

PineStone 鼎石

Pinestone Capital Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8097)

ANNOUNCEMENT OF AUDITED FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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

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

The board of directors (the “**Board**”) of the Company is pleased to announce that the audited consolidated annual results of the Group for the year ended 31 December 2015, together with the comparative figures for the year ended 31 December 2014, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue	5	37,502	33,025
Other income		73	7
Employee benefit expenses		(4,487)	(2,768)
Depreciation		(189)	(204)
Other operating expenses		(12,277)	(4,322)
Finance costs		(164)	–
Profit before income tax	6	20,458	25,738
Income tax expense	7	(5,048)	(4,521)
Profit for the year		15,410	21,217
Other comprehensive income for the year		–	–
Total comprehensive income for the year		15,410	21,217
		<i>HK cents</i>	<i>HK cents</i> (Restated)
Basic and diluted earnings per share	9	0.36	0.59

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		192	315
Intangible asset		500	500
Statutory deposits placed with stock exchange and clearing house		230	230
Deferred tax assets		57	–
		<u>979</u>	<u>1,045</u>
Current assets			
Trade receivables	10	173,181	101,938
Other receivables, deposits and prepayments		693	861
Amount due from a related company		–	547
Tax recoverable		691	64
Trust bank balances held on behalf of customers		15,536	19,174
Cash and bank balances		25,250	40,512
		<u>215,351</u>	<u>163,096</u>
Current liabilities			
Trade payables	11	15,265	38,618
Other payables and accruals		910	767
Amount due to a related company		–	90,441
Borrowings	12	16,675	–
Tax payable		1,257	3,256
		<u>34,107</u>	<u>133,082</u>
Net current assets		<u>181,244</u>	30,014
Total assets less current liabilities		<u>182,223</u>	<u>31,059</u>
Non-current liabilities			
Borrowings	12	10,000	–
Net assets		<u>172,223</u>	<u>31,059</u>
CAPITAL AND RESERVES			
Share capital	13	4,800	1,000
Reserves		167,423	30,059
Total equity		<u>172,223</u>	<u>31,059</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2014	–	–	–	8,842	8,842
Profit for the year	–	–	–	21,217	21,217
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive income for the year	–	–	–	21,217	21,217
Transaction with owners:					
Issue of shares	1,000	–	–	–	1,000
At 31 December 2014 and 1 January 2015	1,000	–	–	30,059	31,059
Profit for the year	–	–	–	15,410	15,410
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive income for the year	–	–	–	15,410	15,410
Transactions with owners:					
Dividend approved in respect of 2014 (note 8)	–	–	–	(30,000)	(30,000)
Issue of shares for settlement of consideration for acquisition of subsidiaries (note 13(c))	(1,000)	105,307	(4,866)	–	99,441
Issue of shares for					
– Placing (note 13(f))	1,200	58,800	–	–	60,000
– Capitalisation Issue (note 13(f))	3,600	(3,600)	–	–	–
Share issuance expense (note 13(f))	–	(3,687)	–	–	(3,687)
	3,800	156,820	(4,866)	(30,000)	125,754
At 31 December 2015	4,800	156,820	(4,866)	15,469	172,223

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Pinestone Capital Limited (the “**Company**”) was incorporated as an exempted company in the Cayman Islands with limited liability on 14 January 2015. The shares of the Company were listed on the Growth Enterprise Market (“**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 12 June 2015 (the “**Listing**”). The address of its registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business is located at Unit 1506, 15th Floor, Wheelock House, 20 Pedder Street, Central, Hong Kong.

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

The Company’s parent is HCC&Co Limited (“**HCC&Co**”), a limited liability company incorporated in the British Virgin Islands (“**BVI**”). In the opinion of the directors, HCC&Co is also the ultimate parent of the Company.

In connection to the Listing, the companies now comprising the Group conducted a reorganisation (the “**Reorganisation**”) and the Company has since 12 May 2015 become the holding company of its subsidiaries now comprising the Group. Details of the Reorganisation are set out in the section headed “History, Reorganisation and Corporate Structure” included in the prospectus issued by the Company on 29 May 2015 (the “**Prospectus**”).

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

These financial statements have been prepared under the historical basis.

The Company and its subsidiaries now comprising the Group have been under the collective control of Mr. Cheung Yan Leung Henry (“**Mr. Henry Cheung**”) and Mr. Cheung Jonathan (“**Mr. Jonathan Cheung**”), the ultimate controlling parties, as a result of a contractual arrangement between Mr. Henry Cheung and Mr. Jonathan Cheung and Mr. Henry Cheung, being the father of Mr. Jonathan Cheung, has high influential standing over Mr. Jonathan Cheung. The Group is regarded as a continuing entity since all entities which took part in the Reorganisation were controlled by the same ultimate controlling parties. Consequently, immediately after the Reorganisation, there was a continuation of the risks and benefits to the ultimate controlling parties that existed prior to the Reorganisation. The Reorganisation is a business combination under common control and has been accounted for using the merger basis of accounting in accordance with Hong Kong Accounting Guideline 5 Merger Accounting for Common Control Combinations, as if the current group structure had been in existence throughout the current year and in prior year.

3. ADOPTION OF NEW OR REVISED HKFRSs

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

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

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

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

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

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

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
HKFRS 9 (2014)	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ³

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

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

³ Effective for annual periods beginning on or after 1 January 2019

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

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

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

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

4. SEGMENT INFORMATION

(a) Operating segment information

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

(b) Geographical segment information

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

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

(c) Information about major customers

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

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

NA: not applicable as revenue generated from the customer was less than 10% of the Group's revenue of the year

5. REVENUE

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

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

6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

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

7. INCOME TAX EXPENSE

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

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

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

8. DIVIDENDS

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

The final dividend for the year ended 31 December 2014 represented the final dividend proposed by the directors of Pinestone Capital Group Limited (“PCGL”) and Pinestone Investment Group Limited (“PIGL), direct wholly-owned subsidiary of the Company, totaling HK\$30,000,000. The dividend was subsequently approved by the shareholders and was settled by cash payments of HK\$8,300,000 and HK\$21,700,000 on 30 April 2015 and 8 May 2015 respectively.

9. EARNINGS PER SHARE

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Earnings		
Profit for the year attributable to owners of the Company	<u>15,410</u>	<u>21,217</u>
	<i>'000</i>	<i>'000</i> (Restated)
Number of shares		
Weighted average number of ordinary shares in issue during the year	<u>4,267,397</u>	<u>3,600,000</u>

The weighted average number of ordinary shares used for the purposes of calculating the basic earnings per share for the year ended 31 December 2014 of 3,600,000,000 shares represents the number of shares of the Company in issue immediately after the Capitalisation Issue but excluding any shares issued pursuant to the Placing as further discussed in note 13(f), adjusted for the Second Share Subdivision as disclosed in note 14 as if it had occurred on 1 January 2014. The effect of the First Share Subdivision as disclosed in note 13(d) is also reflected in this weighted average number of share as if it had incurred on 1 January 2014.

The weighted average number of ordinary shares used for the purposes of calculating the basic earnings per share for the year ended 31 December 2015 includes the weighted average number of shares issued pursuant to the Placing (note 13(f)) adjusted for the effect of the Second Share Subdivision (note 14) of approximately 667,397,000 shares, in addition to the aforementioned 3,600,000,000 shares used for the calculation of basic earnings per share for the year ended 31 December 2014.

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

10. TRADE RECEIVABLES

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

Notes:

- (a) The settlement terms of trade receivables arising from the business of securities dealing are two business days after trade date.
- (b) Trade receivables from cash clients as at 31 December 2014 were past due within 30 days.
- (c) No aging analysis is disclosed for trade receivables from margin clients as, in the opinion of the directors, aging analysis is not meaningful in view of the business nature of securities dealing and margin financing. Margin loans due from margin clients are current and repayable on demand for those margin clients subject to margin calls. Margin clients are required to pledge securities collateral to the Group in order to obtain credit facilities for securities trading. As at 31 December 2015, the total market value of securities pledged as collateral in respect of the receivables from margin clients are approximately HK\$297,000,000 (31 December 2014: HK\$258,000,000). Margin loans are interest bearings at a fixed rate varying from 12.5% to 20.0% per annum. Subject to certain conditions, the Group is allowed to repledge collateral from margin clients. There was no repledge of collateral from margin clients as at 31 December 2015 (2014: nil).
- (d) The Group has policy for impairment allowance which is based on the evaluation of collectability of accounts and on management's judgement, including the current creditworthiness and the past collection history of each client or receivable. As assessed by the directors, no impairment allowance is necessary in respect of trade receivables at 31 December 2015 (2014: nil).

11. TRADE PAYABLES

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

The settlement terms of trade payables arising from the business of securities dealing are two business days after the trade date (“T+2”). Trade payables arising from securities trading during the T+2 period are current whereas those which are outstanding after the “T+2” period are repayable on demand.

Margin and cash client payables as at 31 December 2015 and 2014 included balances payable to certain related parties.

12. BORROWINGS

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

Notes:

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

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

- (b) Other loan as at 31 December 2015 represents a loan obtained from a financial institution, which is scheduled for repayment in June 2016 and interest-bearing at fixed rate of 8% per annum. Other loan is secured by the corporate guarantee executed by the Company.
- (c) On 22 December 2015, the Company entered into a subscription agreement (the “**Subscription Agreement**”) with a subscriber regarding the issue of non-convertible bonds (the “**Bonds**”) in aggregate principal amount of HK\$10,000,000. The Bonds are interest bearing at 5% per annum, unsecured, and will mature on 22 December 2017 unless they are early redeemed by the Company. The Bonds were issued at 100% of the principal amount.

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

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

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

	2015 <i>HK\$’000</i>	2014 <i>HK\$’000</i>
On demand or within one year	16,675	–
More than one year, but not exceeding two years	10,000	–
	<u>26,675</u>	<u>–</u>

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

13. SHARE CAPITAL

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

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

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

Notes:

- (a) The Company was incorporated on 14 January 2015 with initial authorised share capital of HK\$380,000 divided into 3,800,000 ordinary shares of HK\$0.10 each.
- (b) On 14 January 2015, 100 shares in aggregate were transferred/allotted and issued as fully paid at par to HCC & Co and Snail Capital Limited (“Snail Capital”). HCC & Co and Snail Capital are companies incorporated in the BVI and wholly-owned by Mr. Henry Cheung and Mr. Jonathan Cheung respectively.
- (c) On 12 May 2015, 100 new shares in aggregate were allocated and issued at par to HCC & Co and Snail Capital for settlement of the aggregate consideration amounting to HK\$105,307,000 for the acquisition of 100% equity interest in PCGL by Pinestone International Limited (“PIL”), a direct wholly-owned subsidiary of the Company, and the acquisition by the Company of 100% equity interest in PIGL together with the outstanding non-interest bearing amount due by PIGL. The difference between the par value of the shares issued and the aggregate consideration was credit to share premium account.
- (d) On 22 May 2015, each of the Company’s existing issued and unissued shares of HK\$0.10 each was subdivided into 10 shares of HK\$0.01 each (the “**First Share Subdivision**”).
- (e) On 22 May 2015, the authorised share capital of the Company was increased from HK\$380,000 to HK\$500,000,000 divided into 50,000,000,000 shares of HK\$0.01 each by the creation of an additional 49,962,000,000 shares.
- (f) The Company’s shares were listed on the GEM of the Stock Exchange on 12 June 2015 and the placing of 120,000,000 new shares by the Company became unconditional. In connection to this, (i) the Company issued a total of 120,000,000 ordinary shares at HK\$0.50 per share for subscription (the “**Placing**”); and (ii) the Company issued a total of 359,998,000 ordinary shares at par to HCC & Co and Snail Capital by way of capitalising an amount of HK\$3,600,000 from the share premium (the “**Capitalisation Issue**”) arising from the Placing. The Company’s total number of issued shares upon completion of the Placing and the Capitalisation Issue was increased to 480,000,000 shares.

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

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

14. EVENTS AFTER THE REPORTING PERIOD

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Securities Brokerage

During the fiscal year 2015, the performance of our securities brokerage has remained steady. It achieved an increase of 4% in a total transaction value to HK\$4,016 million as at 31 December 2015 relative to the corresponding period last year (31 December 2014: HK\$3,849 million). Despite the sluggish market activities in the second half of 2015, commission income from securities brokerage services increased from 2014's HK\$8.6 million to 2015's HK\$9.5 million representing an increase of approximately 10%.

Securities-backed Lending

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

Placing and Underwriting business

During the year, we recorded a 33% decrease in income from 31 December 2014 (HK\$5.3 million) to 31 December 2015 (HK\$3.6 million). The decrease was attributable to the sluggish market sentiment that resulted from the stock market plummet in the second half of the year. In 2015, we participated in a total of seven placing and underwriting exercises compared to eleven in 2014. Nevertheless, the Group has participated in deals of larger size. In 2015, we acted as placing agent for two placings of HK\$152 million and HK\$352 million respectively.

Net Profit for the Year

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

Dividend

The board of directors does not recommend the payment of final dividend for the year ended 31 December 2015.

OUTLOOK

The Group will focus on and develop our existing businesses including securities brokerage, securities-backed lending, placing and underwriting services. Meanwhile, we will continue to strengthen our financial position and business foundation. The recent market volatility has adversely affected the general market sentiment and investors' appetite. We noted that general market activity has slowed down and investors have become cautious with their trading. The Group will closely monitor the market condition and in particular, the Group will constantly review and assess credit risk exposure by evaluating client's portfolio and credit positions carefully. Going forward, the Group will continue to fortify our current business position and further explore any business opportunities with a view to build a strong foundation of our Group for long-term development. The Group will continue to develop our existing services, strengthen our financial positions and to expand our business reach by exploring strategic opportunities with the aim to maximize long-term returns for our shareholders.

FINANCIAL REVIEW

Revenue

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

Employee Benefits Expenses

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

Other Operating Expenses

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

Income Tax Expense

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

Profit for the Year

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

Dividend

The directors do not recommend the payment of final dividend for the year ended 31 December 2015. The Company has not declared any dividend for the year ended 31 December 2015.

Use of proceeds

	Proposed expansion of our securities-backed lending business <i>HK\$million</i>	Actual use of proceeds of our securities-backed lending business <i>HK\$million</i>
From the period of 22 May 2015 to 30 June 2015	15.0	15.0
From the period of 1 July 2015 to 31 December 2015	<u>26.0</u>	<u>26.0</u>

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

Business Objective

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

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

Capital Structure

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

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

Issue of Two-year 5% Coupon Bonds

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

Liquidity and Financial Resources

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

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

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

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

Events after the Reporting Period

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

Foreign Currency Exposure

The Group's functional currency is Hong Kong dollar (“**HK\$**”) to which most of the Group's material transactions and balances are denominated. Our directors consider that we have sufficient foreign exchange, primarily from the conversion of HK\$ generated from our operations to meet our foreign currency liabilities as they become due.

Pledge of Assets

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

Capital Commitments

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

Remuneration Policy

The emoluments of the directors are determined by the Board of Directors on recommendation of the Remuneration Committee with reference to their respective duties and responsibility with the Company, the Group's performance and current market situation. The Group's remuneration policies are in line with prevailing market practice. As at 31 December 2015, the Group had 13 employees. Apart from basic salaries, other staff benefits include discretionary bonus, provident funds and medical scheme.

Purchase, sale or redemption of the Company's listed securities

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

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

As at 31 December 2015, the following persons (not being the Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO (Chapter 571 of the Laws of Hong Kong):

Long positions in the shares of the Company:

Name of Shareholders	Capacity and nature of interests	Notes	Total	Approximate percentage of the total issued share capital of the Company
HCC	Directly Beneficially owned	1, 3	252,000,000	52.5%
SCL	Directly Beneficially owned	2, 4	108,000,000	22.5%

Notes:

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

Corporate Governance Practice

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

Director’s securities transactions

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors (the “**Required Standard of Dealing**”). Having made specific enquiries of all the Directors, each of them have confirmed that they have complied with the Required Standard of Dealings throughout the period from the Listing Date to the date of this announcement. The Company has not been notified of any incident of non-compliance during such period.

Non-Competition Undertaking

Each of the controlling Shareholders has made an annual declaration to the Company that during the Review Period, has complied with the terms of non-competition undertakings (“**Non-Competition Undertakings**”) given in favour of the Company. The INEDs have also reviewed the status of compliance by each of the Controlling Shareholders with the undertakings in the Non-Competition Undertakings and have confirmed that, as far as the INEDs can ascertain, there is no breach of any of the undertakings in the Non-Competition Undertakings.

Audit Committee

The Audit Committee has been established with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 of the CG Code. The Audit Committee currently comprises three independent non-executive Directors and is chaired by Mr. Yeung King Wah. The audited annual results of the Company for the year ended 31 December 2015 have been reviewed by the audit committee members who have provided advice and comments thereon.

Review of this Final Results Announcement

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2015 as set out in the preliminary announcement have been agreed by the Group’s auditor, BDO Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

Interest of the Compliance Adviser

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

Annual General Meeting

The Annual General Meeting for the financial year 2015 of the Company will be held at 11:00 a.m. on 3rd May 2016 (Tuesday) at Unit 1506, 15th Floor, Wheelock House, 20 Pedder Street, Central, Hong Kong and a notice of annual general meeting will be published and dispatched in due course.

Board of Directors

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

Executive Directors:

Mr. Cheung Yan Leung Henry
Mr. Jonathan Cheung

Independent Non-executive Directors:

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

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

Hong Kong, 23 March 2016

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