%
Total paper consumption per employee	Kilograms (kg)/ employee	19.81	28.61	-31%

During the Reporting Period, there has been an decrease in the paper consumption level by 9% from 372 kg to 337 kg when compared to the previous year. Since the total number of employees increased in 2022, the total paper consumption per employee decreased by 31%. The Group strives to reduce the overall paper consumption level through implementing the above measures.

Environmental, Social and Governance Report

The major reason associated for the increase in paper consumption level was mainly due to the gradual recovery of the economy from the novel coronavirus (COVID-19). As the economy rebounded in 2022, a large proportion of employees returned to office during the second quarter. On average throughout the year, the number of employees increased in the office and resulted in the increased usage of the office's paper.

Although the epidemic situation of COVID-19 in Hong Kong may still be highly severe with the emergence of a new strain, the Group will continue to implement the existing resources saving measures and explore new efficiency strategies, and encourage employees to take further actions to reduce paper usage.

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

A3 The Environment and Natural Resources

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

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

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

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

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

Environmental, Social and Governance Report

A4 Climate Change

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

Physical risk

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

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

Transition risk

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

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

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

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

Environmental, Social and Governance Report

B. Social

B1 Employment

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

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

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

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

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

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

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

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

Environmental, Social and Governance Report

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

Number and Percentage of Employees by Age Group

Year	Age Group					
	21-30	31-40	41-50	51-60	>60	Total
2021	– (0%)	4 (31%)	2 (15%)	1 (8%)	6 (46%)	13 (100%)
2022	1 (6%)	5 (29%)	3 (18%)	5 (29%)	3 (18%)	17 (100%)

Number and Percentage of Employees by Gender

Year	Gender		
	Male	Female	Total
2021	10 (77%)	3 (23%)	13 (100%)
2022	12 (71%)	5 (29%)	17 (100%)

The workforce of the Group was relatively stable throughout the Reporting Period. All the employees are full-time staff and situated in Hong Kong. Senior employees contribute to the Group through their vast experience and knowledge in the financial services industry. They nurture and train the younger employees to enhance their business acumen and support their career path. The structure of our workforce was one of the key drivers for the Group to navigate through the complex economic environment in 2022.

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

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

Environmental, Social and Governance Report

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

Year	Age Group				
	21-30	31-40	41-50	51-60	>60
2021	–	–	–	–	–
2022	–	22%	–	–	67%

Year	Gender	
	Male	Female
2021	–	–
2022	36%	–

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

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

B2 Health and Safety

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

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

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

Environmental, Social and Governance Report

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

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

With the continued outbreak of COVID-19, the well-being and health of the Group's employees remain our utmost priority in 2022. In order to ensure a safe and healthy working environment for our employees, the Group strives to minimize the risk of COVID-19 transmission through implementing precautionary measures in the office. The measures are listed below.

- Surgical mask and alcohol based hand sanitizers are provided to employees.
- Workplace and common area are disinfected more frequent with diluted bleaching agents.
- Employees or visitors who show symptoms of COVID-19 are not permitted to enter the Group's premises.
- Periodically, employees are reminded to maintain their own personal hygiene.

Throughout the year, the Group has also organised work from home arrangements for the employees to minimise the impact of COVID-19.

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

B3 Development and Training

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

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

Environmental, Social and Governance Report

Pursuant to the Code Provision A.6.5 under Appendix 14 of the 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 representative officers and Company Secretary, in continuous professional training and encourages them to attend professional training programs organised by various professional bodies by offering eligible employees with sponsorship, examination fee reimbursement, education and examination leaves. Every licensed individual must complete at least five hours of continuous professional training per calendar year for each type of regulated activity. The Group ensures that our licensed staff fulfils the relevant requirement and maintains the training attendance record. Overall, 31% of the workforce received training in the Reporting Period.

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

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

Percentage of employees trained	**Category**	**Units**	**2022**	**2021**
Gender	Male	%	83%	75%
	Female	%	17%	25%

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

Average training hours completed per employee	**Category**	**Units**	**2022**	**2021**
Gender	Male	hours	11.88	2.50
	Female	hours	10.00	1.67
Overall average training hours completed per employee		hours	11.50	2.31

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

Environmental, Social and Governance Report

B4 Labour Standards

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

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

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

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

B5 Supply Chain Management

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

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

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

Environmental, Social and Governance Report

B6 Product Responsibility

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

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 2022.

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

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

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

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

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

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

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

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

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

Environmental, Social and Governance Report

Product Health and Safety

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

Intellectual Property

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

Protection of Customers' Data

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

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

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

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

Advertising and Labelling

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

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

B7 Anti-corruption

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

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

Environmental, Social and Governance Report

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

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

During the Reporting Period, the Group has complied with all applicable anti-money laundering laws and regulations in Hong Kong, including the Anti-Money Laundering and Counter-Terrorist Financing Ordinance, Cap. 615 and the AML Guideline issued by the SFC. Though no formal training related to anticorruption was provided to the employees due to the situation of the COVID-19, the management has always encouraged the employees to access the online training materials offered by several authorities in order to equip themselves with the latest update and development regarding anti-corruption.

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

B8 Community Investment

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

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

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

Independent Auditor's Report

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

(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Pinestone Capital Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 63-115, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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)(ii), 4(ii), 17, 18 and 35(a) in the consolidated financial statements

As at 31 December 2022, the Group had gross carrying amount of trade receivables due from margin clients amounting to HK$90,802,000 and gross carrying amount of loans receivable amounting to HK$111,447,000. The Group assessed impairment for these receivables based on expected credit losses model under HKFRS 9 *Financial Instruments* ("HKFRS 9"). Loss allowance for expected credit losses amounting to HK$37,615,000 and HK$42,499,000 have been made for the trade receivables due from margin clients and loans receivable respectively as at 31 December 2022.

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

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

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

- Testing key controls over 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 management for determining whether the credit risk of the receivables has increased significantly since initial recognition, whether the receivables are credit-impaired and the amount of loss allowance required, including:

    - Re-performing the calculation of collateral ratio;

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

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

Independent Auditor's Report

Key Audit Matters (continued)

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

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

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

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

Other Information in the Annual Report

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

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

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

Directors' Responsibilities for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with 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, actions taken to eliminate threats or safeguards applied.

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

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

Hong Kong, 24 March 2023

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	6	**19,471**	24,973
Other income	7	**88**	44
Employee benefit expenses	8	**(10,107)**	(9,309)
Depreciation		**(1,033)**	(1,953)
Impairment losses on trade and loans receivables, net	17 & 18	**(49,568)**	(12,499)
Other operating expenses		**(7,107)**	(6,295)
Finance costs	9	**(89)**	(67)
Loss before income tax	10	**(48,345)**	(5,106)
Income tax credit	12	**6,875**	173
Loss and total comprehensive income for the year		**(41,470)**	(4,933)
		HK cents	HK cents (Restated)
Loss per share			
Basic and diluted	14	**(17.52)**	(2.15)

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*15*	**1,605**	2,925
Intangible asset	*16*	**500**	500
Statutory deposits placed with stock exchange and clearing house		**205**	205
Deferred tax assets	*24*	**11,453**	3,905
		13,763	7,535
Current assets			
Trade receivables	*17*	**53,187**	91,007
Loans receivable	*18*	**68,948**	51,321
Other receivables, deposits and prepayments	*19*	**779**	598
Tax recoverable		**–**	661
Trust bank balances held on behalf of customers	*20*	**3,125**	2,598
Cash and bank balances	*21*	**30,140**	45,580
		156,179	191,765
Current liabilities			
Trade payables	*22*	**3,119**	2,851
Other payables and accruals		**748**	2,215
Lease liabilities	*23*	**964**	924
Tax payable		**12**	–
		4,843	5,990
Net current assets		**151,336**	185,775
Total assets less current liabilities		**165,099**	193,310
Non-current liability			
Lease liabilities	*23*	**623**	1,587
		623	1,587
Net assets		**164,476**	191,723
CAPITAL AND RESERVES			
Share capital	*25*	**5,414**	4,512
Reserves	*26*	**159,062**	187,211
Total equity		**164,476**	191,723

On behalf of the directors

Mr. Lee Chun Tung
Director

Mr. Yau Tung Shing
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Share capital HK$'000 (note 25)	Share premium* HK$'000 (note 26)	Capital reserve* HK$'000 (note 26)	Retained profits* HK$'000 (note 26)	Total HK$'000
At 1 January 2021	4,512	159,429	(4,866)	37,581	196,656
Loss for the year	–	–	–	(4,933)	(4,933)
Total comprehensive income for the year	–	–	–	(4,933)	(4,933)
At 31 December 2021 and 1 January 2022	**4,512**	**159,429**	**(4,866)**	**32,648**	**191,723**
Loss for the year	**–**	**–**	**–**	**(41,470)**	**(41,470)**
Total comprehensive income for the year	**–**	**–**	**–**	**(41,470)**	**(41,470)**
Transactions with owners:					
Placing of shares *(note 25)*	**902**	**13,321**	**–**	**–**	**14,223**
At 31 December 2022	**5,414**	**172,750**	**(4,866)**	**(8,822)**	**164,476**

* 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 2022

	Notes	2022 HK$'000	2021 HK$'000
Operating activities			
Loss before income tax		**(48,345)**	(5,106)
Adjustments for:			
Depreciation on property, plant and equipment		**1,033**	1,953
Impairment losses on trade and loans receivables, net		**49,568**	12,499
Loss/(Gain) on disposal of property, plant and equipment		**67**	(44)
Bank Interest Income		**(1)**	–
Interest expense		**89**	67
Operating profit before working capital changes		**2,411**	9,369
Decrease in statutory deposits placed with stock exchange and clearing house		**–**	1,000
Decrease/(Increase) in trade receivables		**12,937**	(1,619)
Increase in loans receivable		**(42,312)**	(6,018)
(Increase)/Decrease in other receivables, deposits and prepayments		**(181)**	602
(Increase)/Decrease in trust bank balances held on behalf of customers		**(527)**	1,571
Increase/(Decrease) in trade payables		**268**	(25,460)
(Decrease)/Increase in other payables and accruals		**(1,467)**	1,138
Net cash used in operations		**(28,871)**	(19,417)
Income tax refunded, net		**–**	524
Net cash used in operations		**(28,871)**	(18,893)
Investing activities			
Proceed from disposal of property, plant and equipment		**220**	159
Purchase of property, plant and equipment		**–**	(558)
Bank interest income		**1**	–
Net cash from/(used in) investing activities		**221**	(399)
Financing activities			
Payment of capital element of lease liabilities	*30*	**(924)**	(1,929)
Interest paid		**(89)**	(67)
Placing of shares	*25*	**14,223**	–
Net cash from/(used in) financing activities		**13,210**	(1,996)
Net decrease in cash and cash equivalents		**(15,440)**	(21,288)
Cash and cash equivalents at beginning of year		**45,580**	66,868
Cash and cash equivalents at end of year		**30,140**	45,580
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		**30,140**	45,580

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

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

The Company's parent is Ultimate Vantage Group Limited ("Ultimate Vantage"), a limited liability company incorporated in the British Virgin Islands ("BVI"). In the opinion of the directors, Ultimate Vantage is also the ultimate parent of the Company.

The consolidated financial statements for the year ended 31 December 2022 were approved and authorised for issue by the directors on 24 March 2023.

2. Summary of significant accounting policies

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

(a) Basis of preparation

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

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

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

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

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

Notes to the 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 HKFRS. 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:

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

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

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)).

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

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

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

Right-of-use assets

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

Lease liabilities

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

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

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

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

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

(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 any 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

(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.

Debt instruments

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

Financial assets at amortised cost

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

(ii) Impairment loss on financial assets

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

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

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

(g) Financial instruments (continued)

(ii) Impairment loss on financial assets (continued)

The ECL are measured on either of the following bases:

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

(g) Financial instruments (continued)

(ii) Impairment loss on financial assets (continued)

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

(iii) Financial liabilities

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

Financial liabilities at amortised cost

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

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

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

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

(g) Financial instruments (continued)

(vi) Derecognition (continued)

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.

(vii) 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.

(h) Recognition of revenue and other income

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

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

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

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

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

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

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of 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 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.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

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

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.

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

(i) Contract costs, contract assets and contract liabilities

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. 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 assets 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 (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)(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

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 at amortised cost using the effective interest method (see note 2(g)(i)) less allowance for credit losses (see note 2(g)(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

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

(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 reporting period.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

(m) Income taxes (continued)

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

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

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

(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 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.

(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.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

(o) Employee benefits (continued)

(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. Property, plant and equipment including right-of-use assets and investments in subsidiaries are tested for impairment whenever there are indications that the assets' carrying amounts may not be recoverable.

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

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

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

(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.

(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.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

(s) Government grant

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable and are recognised as other revenue, rather than reducing the related expense.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

(t) 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.

(u) 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.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

(u) Related parties (continued)

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

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

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

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

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

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

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

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

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

3. Adoption of New or Revised HKFRS

(a) Adoption of revised HKFRS – effective 1 January 2022

In the current year, the Group has applied for the first time the following amendments of standards issued by the HKICPA, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2022:

Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	Annual Improvements to HKFRSs 2018-2020
Amendments to HKFRS 3	Reference to Conceptual Framework
Amendments to HKFRS 16	Covid-19-Related Rent Concession beyond 30 June 2021

These amendments to HKFRS standards had no material impact on the Group's consolidated financial statements.

Notes to the Financial Statements

3. Adoption of New or Revised HKFRS (continued)

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

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

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants and related amendments to HK Interpretation 5 (Revised) Presentation of Financial Statements[2]

1 Effective for annual periods beginning on or after 1 January 2023.

2 Effective for annual periods beginning on or after 1 January 2024.

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

The Group does not expect any other standards issued by the HKICPA, but not yet effective, to have a material impact on the Group.

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:

Notes to the Financial Statements

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

Key sources of estimation uncertainty (continued)

(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 the credit-impaired financial assets as well as the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

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

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

(iii) *Measurement of deferred tax balances*

The Group has recognised deferred tax assets which amounted to HK$11,453,000 as at 31 December 2022 (2021: HK$3,905,000). 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. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits. Where the timing and/or the amount of future taxable income differ from the expectation, a material adjustment to the deferred tax assets may be necessary. Further details of the Group's deferred tax assets are set out in note 24.

Notes to the Financial Statements

5. Segment Information

(a) Operating segment information

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

(b) Geographical segment information

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

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

(c) Information about major customers

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

	2022 **HK$'000**	2021 HK$'000
Customer I	**4,113**	4,600
Customer II	**3,842**	4,638
Customer III	**2,033**	N/A
Customer IV	**N/A**	3,345
Customer V	**N/A**	3,022

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

Notes to the Financial Statements

6. Revenue

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

	2022 HK$'000	2021 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
– Commission income from securities brokerage services	168	525
– Fee income from placing and underwriting services	–	83
– Handling fee income	63	184
	231	792
Revenue from other sources		
– Interest income from margin financing services	11,907	15,633
– Interest from money lending services	7,333	8,548
	19,471	24,973

Revenue from contracts with customers derived by the Group for the year ended 31 December 2022 amounting to HK$231,000 (2021: HK$792,000) are recognised at a point in time.

7. Other Income

	2022 HK$'000	2021 HK$'000
Bank interest income	1	–
Gain on disposal of property, plant and equipment	–	44
Custodian income	87	–
	88	44

Notes to the Financial Statements

8. Employee Benefit Expenses

Employee costs (including directors' emoluments) comprises:

	2022 HK$'000	2021 HK$'000
Salaries, allowances and other benefits	**9,970**	9,194
Contributions to defined contribution retirement plan *(note)*	**137**	115
	10,107	9,309

Note:

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

9. Finance Costs

	2022 HK$'000	2021 HK$'000
Interest on lease liabilities	**89**	63
Interest on bank borrowings	**–**	4
	89	67

10. Loss Before Income Tax

Loss before income tax is arrived at after charging:

	2022 HK$'000	2021 HK$'000
Depreciation charge		
Owned property, plant and equipment	**135**	38
Right-of-use assets included in property, plant and equipment	**898**	1,915
Auditor's remuneration	**579**	647
Legal and professional fee	**4,778**	3,617
Loss on disposal of property, plant and equipment	**67**	–

Notes to the Financial Statements

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

(a) Directors' emoluments

Directors' emoluments are disclosed as follows:

	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonus HK$'000	Contributions to retirement benefits scheme HK$'000	Total HK$'000
Year ended 31 December 2022					
Executive director					
Mr. Cheung Yan Leung Henry (redesignated as non-Executive Director from 29 December 2022)	–	3,152	–	–	3,152
Mr. Cheung Jonathan (resigned on 7 September 2022)	–	1,747	–	12	1,759
Mr. Lee Chun Tung (appointed on 14 September 2022)	71	–	–	–	71
	71	4,899	–	12	4,982
Non-Executive Director					
Mr. Yau Tung Shing (appointed on 2 September 2022)	79	–	–	–	79
Independent non-executive Director					
Mr. Yeung King Wah (resigned on 14 November 2022)	104	–	–	–	104
Mr. Lai Tze Leung George (resigned on 10 October 2022)	93	–	–	–	93
Mr. So Stephen Hon Cheung (resigned on 14 November 2022)	104	–	–	–	104
Mr. Lau Kelly (appointed on 2 September 2022)	48	–	–	–	48
Mr. Wong Chun Peng Stewart (appointed on 7 September 2022)	46	–	–	–	46
Ms. Fu Yiman (appointed on 10 October 2022)*	33	–	–	–	33
Mr. Cheng Man Pan (appointed on 14 November 2022)	19	–	–	–	19
	526	–	–	–	526
	597	4,899	–	12	5,508

* Ms. Fu Yiman resigned on 28 February 2023

	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 2021					
Executive directors					
Mr. Cheung Yan Leung Henry	–	2,760	600	–	3,360
Mr. Cheung Jonathan	–	1,605	600	18	2,233
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	4,365	1,200	18	5,943

Notes to the Financial Statements

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

(a) Directors' emoluments (continued)

No directors waived or agreed to waive any emoluments during the year ended 31 December 2022 (2021: 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 (2021: nil).

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

(b) Five highest paid individuals

Of the five individuals whose emoluments were the highest in the Group during the year, two (2021: two) were directors of the Company whose emoluments are included in note 11(a) above. The emoluments payable to the remaining three (2021: three) highest paid individuals are as follows:

	2022 **HK$'000**	2021 HK$'000
Salaries, allowances and other benefits	**2,072**	2,022
Discretionary bonus	**–**	35
Contributions to defined contribution retirement plan	**53**	53
	2,125	2,110

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 (2021: nil).

(c) Senior management's emoluments

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

	2022 **Number of individuals**	2021 Number of individuals
Nil to HK$1,000,000	**5**	3

Notes to the Financial Statements

12. Income Tax Credit

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

	2022	2021
	HK$'000	HK$'000
Current tax – Hong Kong Profits Tax		
– tax for the year	**673**	–
– over-provision in respect of prior years	**–**	(9)
	673	(9)
Deferred tax *(note 24)*		
– current year	**(7,518)**	(240)
– attributable to change in applicable tax rate	**(30)**	76
	(7,548)	(164)
Income tax credit	**(6,875)**	(173)

The Group is subject to Hong Kong Profits Tax.

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

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

	2022	2021
	HK$'000	HK$'000
Loss before income tax	**(48,345)**	(5,106)
Tax on loss before income tax, calculated at Hong Kong Profits Tax rate of 16.5%	**(7,977)**	(843)
Effect on adoption of two-tiered profits tax rates regime	**1,140**	202
Tax effect of expenses not deductible for tax purposes	**864**	507
Tax effect of temporary difference not recognised	**46**	(18)
Tax effect of tax losses not recognised	**–**	455
Utilisation of tax losses previously not recognised	**(918)**	(543)
Effect on opening deferred tax balances resulting from change in applicable tax rate	**(30)**	76
Over-provision in respect of prior years	**–**	(9)
Income tax credit	**(6,875)**	(173)

Notes to the Financial Statements

13. Dividends

The directors of the Company do not recommend the payment of final dividend in respect of the year ended 31 December 2022 (2021: nil).

14. Loss Per Share

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

	2022	2021
	HK$'000	HK$'000
Loss		
Loss for the year attributable to owners of the Company	**(41,470)**	(4,933)

	2022	2021
	Number of Shares	Number of Shares
	'000	'000
		(Restated)
Weighted average number of ordinary shares		
Weighted average number of ordinary shares in issue during the year	**236,683**	229,881

The weighted average number of ordinary shares for the purposes of calculating the basic loss per share for the year ended 31 December 2022 is based on the weighted average number of shares in issue during the year and adjusted for the bonus element on share consolidation as set out in note 25(1). The weighted average number of ordinary shares for the year ended 31 December 2021 is restated accordingly.

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

Notes to the Financial Statements

15. Property, Plant and Equipment

	Owned assets				Right-of-use assets		
	Leasehold improvements HK$'000	Motor vehicle HK$'000	Furniture, fixtures and equipment HK$'000	Computer system and software HK$'000	Office premises HK$'000	Motor vehicle HK$'000	Total HK$'000
Cost							
1 January 2021	551	–	185	240	5,464	294	6,734
Additions	188	359	11	–	2,695	–	3,253
Terminations	–	–	–	–	(5,464)	(294)	(5,758)
At 31 December 2021 and 1 January 2022	739	359	196	240	2,695	–	4,229
Disposals	(551)	(359)	(58)	–	–	–	(968)
At 31 December 2022	188	–	138	240	2,695	–	3,261
Accumulated depreciation							
At 1 January 2021	551	–	159	218	3,938	128	4,994
Charge for the year	16	12	5	5	1,863	52	1,953
Terminations	–	–	–	–	(5,463)	(180)	(5,643)
At 31 December 2021 and 1 January 2022	567	12	164	223	338	–	1,304
Charge for the year	63	60	7	5	898	–	1,033
Disposals	(551)	(72)	(58)	–	–	–	(681)
At 31 December 2022	79	–	113	228	1,236	–	1,656
Net carrying amount							
At 31 December 2022	109	–	25	12	1,459	–	1,605
At 31 December 2021	172	347	32	17	2,357	–	2,925

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

Notes to the Financial Statements

16. Intangible Asset

	Trading right HK$'000
Cost	
At 1 January 2021, 31 December 2021 and 31 December 2022	500
Accumulated impairment	
At 1 January 2021, 31 December 2021 and 31 December 2022	–
Net carrying amount	
At 31 December 2022	500
At 31 December 2021	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 2022, 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 (2021: 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 2022 (2021: 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 2022 (2021: nil).

Notes to the Financial Statements

17. Trade Receivables

	2022 **HK$'000**	2021 HK$'000
Trade receivables arising from securities dealing and margin financing *(note (a))*		
– Margin clients *(note (b))*	**90,802**	100,732
– Clearing house *(note (c))*	**–**	245
	90,802	100,977
Less: Loss allowance *(note (d))*	**(37,615)**	(9,970)
	53,187	91,007

Notes:

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

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

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

As at 31 December 2022, gross carrying amount of trade receivables due from margin clients amounting to HK$29,273,000 (2021: HK$96,290,000) were current and HK$61,529,000 (2021: HK$4,442,000) were repayable on demand. These margin loans were interest bearing at fixed rates ranging from 8% to 24% (2021: 8% to 24%) per annum.

Notes to the Financial Statements

17. Trade Receivables (continued)

Notes: (continued)

(b) (continued)

As at 31 December 2022, gross carrying amount of HK$57,622,000 of the trade receivables due from margin clients were considered as credit impaired (2021: nil).

During the year ended 31 December 2022, the Group had not written off balances due from margin clients (2021: nil).

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 2022 (2021: nil).

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

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

	2022 **HK$'000**	2021 HK$'000
At 1 January	**9,970**	2,777
Impairment losses charged to profit or loss	**24,883**	7,193
Unwinding of discount	**2,762**	–
At 31 December	**37,615**	9,970

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

Notes to the Financial Statements

18. Loans Receivable

	2022 **HK$'000**	2021 HK$'000
Loans receivable arising from money lending *(notes (a) & (b))*	**111,447**	67,774
Less: Loss allowance *(note (c))*	**(42,499)**	(16,453)
	68,948	51,321

Notes:

(a) Loans receivable include certain borrowers, which are margin clients of the Group's securities dealing business, either (i) had entered into securities charge agreement with the Group charging certain securities or securities portfolio as collateral which were deposited in the designated custodian account maintained by the borrower; or (ii) had undertaken to maintain a net assets value at a specified amount in terms of market value of securities held or cash in the designated margin account maintained by the borrower.

(b) The loans receivable as at 31 December 2022 were interest-bearing at a fixed rate ranging from 12.0% to 15.0% (2021: 12.0% to 15.0%) per annum, of which HK$38,185,000 (2021: HK$37,447,000) were current, HK$41,673,000 (2021: nil) were past due within one year and HK$31,589,000 (2021: HK$30,327,000) were past due more than one year but less than two years.

As at 31 December 2022, gross carrying amount of HK$73,262,000 of the loans receivable balance were considered as credit impaired (2021: nil).

During the year ended 31 December 2022, the Group had not written off loans receivable balance (2021: nil).

During the year ended 31 December 2021, the Group entered into debt assignment arrangements, as the assignor, with third parties as assignees for credit risk management purposes. Pursuant to the debt assignment arrangements, the Group agreed to sell and the assignee agreed to purchase, all of the right, title and interest of the remaining balance of certain loans receivable at a discounted consideration of HK$35,263,000 in total.

Based on the assessment performed by the Group, the debt assignments for loans receivable due from borrowers are regarded as derecognition of financial assets. The gross carrying amount of those loans receivable before debt assignment were HK$44,079,000 and loss allowance on those loans receivable of HK$18,671,000 were recognised in profit or loss in prior years. Upon the debt assignments being effective, the Group had written off the remaining loss allowances on loans receivable of HK$8,816,000 against the balances due from relevant borrowers during the year ended 31 December 2021 as no further cash flows were expected to be realised from the relevant receivables.

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

	2022 **HK$'000**	2021 HK$'000
At 1 January	**16,453**	19,963
Impairment losses charged to profit or loss	**24,685**	5,306
Unwinding of discount	**1,361**	–
Amounts written off as uncollectible	**–**	(8,816)
At 31 December	**42,499**	16,453

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

Notes to the Financial Statements

19. Other Receivables, Deposits and Prepayments

	2022 HK$'000	2021 HK$'000
Deposits	**405**	407
Prepayments	**374**	191
	779	598

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.

22. Trade Payables

	2022 HK$'000	2021 HK$'000
Trade payables arising from securities dealing		
– Cash clients	**672**	639
– Margin clients	**2,447**	2,212
	3,119	2,851

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 2022 and 2021 included balances payable to certain related parties. Further details of these balances are set out in note 31(b).

Notes to the Financial Statements

23. Lease Liabilities

The Group as leasee

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

The movement of lease liabilities are as follows:

	Office premises HK$'000	Motor vehicle HK$'000	Total HK$'000
At 1 January 2021	1,581	164	1,745
Addition	2,695	–	2,695
Finance costs	55	8	63
Lease payments	(1,820)	(172)	(1,992)
At 31 December 2021	**2,511**	**–**	**2,511**
Finance costs	**89**	**–**	**89**
Lease payments	**(1,013)**	**–**	**(1,013)**
At 31 December 2022	**1,587**	**–**	**1,587**

Future lease payments are due as follows:

	Minimum lease payments HK$'000	Interest HK$'000	Present value of minimum lease payments HK$'000
As at 31 December 2022			
Not later than one year	**1,013**	**(49)**	**964**
Within a period of more than one year but not exceeding two years	**632**	**(9)**	**623**
	1,645	**(58)**	**1,587**

Notes to the Financial Statements

23. Lease Liabilities (continued)

The Group as lessee (continued)

Future lease payments are due as follows: (continued)

	Minimum lease payments HK$'000	Interest HK$'000	Present value of minimum lease payments HK$'000
As at 31 December 2021			
Not later than one year	1,013	(89)	924
Within a period of more than one year but not exceeding two years	1,013	(49)	964
Within a period of more than two years but not exceeding five years	632	(9)	623
	2,658	(147)	2,511

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

	31 December 2022 HK$'000	31 December 2021 HK$'000
Current liabilities	**964**	924
Non-current liabilities	**623**	1,587
	1,587	2,511

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

Notes to the Financial Statements

24. Deferred Tax Assets

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

	Depreciation in excess of related depreciation allowance HK$'000	Impairment provision on trade and loans receivables HK$'000	Total HK$'000
At 1 January 2021	45	3,696	3,741
(Charged)/Credited to profit or loss *(note 12)*			
Current year effect	(6)	246	240
Effect on opening balances resulting from change in applicable tax rate	5	(81)	(76)
At 31 December 2021 and 1 January 2022	**44**	**3,861**	**3,905**
(Charged)/Credited to profit or loss *(note 12)*			
Current year effect	**(37)**	**7,555**	**7,518**
Effect on opening balances resulting from change in applicable tax rate	**–**	**30**	**30**
At 31 December 2022	**7**	**11,446**	**11,453**

As at 31 December 2022, the Group has unused tax losses amounting to approximately HK$9,063,000 (2021: HK$14,467,000) 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.

Notes to the Financial Statements

25. Share Capital

Authorised and issued shares

	Par value HK $	Number of ordinary shares	Amount HK$'000
Authorised:			
At 1 January 2021, 31 December 2021 and 1 January 2022	**0.001**	**500,000,000,000**	**500,000**
Share consolidation *(Note (1))*		**(475,000,000,000)**	**–**
At 31 December 2022	**0.020**	**25,000,000,000**	**500,000**
Issued and fully paid:			
At 1 January 2021, 31 December 2021 and 1 January 2022	**0.001**	**4,511,890,000**	**4,512**
Share consolidation *(Note (1))*		**(4,286,295,500)**	**–**
	0.020	**225,594,500**	**4,512**
Placing of shares *(Note (2))*	**0.020**	**45,118,900**	**902**
At 31 December 2022	**0.020**	**270,713,400**	**5,414**

Notes:

(1). On 19 October 2022, an ordinary resolution in relation to share consolidation was approved by the shareholders at an extraordinary general meeting held on the same date. Pursuant to the share consolidation, the number of authorized shares of the Company decreased to 25,000,000,000 shares of par value of HK$0.02 each, of which 4,511,890,000 shares were consolidated into 225,594,500 shares effective from 21 October 2022.

(2). On 8 November 2022, a total of 45,118,900 Placing Shares have been successfully placed by the Placing Agent to not less than six Placees at Placing Price of HK$0.32 per Placing Share pursuant to the terms and conditions of the Placing Agreement, representing approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares immediately upon completion of the Placing and the new shares issued rank pari passu with other shares in issue in all respects. The proceeds from the Placing and the net proceeds after deduction of the placing commission and other related expenses, amounted to approximately HK$14.44 million and HK$14.22 million, respectively. The Company intends to use such net proceeds for expanding the existing business.

Notes to the Financial Statements

26. Reserves

The Group

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

Share premium

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

Capital reserve

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

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

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

Retained profits

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

Notes to the Financial Statements

26. Reserves (continued)

The Company

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

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2021	159,429	(2,949)	156,480
Loss for the year	–	(3,008)	(3,008)
At 31 December 2021 and 1 January 2022	**159,429**	**(5,957)**	**153,472**
Loss for the year	**–**	**(8,046)**	**(8,046)**
Placing of shares	**13,321**	**–**	**13,321**
At 31 December 2022	**172,750**	**(14,003)**	**158,747**

27. Share Option Scheme

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

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

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

Notes to the Financial Statements

27. Share Option Scheme (continued)

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

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

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

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

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

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

(c) the nominal value of a share.

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

Notes to the Financial Statements

28. Holding Company Statement of Financial Position

Below is the statement of financial position of the Company as at 31 December 2022.

	Notes	2022 HK$'000	2021 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	*29*	**104,581**	104,581
Current assets			
Prepayments		**299**	133
Amounts due from subsidiaries		**64,608**	67,822
Cash and bank balances		**3,928**	351
		68,835	68,306
Current liabilities			
Other payables and accruals		**303**	596
Amount due to a subsidiary		**8,952**	14,307
		9,255	14,903
Net current assets		**59,580**	53,403
Net assets		**164,161**	157,984
CAPITAL AND RESERVES			
Share capital	*25*	**5,414**	4,512
Reserves	*26*	**158,747**	153,472
Total equity		**164,161**	157,984

On behalf of the directors

Mr. Lee Chun Tung
Director

Mr. Yau Tung Shing
Director

Notes to the Financial Statements

29. Investments in Subsidiaries

Details of the subsidiaries as at 31 December 2022 are as follows:

Name of subsidiary	Place of incorporation and type of legal entity	Place of operations	Issued and paid up capital	Effective interest held by the Company		Principal activities
				Directly	Indirectly	
Pinestone Securities Limited	Hong Kong/Limited liability company	Hong Kong	149,000,000 shares of HK$149,000,000	–	100%	Provision of securities brokerage services, placing and underwriting services as well as margin financing services
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	Hong Kong/Limited liability company	Hong Kong	1 share of HK$1	100%	–	Inactive
Allied First Investment Limited	The BVI/Limited liability company	Hong Kong	1 ordinary share of US$1 each	100%	–	Inactive
JP Associates Limited	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.

Notes to the Financial Statements

30. Notes to the Consolidated Statement of Cash Flows

Reconciliation of liabilities arising from financing activities:

	Lease liabilities HK$'000 *(note 23)*
At 1 January 2022	**2,511**
Changes from cash flows:	
Capital element of lease liabilities paid	**(924)**
Interest element of lease liabilities paid	**(89)**
Total changes from financing cash flow	**(1,013)**
Other changes:	
Interest expense	**89**
At 31 December 2022	**1,587**

	Lease liabilities HK$'000
At 1 January 2021	1,745
Changes from cash flows:	
Capital element of lease liabilities paid	(1,929)
Interest element of lease liabilities paid	(63)
Total changes from financing cash flow	(1,992)
Other changes:	
New lease entered during the year	2,695
Interest expense	63
At 31 December 2021	2,511

Notes to the Financial Statements

31. Related Party Transactions

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

(a) 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 2022 HK$'000	2021 HK$'000
Mr. Cheung Yan Leung Henry	Director	Brokerage income	**1**	4

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

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

	As at 1 January 2022 HK$'000	**Maximum outstanding during the year^ HK$'000**	**As at 31 December 2022 HK$'000**	**Securities held**
Mr. Cheung Yan Leung Henry	**52**	**N/A**	**287**	**Marketable securities**
Mr. Cheung Jonathan	**313**	**N/A**	**–**	**N/A**

	As at 1 January 2021 HK$'000	Maximum outstanding during the year^ HK$'000	As at 31 December 2021 HK$'000	Securities held
Mr. Cheung Yan Leung Henry	131	N/A	52	Marketable securities
Mr. Cheung Jonathan	313	N/A	313	Marketable securities

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

Balances due from other related parties arising from securities dealing transactions included in trade receivables *(note 17)*

	2022 HK$'000	2021 HK$'000
Key management	**–**	4

Notes to the Financial Statements

31. Related Party Transactions (continued)

(c) Compensation of key management personnel

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

	2022 HK$'000	2021 HK$'000
Salaries, allowances, discretionary bonus and other benefits	**8,163**	7,926
Contributions to defined contribution retirement plan	**69**	69
	8,232	7,995

32. Capital Management

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

The capital structure of the Group consists of debts, which include lease liabilities as at 31 December 2021 and 2022 (note 23) and equity, comprising share capital and reserves.

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

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

	2022 HK$'000	2021 HK$'000
Lease liabilities	**1,587**	2,511
Equity	**164,476**	191,723
Gearing ratio	**1.0%**	1.3%

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

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

Notes to the Financial Statements

33. Summary of Financial Assets and Financial Liabilities by Category

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

	2022 HK$'000	2021 HK$'000
Financial assets		
Finance assets at amortised cost		
– Trade receivables, loans receivable and deposits	**122,540**	142,735
– Trust bank balances held on behalf of customers	**3,125**	2,598
– Cash and bank balances	**30,140**	45,580
	155,805	190,913
Financial liabilities		
Financial liabilities at amortised cost		
– Trade payables	**3,119**	2,851
– Other payables and accruals	**748**	2,215
	3,867	5,066
Financial instrument		
– Lease liabilities	**1,587**	2,511

(a) Financial instruments not measured at fair value

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

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

(b) Financial instruments measured at fair value

As at 31 December 2021 and 2022, the Group did not have any financial instruments measured at fair value and accordingly, no analysis on fair value hierarchy is presented.

Notes to the Financial Statements

34. Offsetting Financial Assets and Financial Liabilities

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

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

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

	Amounts due from customers and HKSCC	
	2022	2021
	HK$'000	HK$'000
Gross amount of recognised financial assets (net of provision for impairment)	**53,187**	91,252
Gross amount of financial liabilities offset in the consolidated statement of financial position	**–**	(245)
Net amount of financial assets included in the consolidated statement of financial position as trade receivables	**53,187**	91,007
Related amounts not offset in the consolidated financial statements – Financial collateral	**(53,187)**	(90,762)
Net amount	**–**	245

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

	Amounts due to customers and HKSCC	
	2022	2021
	HK$'000	HK$'000
Gross amount of recognised financial liabilities	**3,119**	3,096
Gross amount of financial assets offset in the consolidated statement of financial position	**–**	(245)
Net amount of financial liabilities included in the consolidated statement of financial position as trade payables	**3,119**	2,851

Notes to the Financial Statements

35. Financial Risk Management

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

(a) Credit risk

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

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

In respect of the securities dealing and margin financing businesses, the Group's credit risk exposure is spread over a number of customers. As at 31 December 2022, the Group had certain concentration of credit risk as 52% (2021: 44%) of the trade receivables was due from the Group's largest client (in terms of receivable balances). To reduce credit risk, the Group requests collateral from individual margin client and the value of such collateral has to be maintained at certain level in proportion to the outstanding balance due from the margin client (collateral ratio). In addition, the Group has formulated certain credit policy procedures for monitoring trading activities and level of securities collateral of margin clients in particular for those margin clients whose collateral ratio has reached alarming level. The Group has also implemented procedures for monitoring the value of the securities collateral, including assessing the quality and liquidity of the securities collateral, closely monitoring the volatility of the market prices of the securities collateral taking into consideration of their current market prices and historical price movements, latest information and news of the related listed companies and other relevant factors regarding the financial market that may have impact on the market prices of the securities collateral.

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

In respect of the money lending business, the Group's credit risk exposure is spread over a number of borrowers. As at 31 December 2022, the Group had certain concentration risk as 29% (2021: 23%) of loans receivable was due from the Group's largest borrower (in terms of loans receivable balances). In granting loans to customers, management assesses the background and financial condition of the customers and requests securities collateral or other types of collateral from the customers in order to minimise credit risk. If applicable, management monitors the collateral ratio of borrowers on an on-going basis and would request borrowers to increase the value of 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

35. Financial Risk Management (continued)

(a) Credit risk (continued)

Impairment under ECL model

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

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

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

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

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

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

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

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

Notes to the Financial Statements

35. Financial Risk Management (continued)

(a) Credit risk (continued)

Impairment under ECL model (continued)

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 to the collateral value rather than the past due days.

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

Movements in the loss allowance for trade receivables due from margin clients and loans receivable for the year ended 31 December 2022 and 2021 are as follows:

Loss allowance for trade receivables due from margin clients

		Life-time ECL		
	12-month ECL (Stage 1) HK$'000	Not credit-impaired (Stage 2) HK$'000	Credit-impaired (Stage 3) HK$'000	Total HK$'000
At 1 January 2021	–	2,777	–	2,777
New receivables originated, net of settlement	14	–	–	14
Increase in allowance, net	3,838	3,341	–	7,179
At 31 December 2021 and 1 January 2022	3,852	6,118	–	9,970
Transfer from stage 1 to stage 3	(3,852)	–	3,852	–
Transfer from stage 2 to stage 3	–	(6,118)	6,118	–
Increase in allowance, net	–	–	24,883	24,883
Unwinding of discount	–	–	2,762	2,762
At 31 December 2022	–	–	37,615	37,615
Gross carrying amount:				
Trade receivables as at 31 December 2022	**29,273**	**3,907**	**57,622**	**90,802**
Trade receivables as at 31 December 2021	90,939	9,793	–	100,732
Market value of securities collateral as at 31 December 2022	**75,063**	**5,334**	**–**	**80,397**
Market value of securities collateral as at 31 December 2021	521,810	5,575	–	527,385

Notes to the Financial Statements

35. Financial Risk Management (continued)

(a) Credit risk (continued)

Impairment under ECL model (continued)

Loss allowance for loans receivable

	12-month ECL (Stage 1) HK$'000	Life-time ECL Not credit-impaired (Stage 2) HK$'000	Life-time ECL Credit–impaired (Stage 3) HK$'000	Total HK$'000
At 1 January 2021	–	19,963	–	19,963
Transfer from stage 2 to stage 3	–	(8,816)	8,816	–
New receivables originated, net of settlement	3,496	8,148	–	11,644
Decrease in allowance, net	–	(6,338)	–	(6,338)
Amounts written off as uncollectible	–	–	(8,816)	(8,816)
At 31 December 2021 and 1 January 2022	3,496	12,957	–	16,453
Transfer from stage 1 to stage 3	(3,496)	–	3,496	–
Transfer from stage 2 to stage 3	–	(12,957)	12,957	–
Increase in allowance, net	–	–	24,685	24,685
Unwinding of discount	–	–	1,361	1,361
At 31 December 2022	–	–	42,499	42,499
Gross carrying amount: Loans receivable as at 31 December 2022	**38,185**	**–**	**73,262**	**111,447**
Loans receivable as at 31 December 2021	29,061	38,713	–	67,774
Fair value of marketable securities as at 31 December 2022	**–**	**–**	**–**	**–**
Fair value of marketable securities as at 31 December 2021	51,093	16,742	–	67,835

Impairment losses for lifetime ECL were provided for trade receivables due from margin clients and loans receivable for which there were significant increase in credit risk since initial recognition and they were mainly due from (i) those margin clients and borrowers whose collateral ratio reached alarming ratio or even exceeded the Group's tolerable level and (ii) those margin clients and borrowers without any securities collateral after liquidation action taken by the Group.

As at 31 December 2022, collateral for trade receivables (2021: 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.

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.

Notes to the Financial Statements

35. Financial Risk Management (continued)

(b) Interest rate risk

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

Details of the Group's lease liabilities as at 31 December 2022 and 2021 are disclosed in notes 23.

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

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

The Group did not have any floating rate borrowings as at 31 December 2022 and 2021 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.

Notes to the Financial Statements

35. Financial Risk Management (continued)

(c) Liquidity risk (continued)

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000	More than one year but less than two years HK$'000
As at 31 December 2022				
Trade payables	**3,119**	**3,119**	**3,119**	**–**
Other payables and accruals	**748**	**748**	**748**	**–**
Lease liabilities	**1,587**	**1,645**	**1,013**	**632**
	5,454	**5,512**	**4,880**	**632**
As at 31 December 2021				
Trade payables	2,851	2,851	2,851	–
Other payables and accruals	2,215	2,215	2,215	–
Lease liabilities	2,511	2,658	1,013	1,645
	7,577	7,724	6,079	1,645

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				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**19,471**	24,973	31,808	25,917	18,849
Other income	**88**	44	60	68	5
Commission and fee expenses		–	(6,084)	–	(61)
Employee benefit expenses	**(10,107)**	(9,309)	(6,820)	(6,496)	(6,070)
Depreciation	**(1,033)**	(1,953)	(2,036)	(2,039)	(95)
Impairment losses on trade and loans receivables, net	**(49,568)**	(12,499)	(31,314)	–	(9,203)
Other operating expenses	**(7,107)**	(6,295)	(4,808)	(7,649)	(6,168)
Finance costs	**(89)**	(67)	(117)	(179)	(48)
(Loss)/Profit before income tax	**(48,345)**	(5,106)	(19,311)	9,622	(2,791)
Income tax credit/(expense)	**6,875**	173	483	(2,391)	(214)
(Loss)/Profit for the year	**(41,470)**	(4,933)	(18,828)	7,231	(3,005)
Other comprehensive income for the year	**–**	–	–	–	–
Total comprehensive income for the year	**(41,470)**	(4,933)	(18,828)	7,231	(3,005)

Asset and liabilities

	As at 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**169,942**	199,300	228,302	253,944	278,234
Total liabilities	**(5,466)**	(7,577)	(31,646)	(12,619)	(6,905)
Net assets	**164,476**	191,723	196,656	241,325	271,329