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PineStone 鼎石

Pinestone Capital Limited

鼎石資本有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code on Main Board: 804)

(Stock Code on GEM: 8097)

TRANSFER OF LISTING FROM THE GROWTH ENTERPRISE MARKET TO THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

On 22 February 2017, an application was made by the Company to the Stock Exchange for the transfer of the Shares from GEM to the Main Board. The Company has applied for the listing of, and permission to deal in, the 4,910,000,000 Shares in issue on the Main Board by way of Transfer.

The Board is pleased to announce that approval in principal was granted by the Stock Exchange on 31 May 2017 for the Shares to be listed on the Main Board and de-listed from GEM. All pre-conditions for the Transfer have been fulfilled in relation to the Company and the Shares.

The last day of dealings in the Shares on GEM (Stock code: 8097) will be 7 June 2017. Dealings in the Shares on the Main Board (Stock code: 804) will commence at 9:00 a.m. on 8 June 2017.

The Transfer will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates.

Reference is made to the announcement issued by the Company dated 22 February 2017 in relation to the submission of the formal application to the Stock Exchange for the Transfer.

THE TRANSFER

On 22 February 2017, an application was made by the Company to the Stock Exchange for the transfer of the Shares from GEM to the Main Board. The Company has applied for the listing of, and permission to deal in, the 4,910,000,000 Shares in issue on the Main Board by way of Transfer.

The Board is pleased to announce that approval in principal was granted by the Stock Exchange on 31 May 2017 for the Shares to be listed on the Main Board and de-listed from GEM. All pre-conditions for the Transfer have been fulfilled in relation to the Company and the Shares.

SHARE OPTION SCHEME AND CONVERTIBLE SECURITIES

As at the date of this announcement, no share option had been granted under the Share Option Scheme. The Shares to be issued upon exercise of share options which may be granted pursuant to the Share Option Scheme will be listed on the Main Board.

As at the date of this announcement, the Company has no other derivatives, outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

The current Executive Directors were appointed on 14 January 2015 while the Independent Non-executive Directors were appointed on 22 May 2015.

The biographies of each of the current Directors and senior management as at the date of this announcement is as follows:

Executive Directors

Mr. Cheung Yan Leung Henry, aged 66, has been the Chairman and an executive Director of the Group since 2012. He is primarily responsible for formulating the corporate strategy, managing the Group's overall business development and client referrals. After graduating from McMaster University in Canada with a Bachelor of Commerce in November 1973, he became a member of The Institute of Chartered Accountants of Ontario in December 1976. Mr. Cheung has over thirty years' worth of experience in the accounting field along with experience in the financial and business sectors in China. Mr. Cheung has been a fellow member of the Hong Kong Institute of Certified Public Accountants since May 1987. He is the father of Mr. Cheung Jonathan.

As at the date of this announcement, Mr. Cheung is interested in 2,520,000,000 Shares held through HCC & Co. Limited (representing approximately 51.3% of the issued share capital of the Company). The entire issued share capital of HCC & Co. Limited is legally and beneficially owned by Mr. Cheung.

Mr. Henry Cheung was a director of the following companies, which were dissolved or wound-up (but not due to members' voluntary winding-up) with details as follows:

Name of Company	Principal business activity immediately before dissolution	Date of dissolution or winding-up	Details
Li-Qing Foundation Company Limited	Charity	13 November 2009	This was a Hong Kong incorporated company which was dissolved by striking off pursuant to section 291(6) of the Predecessor Companies Ordinance *(Note 1)*
New Global Consultants Limited	Dormant	15 June 2001	This was a Hong Kong incorporated company deregistered under section 291AA of the Predecessor Companies Ordinance and accordingly dissolved upon deregistration *(Note 2)*
Main Century Development Limited	Dormant	4 March 2011	This was a Hong Kong incorporated company deregistered under section 291AA of the Predecessor Companies Ordinance and accordingly dissolved upon deregistration *(Note 2)*

Notes:

1. Pursuant to section 291 of the Predecessor Companies Ordinance, where the Registrar of Companies has reasonable cause to believe that a company is not carrying on business or in operation, the Registrar may strike the name of the company off the register after the expiration of a specified period. Mr. Cheung confirmed that the said company was solvent and was not carrying on business or in operation at the time of it being struck off.

2. Pursuant to section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all the members of such company agreed to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

Mr. Cheung confirmed that there was no wrongful act on his part leading to the above dissolutions of the companies and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolutions of these companies.

Mr. Cheung has entered into a service contract with the Company for an initial term of three years with effect from 12 June 2015 with an annual salary of HK$240,000, which will continue thereafter until terminated by not less than three months' notice in writing.

Save as disclosed above:

(i) Mr. Cheung has not held any other position within the Group and has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years;

(ii) Mr. Cheung has no relationships with any Directors, senior management or substantial shareholders of the Company;

(iii) Mr. Cheung did not have, and is not deemed to have any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations which is required to be disclosed under Part XV of the SFO;

(iv) there is no other information which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules; and

(v) there are no other matters that need to be brought to the attention of the Shareholders.

Mr. Cheung Jonathan, aged 30, is the Chief Executive Officer, Vice Chairman and an executive Director of the Company. Mr. Cheung obtained a Bachelor of Science degree in Operations Research and Engineering from Cornell University in the United States of America in May 2008. He has been a designated Financial Risk Manager (FRM) since September 2010 and a CFA® charterholder since September 2012. He has experience in various financial fields, including investment banking, direct investment, credit finance and asset management. He is responsible for formulating corporate strategies and overall management of the Group. He is a founder of the Company and he is the son of Mr. Cheung Yan Leung Henry, the Chairman of the Company.

As at the date of this announcement, Mr. Cheung is interested in 1,080,000,000 Shares held through Snail Capital Limited (representing approximately 22.0% of the issued share capital of the Company). The entire issued share capital of Snail Capital Limited is legally and beneficially owned by Mr. Cheung.

Mr. Cheung was a director of the following company, which was dissolved or wound-up (but not due to members' voluntary winding-up) with details as follows:

Name of Company	Principal business activity immediately before dissolution	Date of dissolution or winding-up	Details
Li-Qing Foundation Company Limited	Charity	13 November 2009	This was a Hong Kong incorporated company which was dissolved by striking off pursuant to section 291(6) of the Predecessor Companies Ordinance *(Note)*

Note:

Pursuant to section 291 of the Predecessor Companies Ordinance, where the Registrar of Companies has reasonable cause to believe that a company is not carrying on business or in operation, the Registrar may strike the name of the company off the register after the expiration of a specified period. Mr. Cheung confirmed that the said company was solvent and was not carrying on business or in operation at the time of it being struck off.

Mr. Cheung confirmed that there was no wrongful act on his part leading to the above dissolution of the company and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution of this company.

Mr. Cheung has entered into a service contract with the Company for an initial term of three years with effect from 12 June 2015 with an annual salary of HK$240,000, which will continue thereafter until terminated by not less than three months' notice in writing.

Save as disclosed above:

(i) Mr. Cheung has not held any other position within the Group and has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years;

(ii) Mr. Cheung has no relationships with any Directors, senior management or substantial shareholders of the Company;

(iii) Mr. Cheung did not have, and is not deemed to have any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations which is required to be disclosed under Part XV of the SFO;

(iv) there is no other information which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules; and

(v) there are no other matters that need to be brought to the attention of the Shareholders.

Independent Non-Executive Directors

Mr. Yeung King Wah, aged 58, was appointed as an independent non-executive director on 22 May 2015. He has over 20 years' experience in audit, taxation, financial consulting and management which he accrued whilst working in both Europe and Asia. He obtained a Bachelor of Commerce degree from the University of Birmingham in the UK in July 1981. He has been a member of the Institute of Chartered Accountants in England and Wales since May 1987 and a member of the Hong Kong Institute of Certified Public Accountants since April 1998. Mr. Yeung is the founder of two accounting businesses, namely Yeung and Co., Chartered Accountants, headquartered in the UK, and China Consulting Consortium Limited, a Hong Kong based company.

Mr. Yeung's directorships in other company listed on the Stock Exchange as at the date of this announcement and in the last three years are set out below:

Company	**Principal business during tenure**	**Position**	**Period**
Green International Holdings Limited (stock code: 2700)	Manufacturing and trading of recreational and educational toys and equipment and the operation of a clubhouse business	Independent non-executive director	November 2011 to 13 February 2017 *(Note)*

Note:

Mr. Yeung confirmed that he resigned as independent non-executive director of Green International Holdings Limited to devote more time to his other businesses. This is consistent with that disclosed in the announcement of Green International Holdings Limited dated 10 February 2017.

Mr. Yeung was a director of the following company, which was dissolved or wound-up (but not due to members' voluntary winding-up) with details as follows:

Name of Company	Principal business activity immediately prior to dissolution	Date of dissolution or winding-up	Details
Superior Treasure Development Limited	Dormant	22 April 2005	This company incorporated in Hong Kong deregistered under section 291AA of the Predecessor Companies Ordinance and accordingly dissolved upon deregistration *(Note)*

Note:

Pursuant to section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) the members of such company agreed to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before application; and (c) such company has no outstanding liabilities.

Mr. Yeung confirmed that there was no wrongful act on his part leading to the above dissolution of the company and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution of this company.

Mr. Yeung has entered into a letter of appointment with the Company for an initial term of three years with effect from 12 June 2015 with an annual salary of HK$120,000, which will continue thereafter until terminated by not less than three months' notice in writing.

Save as disclosed above:

(i) Mr. Yeung has not held any other position within the Group and has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years;

(ii) Mr. Yeung has no relationships with any Directors, senior management or substantial shareholders of the Company;

(iii) Mr. Yeung did not have, and is not deemed to have any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations which is required to be disclosed under Part XV of the SFO;

(iv) there is no other information which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules; and

(v) there are no other matters that need to be brought to the attention of the Shareholders.

Mr. Lai Tze Leung George, aged 65, was appointed as an independent non-executive director on 22 May 2015. He has over 30 years' experience in the manufacturing industry (such as executive vice president, general manager and managing director respectively) at several multinational companies engaged in the manufacturing of consumer and speciality packaging; laminates, foils and films; and labeling and packaging materials. He obtained a Bachelor of Social Science degree from the Chinese University of Hong Kong in October 1973 and a Master of Business Administration degree from the same institution in December 1982.

Mr. Lai was a director of the following company, which was dissolved or wound-up (but not due to members' voluntary winding-up):

Name of Company	Principal business activity immediately prior to dissolution	Date of dissolution or winding-up	Details
Worldpro Company Limited	Dormant	11 March 2005	This company incorporated in Hong Kong was deregistered under section 291AA of the Predecessor Companies Ordinance and accordingly was dissolved upon deregistration *(Note)*

Note:

Pursuant to section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) the members of such company agreed to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or has ceased operation for more than three months immediately before application; and (c) such company has no outstanding liabilities.

Mr. Lai confirmed that there was no wrongful act on his part leading to the above dissolution of the company and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution of this company.

Mr. Lai has entered into a letter of appointment with the Company for an initial term of three years with effect from 12 June 2015 with an annual salary of HK$120,000, which will continue thereafter until terminated by not less than three months' notice in writing.

Save as disclosed above:

(i) Mr. Lai has not held any other position within the Group and has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years;

(ii) Mr. Lai has no relationships with any Directors, senior management or substantial shareholders of the Company;

(iii) Mr. Lai did not have, and is not deemed to have any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations which is required to be disclosed under Part XV of the SFO;

(iv) there is no other information which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules; and

(v) there are no other matters that need to be brought to the attention of the Shareholders.

Mr. So Stephen Hon Cheung, aged 61, was appointed as an independent non-executive director on 22 May 2015. He has been a director of the accounting firm T.M. Ho So & Leung CPA Limited since August 2003. Mr. So has over ten years' experience in the accountancy field and several years' experience working as the chief financial officer of CY Oriental Holdings Limited and then a finance director of Jetion Holdings Limited, both in the manufacturing industry. Mr. So graduated from the University of British Columbia in Canada with a Bachelor of Commerce degree in November 1979. Mr. So has been an associate member of the Institute of Chartered Accountants of British Columbia since December 1985 and a member of the Society of Management Accountants of British Columbia since October 1991, and has been a fellow member of the Hong Kong Institute of Certified Public Accountants since July 1993.

Mr. So's directorships in other companies listed on the Stock Exchange as at the date of this announcement and the last three years are set out below:

Company	Principal business during tenure	Position	Period
PINE Technology Holdings Limited (stock code: 1079)	Manufacture of electronics and computer digital audio devices, wholesale and distribution of computer component	Independent non-executive director	September 2002 to present
Milan Station Holdings Limited (stock code: 1150)	Retail of handbags, fashion accessories and embellishments operation	Independent non-executive director	April 2011 to February 2017 *(Note 1)*
Skyworth Digital Holdings Limited	Investment holding, manufacture and sale of consumer electronic products and upstream accessories, property development and property holding	Independent non-executive director	March 2000 to December 2014 *(Note 2)*

Notes:

(1) Mr. So confirmed that he resigned as independent non-executive director of Milan Station Holdings Limited to devote more time for personal commitments. This is consistent with that disclosed in the announcement of Milan Station Holdings Limited dated 3 February 2017.

(2) Mr. So confirmed that he resigned as independent non-executive director of Skyworth Digital Holdings Limited due to his other business commitments. This is consistent with that disclosed in the announcement of Skyworth Digital Holdings Limited dated 24 December 2014.

Mr. So was a director of the following companies, which were dissolved or wound-up (but not due to members' voluntary winding-up):

Name of Company	Principal business activity immediately prior to dissolution	Date of dissolution or winding-up	Details
Ansilk Limited	Dormant	11 October 2002	This company incorporated in Hong Kong was dissolved by striking off pursuant to section 291(6) of the Predecessor Companies Ordinance *(Note 1)*
Clearwater Environmental Limited	Dormant	9 August 2002	This company incorporated in Hong Kong was dissolved by striking off pursuant to section 291(6) of the Predecessor Companies Ordinance *(Note 1)*
Elegant Heart Limited	Property and shares investments	17 April 2014	This company incorporated in Hong Kong was deregistered under section 291AA of the Predecessor Companies Ordinance and accordingly was dissolved upon deregistration *(Note 2)*
Suresound Investments Limited	Property investment	19 July 2013	This company incorporated in Hong Kong was deregistered under section 291AA of the Predecessor Companies Ordinance and accordingly was dissolved upon deregistration *(Note 2)*
Yanser International Limited	Dormant	13 August 2004	This company incorporated in Hong Kong was deregistered under section 291AA of the Predecessor Companies Ordinance and accordingly was dissolved upon deregistration *(Note 2)*

Name of Company	Principal business activity immediately prior to dissolution	Date of dissolution or winding-up	Details
Kee Hing Property Management Limited	Dormant	25 July 2014	This company incorporated in Hong Kong was deregistered under section 291AA of the Predecessor Companies Ordinance and accordingly was dissolved upon deregistration *(Note 2)*

Notes:

(1) Pursuant to section 291 of the Predecessor Companies Ordinance, where the Registrar of Companies has reasonable cause to believe that a company is not carrying on business or is not in operation, the Registrar may strike the name of the company off the register after the expiration of a specified period. Mr. So Hon Cheung confirmed that the said company was solvent and was not carrying on business or in operation at the time of it being struck off.

(2) Pursuant to section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) the members of such company agreed to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or has ceased operation for more than three months immediately before application; and (c) such company has no outstanding liabilities.

Mr. So confirmed that there was no wrongful act on his part leading to the above dissolutions and strikings out and he is not aware of any actual or potential claim which has been or will be made against him as a result.

Mr. So has entered into a letter of appointment with the Company for an initial term of three years with effect from 12 June 2015 with an annual salary of HK$120,000, which will continue thereafter until terminated by not less than three months' notice in writing.

Save as disclosed above:

(i) Mr. So has not held any other position within the Group and has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years;

(ii) Mr. So has no relationships with any Directors, senior management or substantial shareholders of the Company;

(iii) Mr. So did not have, and is not deemed to have any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations which is required to be disclosed under Part XV of the SFO;

(iv) there is no other information which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules; and

(v) there are no other matters that need to be brought to the attention of the Shareholders.

SENIOR MANAGEMENT

Ms. Wong Siu Kuen, aged 58, 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 30, 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.

Ms. Ma Sai Wun Ginny, aged 31, is one of our Responsible Officers and is currently the Head of Compliance. She has joined our Group since January 2013. She is responsible to review the procedures and processes of our operations on a daily basis so as to ensure compliance with the relevant rules and regulations. Ms. Ma has nine years of experience in the financial market. Ms. Ma obtained a Bachelor of Arts degree in Economic and Social Studies (Finance) and a Master of Science degree in Finance from the University of Manchester in the UK in June 2007 and November 2008 respectively. From October 2008 to March 2011, she was a trading operation officer in the Derivative Market Department at the Hong Kong Exchanges and Clearing Limited. From April 2011 to January 2013, Ms. Ma was a Vice President at iSTAR International Investment Services Co. Limited.

COMPANY SECRETARY

Mr. Au Kin Kee Kinson, aged 52, joined our Group in November 2015 as our Director of Finance and Company Secretary. His major responsibilities are to review the finance and accounting functions and oversee financial reporting matters of our Group. Mr. Au has over 10 years of experience in the securities industry. He worked in OSK Asia Securities Limited from September 1992 to April 1997. His last position was research manager. He joined Asia Financial (Securities) Limited as research manager from June 1997 to June 2015. He then joined Gartner Inc. as client relationship manager from June 1997 to June 2015. Mr. Au obtained a Master of Science degree in Business Studies from the University of Salford and a Post-graduate Diploma in Corporate Administration from City University of Hong Kong. He also received a Bachelor of Law Degree from the University of Wolverhampton. Mr. Au is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrator. According to the requirements of Rule 5.15 of the GEM Listing Rules, Mr. Au undertook no less than 15 hours of relevant professional training during the year ended 31 December 2016.

PUBLICATION OF RESULTS

Upon the Transfer, the Company will cease reporting financial results on a quarterly basis and will follow the relevant requirements of the Main Board Listing Rules, which include publishing its interim results within two months from the end of the relevant period and annual results within three months of the financial year end.

FUND RAISING ACTIVITIES SINCE THE INITIAL LISTING

Except as disclosed below, the Company has not undertaken any fund-raising exercise since the Initial Listing.

Date	Fund-raising activity	Approximate net proceeds raised	Proposed use of the proceeds	Actual use of the proceeds
12 June 2015	Initial Listing	HK$45,000,000	Expansion of securities-backed lending services and working capital, as disclosed in the Prospectus	Used as intended: – approximately HK$41.0 million for the expansion of the Group's securities-backed lending services; and – approximately HK$4.0 million for general working capital and other corporate purposes.
14 December 2015	Corporate loan of 8% interest from a financial institution	HK$10,000,000	Securities-backed lending services and working capital	Used as intended: – approximately HK$10.0 million for the expansion of the Group's securities-backed lending services.
22 December 2015	Issue of 5% bonds in aggregate principal amount of HK$10,000,000	HK$10,000,000	Expansion of securities-backed lending services of the Group and as general working capital of the Group	Used as intended: – approximately HK$10.0 million for the expansion of the Group's securities-backed lending services
2 June 2016	Placing of 110,000,000 new Shares under general mandate	HK$59,900,000	Repayment of a corporate loan of 8% interest of HK$10.0 million, the expansion of the securities-backed lending services and for the general working capital of the Group	Used as intended: – HK$10.0 million for repayment of the corporate loan; – HK$49.9 million for the expansion of the securities-backed lending services and for the general working capital of the Group

Shareholding Structure

Except as disclosed above, since Initial Listing, there has been no change to the Company's shareholding structure. As at the date of this announcement, the shareholding structure of the Company is as follows:

Name of Shareholders	Capacity and nature of interests	Notes	Total	Approximate Percentage of the total issued share capital of the Company
HCC & Co. Limited ("**HCC**")	Directly Beneficially owned	1	2,520,000,000	51.32%
Snail Capital Limited ("**SCL**")	Directly Beneficially owned	2	1,080,000,000	22.00%
Public Shareholders	–	–	1,310,000,000	26.68%
		Total:	4,910,000,000	100.0%

Notes:

1. HCC is 100% owned by Mr. Cheung Yan Leung Henry.

2. SCL is 100% owned by Mr. Cheung Jonathan.

THE GROUP'S TOP FIVE CUSTOMERS

For the three years ended 31 December 2014, 2015 and 2016, the aggregate revenue attributable to the Group's top five customers accounted for approximately 49.7%, 60.1% and 50.4% of the Group's total revenue respectively. Each of the top five customers for each of the years ended 31 December 2014, 2015 and 2016 was not a connected person of the Company. Details of the Group's top five customers are set out in the table below.

For the year ended 31 December 2014

Customer	Service type	Income contributed to our Group's revenue *HK$'000*	% of revenue	Year in which business relationship began	Occupation
Customer A	Brokerage	1,073.6	3.3%	2014	Director of a private company
	Margin financing	1,874.2	5.7%		
	Placing *(Note)*	1,298.3	3.9%		
	Total	4,246.1	12.9%		

Customer	Service type	Income contributed to our Group's revenue	% of revenue	Year in which business relationship began	Occupation
		HK$'000			
Customer B	Brokerage	326.2	1.0%	2013	Self-employed
	Margin financing	1,869.5	5.7%		
	Money lending	1,583.9	4.8%		
	Placing	99.8	0.3%		
	Total	3,879.4	11.8%		
Customer C	Brokerage	118.5	0.3%	2013	Director of a private company
	Margin financing	1,150.0	3.5%		
	Money lending	2,578.8	7.8%		
	Total	3,847.3	11.6%		
Customer D	Brokerage	233.8	0.7%	2014	Managing director of an investment firm
	Margin financing	1,414.7	4.3%		
	Placing	906.8	2.7%		
	Total	2,555.3	7.7%		
Customer E	Brokerage	870.4	2.6%	2014	IT director
	Margin financing	872.8	2.6%		
	Placing	150.8	0.5%		
	Total	1,894.0	5.7%		
Total		16,422.1	49.7%		

Note: For each of the three years ended 31 December 2014, 2015 and 2016, revenue from placing of the Group's top 5 customers is generated from (i) the placing commission paid by the customer when subscribing shares placed by the Group; and (ii) private placements by these customers typically in the circumstances where the client decides to sell through a placing agent rather than directly on-market to potentially maximise the return on investment.

For the year ended 31 December 2015

Customer	Service type	Income contributed to our Group's revenue *HK$'000*	% of revenue	Year in which business relationship began	Occupation
Customer F	Brokerage	2,838.6	7.6%	2014	Manager of global private company
	Margin financing	5,300.2	14.1%		
	Total	8,138.8	21.7%		
Customer E	Brokerage	1,666.3	4.4%	2014	I.T. Director
	Margin financing	2,682.9	7.2%		
	Total	4,349.2	11.6%		
Customer G	Brokerage	92.5	0.2%	2013	Technical Manager of private company
	Margin financing	3,823.8	10.2%		
	Total	3,916.3	10.4%		
Customer H	Brokerage	1,068.0	2.9%	2013	Director of private company
	Margin financing	2,035.2	5.4%		
	Placing	1.9	0.0%		
	Total	3,105.1	8.3%		
Customer B	Brokerage	270.3	0.7%	2013	Self-employed
	Margin financing	2,437.9	6.5%		
	Placing	97.5	0.3%		
	Money Lending	222.6	0.6%		
	Total	3,028.3	8.1%		
Total		22,537.7	60.1%		

For the year ended 31 December 2016

Customer	Service type	Income contributed to our Group's revenue *HK$'000*	% of revenue	Year in which business relationship began	Occupation
Customer F	Brokerage	110.5	0.2%	2014	Manager of global private company
	Margin financing	4,888.7	10.7%		
	Placing	201.6	0.4%		
	Money Lending	49.0	0.1%		
	Total	5,249.8	11.5%		
Customer D	Brokerage	74.2	0.2%	2014	Managing director of an investment firm
	Margin financing	4,371.6	9.5%		
	Placing	0.4	0.0%		
	Money Lending	644.8	1.4%		
	Total	5,091.0	11.1%		
Customer E	Brokerage	509.9	1.1%	2014	I.T. Director
	Margin financing	3,830.7	8.4%		
	Placing	78.3	0.2%		
	Money Lending	408.3	0.9%		
	Total	4,827.2	10.6%		
Customer G	Brokerage	10.7	0.0%	2013	Technical Manager of private company
	Margin financing	3,460.8	7.6%		
	Money Lending	1,147.4	2.5%		
	Total	4,618.9	10.1%		
Customer H	Brokerage	606.3	1.3%	2013	Director of private company
	Margin financing	2,599.3	5.7%		
	Placing	0.4	0.0%		
	Money Lending	48.9	0.1%		
	Total	3,254.9	7.1%		
Total		23,041.8	50.4%		

REASONS FOR THE TRANSFER

Subsequent to the Initial Listing, there has been no substantial changes to the Group's business model. With respect to the Group's business development strategies, the Group will continue with the business strategies as disclosed in the Prospectus and the latest annual report of the Group for the year ended 31 December 2016, which is to focus on developing the Group's existing businesses including securities-backed lending, securities brokerage, placing and underwriting while strengthening existing client relationship and further cultivate new clients to lay a solid foundation for long term growth.

The Directors consider that the proposed Transfer will enhance the profile of the Group, improve the trading liquidity of the Shares and recognitions by potential investors which will be beneficial to the future growth and business development of the Group. The Board does not intend to change the nature of the business of the Group following the Transfer. The Transfer will not involve issue of any new Shares by the Company.

SUMMARY OF KEY FINANCIAL INFORMATION

The following table sets forth the selected financial information of the Group for the three years ended 31 December 2016:

	Year ended 31 December		
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Revenue	33,025	37,502	45,706
Other income	7	73	5
Commission expenses	–	–	(1,600)
Employee benefit expenses	(2,768)	(4,487)	(4,665)
Depreciation	(204)	(189)	(89)
Other operating expenses	(4,322)	(12,277)	(4,871)
Finance costs	–	(164)	(960)
Profit before income tax	25,738	20,458	33,526
Income tax expense	(4,521)	(5,048)	(5,976)
Profit for the year	21,217	15,410	27,550
Other comprehensive income for the year	–	–	–
Total comprehensive income for the year	21,217	15,410	27,550

Revenue

The following table sets out the breakdown of the Group's revenue for the three years ended 31 December 2016:

	Year ended 31 December		
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Revenue			
Commission income from securities brokerage services	8,610	9,499	3,244
Interest income from securities-backed lending services			
– Margin financing	13,357	23,977	30,781
– Money lending services	5,482	223	4,310
Income from placing and underwriting services	5,335	3,591	7,271
Handling fee	236	172	97
Others	5	40	3
	33,025	37,502	45,706

The Group's revenue for the year ended 31 December 2015 was approximately HK$37.5 million, representing an increase of approximately 14% compared to 2014's HK$33.0 million. The growth was attributable to an increase of approximately HK$0.9 million in commission income from securities brokerage services and an increase in interest income from securities-backed lending services of approximately HK$5.4 million. The increase in interest income from securities-backed lending services was mainly attributable to the growth of our margin financing services. It was enhanced by the proceeds from the placing of shares in June 2015. Our loan portfolio amounted to HK$173.2 million as at 31 December 2015 compared to HK$101.9 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.

Total revenue reached approximately HK$45.7 million in 2016, representing an increase of 22% over the corresponding period of HK$37.5 million in 2015. The significant growth was attributable to an increase of HK$10.9 million in interest income from securities-backed lending services which is offset by a decrease in commission income from securities brokerage services of HK$6.3 million in 2016. The increase in interest income from securities-backed lending services was attributable to our increases in both margin financing services and money lending services. The growth was also attributable to the proceeds from the placing of shares in June 2016, which lifted our average month-end loan balance to HK$164.1 million for the year 2016 (2015: HK$139.3 million). During the period under review, the money lending business contributed about HK$4.3 million revenue to the Group. The placing and underwriting commission also substantially increased by 103% or HK$3.6 million in 2015 to HK$7.3 million in 2016.

Commission income for the brokerage services

Commission income from the Brokerage Services is correlated to the performance of the Hong Kong Stock Market. For the years ended 31 December 2014 and 2015, the Company recorded a commission income of HK$8.6 million and HK$9.5 million respectively, representing a growth rate of 10%.

During the year 2016, the performance of Hong Kong Stock Market was lackluster. During the year, average daily turnover of the Hong Kong Stock Market was HK$66.9 billion, a decrease of 37% when compared with approximately HK$105.6 billion recorded for 2015. Our securities brokerage service suffered as a result with commission income from our securities brokerage decreased to approximately HK$3.2 million for the year ended 31 December 2016, representing a drop of 66% from HK$9.5 million in 2015.

Securities-backed lending

For the year ended 31 December 2015, the Group's revenue from securities-backed lending services recorded an increase of 29% from the corresponding period of 2014's HK$18.8 million to HK$24.2 million. For the year ended 31 December 2016, the Group's revenue from securities-backed lending services boosted further to HK$35.1 million, representing an increase of approximately 45%. During the three years' period under review, the Group recorded encouraging and persistent growth for its securities-backed lending services. The Group's customers typically comprise of those interested in investing in the securities of small to medium-sized companies listed on the Stock Exchange. As at 31 December 2014, 2015 and 2016, the collateral in respect of the margin financing and money lending businesses consist solely small to mid cap companies listed on the Stock Exchange. As such, the securities such customers generally offer as collateral for securities-backed lending are those of small to medium-sized companies. The associated risks are disclosed under paragraph headed "Risks associated with securities-backed lending services" of "Risk Factors" of the Prospectus. In practice, the loan-to-collateral ratio of individual securities provided by the Group to individual customers, is only one of the many factors that the Group take into account when assessing the credit worthiness of the customer. Each grant is approved on a case-by-case basis for individual clients by the Group's senior management, and are made by assessing, among other things, the track record of the customer's credit history, the interest rate requested, the amount of financing requested, the collateral on offer, its value, its liquidity, its type (e.g. blue chip, red chip, small to medium-sized listed companies, etc.) and the composition of the stock portfolio (e.g. single stock portfolio or multi-stock portfolio).

In general, for blue chips and red chips, the loan to collateral ratio may range between 50% to 70%. For small to medium companies, the loan to collateral ratio is below 40%. For each of the three years ended 31 December 2016, the loan to collateral ratio ranged between approximately 20% to 40%. The Group does not allow a loan to be granted without collateral.

A) *Margin Financing*

The increase in interest income from securities-backed lending services was mainly attributable to our margin financing activities. The average size of our margin financing loan portfolio continued to grow and recorded an average month-end loan balance of HK$90.8 million, HK$139.3 million and HK$164.1 million as at 31 December 2014, 2015 and 2016 respectively. Due to the increase in size of the loan portfolio, interest income from our margin financing services increased from HK$13.3 million in 2014, HK$24.0 million in 2015 and further to HK$30.8 million in 2016, which represented an annual growth rates of 80% and 28% respectively.

B) *Money Lending Business*

As at 31 December 2016, the Group's loans receivable (including loan portfolio and accrued interests) was approximately HK$56.7 million to five different borrowers. Average size of the principal amount of each loan is approximately HK$11.2 million. Interests are charged between 12.5% to 20.0% with different terms and maturities. In 2016, total interest income derived from money lending activities reached approximately HK$4.3 million.

Placing and underwriting

In 2015, we recorded an income of HK$3.6 million from placing and underwriting services, about 33% decrease from HK$5.3 million in 2014. The decrease was attributable to the sluggish market sentiment that resulted from the stock market plummet starting from the second half of 2015. In 2015, we recorded a total of seven placing and underwriting deals compared to eleven in 2014.

In 2016, despite the fact that the market sentiment remained sluggish, the Group was able to originate and closed ten placing and underwriting transactions. During the year, the Group acted as the placing manager for two of these deals whilst serving as a sub-underwriter for the remaining eight. The Group derived HK$7.3 million contribution from the placing and underwriting business, representing an increase of 103% from approximately HK$3.6 million in 2015.

Expenses

Employee benefit 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% compared with HK$2.8 million the corresponding period of 2014. Such increase was attributable to the increase in the number of staff, a general salary increment and the payment of the directors' emoluments. Compared to 2015, employee benefits expenses recorded a modest increase of 4% from approximately HK$4.5 million in 2015 to approximately HK$4.7 million in 2016, which were in line with general market inflation.

Other operating expenses

Other operating expenses for the year ended 31 December 2015 was approximately HK$12.3 million increased by HK$8.0 million (2014: HK$4.3 million). The increase was attributable to a one-off listing expense of approximately HK$8.3 million incurred in relation to the listing of the Company's shares (excluding expenses incurred in relation to issue of new shares being accounted for as deduction from equity). In year 2016, the other operating expenses was approximately HK$4.9 million. If excluding the amount of HK$8.3 million for the one-off listing expenses in 2015, an increase of HK$0.9 million was reported, which was in line with general market inflation and the increase in expenses for compliance and regulated authorities' requirements.

Net Profit

The Group's profit attributable to the owners of the Company amounted to approximately HK$21.2 million, HK$15.4 million, and HK$27.6 million for each of the three years ended 31 December 2014, 2015 and 2016 respectively, representing a decrease of approximately 27% in the year ended 31 December 2015 as compared to the year ended 31 December 2014, and an increase of approximately 79% in the year ended 31 December 2016 as compared to the year ended 31 December 2015. The decrease in net profit for the year ended December 2015 as compared to the year ended 2014 was mainly attributable to the increase in one-off listing expenses of HK$8.3 million incurred during the year ended 31 December 2015. The increase in net profit for the year ended 31 December 2016 as compared to the year ended 31 December 2015 was mainly attributable to the absence of listing expenses incurred for the year 2015 and the revenue growth of approximately HK$10.9 million in the securities-backed lending services.

OPERATIONAL DATA

Brokerage and margin financing

	For the year ended 31 December		
	2014	**2015**	**2016**
Number of Active Customers			
Cash *(Note 1(a))*	43	35	24
Margin *(Note 1(b))*	74	72	60
Total	117	107	84
Brokerage			
Number of transactions	50,969	36,998	16,701
Gross transaction value *HK$'000*	3,848,940.0	4,015,745.0	1,095,978.0
Average transaction value *HK$'000*	75.5	108.5	65.6
Average commission rate	0.22%	0.24%	0.36%
Margin financing			
Average margin loan interest rate	15.46%	18.97%	18.03%
Average day-end collateral coverage	5.01	2.18	1.18
Collateral coverage (as at year end)	2.53	1.71	2.61
Margin loan portfolio (as at year end) *HK$'000*	101,938.0	173,181.0	167,513.0

Money lending

	For the year ended 31 December		
	2014	**2015**	**2016**
Number of transactions *(Note 2)*	4	1	11
Gross transaction value *HK$'000*	46,700.0	5,000.0	108,000.0
Average transaction value *HK$'000*	11,675.0	5,000.0	9,818.0
Average interest rate	33.02%	12.50%	16.91%
Loan-to-value ratio (as at year end)	– *(Note 3)*	– *(Note 3)*	62.22%

Notes:

1. (a) The figure is the number of the Group's active customers with a cash account. A cash account customer cannot conduct any trading of securities using margin financing.

   (b) The figure is the number of the Group's active customers with a margin account. A margin customer may, in addition to, carrying out trading of securities using margin financing, purchase shares without using any margin financing. They are not accounted as customers with a cash account.

   Each customer accounted in these figures are unique active customers.

2. These figures represent loans extended to different individual customers of each financial year.

3. Since all loans were settled during the year ended 31 December 2014 and 2015, there were no outstanding loans as at 31 December 2014 and 31 December 2015.

Placing and underwriting

	For the year ended 31 December		
	2014	**2015**	**2016**
Number of transactions	11	7	10
Gross transaction value *HK$'000*	139,300.0	489,700.0	394,300.0
Average commission rate	3.83%	0.73%	1.84%

CERTAIN OTHER FINANCIAL INFORMATION OF THE GROUP

The following table sets out details of the Group's assets and liabilities at the end of the reporting periods:

	Year ended 31 December		
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	315	192	103
Intangible asset	500	500	500
Statutory deposits placed with stock exchange and clearing house	230	230	230
Deferred tax assets	–	57	58
	1,045	979	891
Current assets			
Trade receivables	101,938	173,181	167,964
Loans receivable	–	–	56,668
Other receivables, deposits and prepayments	861	693	703
Amount due from a related company	547	–	–
Tax recoverable	64	691	–
Trust bank balances held on behalf of customers	19,174	15,536	6,719
Cash and bank balances	40,512	25,250	47,414
	163,096	215,351	279,468

	Year ended 31 December		
	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Current liabilities			
Trade payables	38,618	15,265	7,010
Other payables and accruals	767	910	971
Amount due to a related company	90,441	–	–
Borrowings	–	16,675	10,000
Tax payable	3,256	1,257	2,105
	133,082	34,107	20,086
Net current assets	30,014	181,244	259,382
Total assets less current liabilities	31,059	182,223	260,273
Non-current liabilities			
Borrowings	–	10,000	–
Net assets	31,059	172,223	260,273
CAPITAL AND RESERVES			
Share capital	1,000	4,800	4,910
Reserves	30,059	167,423	255,363
Total equity	31,059	172,223	260,273

Total Assets

Total assets of the Group increased by 32% from HK$164.1 million as at 31 December 2014 to HK$216.3 million as at 31 December 2015. This increase was due to greater trade receivables from margin financing arising from the expansion of our loan portfolio. As at 31 December 2015, trade receivables from margin clients surged to HK$173.2 million from HK$101.9 million as at 31 December 2014.

Total assets of the Group increased by 30% from approximately HK$216.3 million as at 31 December 2015 to approximately HK$280.4 million as at 31 December 2016. The increase was mainly attributable to the increase of loan receivables of HK$56.0 million from money-lending services with funds raised from the 2016 Placing.

Net current assets

The Group's net current assets amounted to approximately HK$30.0 million, HK$181.2 million, and HK$259.4 million as at 31 December 2014, 2015 and 2016 respectively. These figures represented an increase of approximately 504% in 2015 as compared to 2014, and an increase of approximately 43% in 2016 as compared to 2015. Prior to the listing of the Company, the Group had a loan due to a related company amounting to HK$90.0 million. This amount significantly lowered the net current assets in 2014 to HK$30.0 million. An increase of 43% in net current assets from 2015 to 2016 was mainly attributable to the increase of loan receivables of HK$56.0 million from our securities-backed lending services and an increase of our cash and bank balances of HK$22.2 million.

Trade receivables

The trade receivable increased by 70% from HK$101.9 million as at 31 December 2014 to HK$173.2 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 of shares in June 2015. Whereas the trade receivable at 31 December 2016 was approximately HK$168.0 million, representing a decrease of 3% compared to HK$173.2 million recorded as at 31 December 2015.

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.

The Group has policy for impairment allowance which requires management's judgment and estimation. As assessed by the directors, no impairment allowance is necessary in respect of trade receivables at 31 December 2014, 2015 and 2016.

Loans receivable

The loans receivable are interest-bearing at 12.5% to 20.0% per annum and are repayable in 2017. The loans receivable are neither past due nor impaired. Management believes that no impairment allowance is necessary having regard to the creditworthiness of the borrowers and the value of the collateral.

FINANCIAL RESULTS OF THE GROUP FOR THE THREE MONTHS ENDED 31 MARCH 2017

Based on the unaudited condensed consolidated first quarterly results of the Group, the total revenue for the three months ended 31 March 2017 was approximately HK$10.2 million (2016: HK$8.3 million) representing an increase of approximately HK$1.9 million or 23% compared to the same period in 2016. Our securities-backed lending services continued to be our core profit generator as interest income from margin financing services and money lending services increased by approximately 6% to HK$7.6 million and 7.7 times to HK$2.3 million for the three months ended 31 March 2017 respectively. Our securities brokerage business continued to be affected by the battered investors' sentiment, which led to the declines in the trading frequencies as well as the gross transaction values. Commission income from securities brokerage services decreased to approximately HK$0.12 million for the three months ended 31 March 2017. During the three months ended 31 March 2017, the Group received placing fees of approximately HK$0.2 million. The Group's consolidated net profit for the three months ended 31 March 2017 was approximately HK$5.9 million (2016: HK$4.6 million), representing an increase of approximately HK$1.3 million or approximately 28%. Please also refer to the announcement of the unaudited first quarterly results of the Company for the three months ended 31 March 2017 at http://www.hkexnews.hk/listedco/listconews/GEM/2017/0509/GLN20170509043.pdf.

INTERNAL CONTROL, INDUSTRY OUTLOOK AND BUSINESS DEVELOPMENT

Internal control

Since the Initial Listing, the Group has adhered to the internal control policies disclosed in the paragraph headed "Internal control" under the section headed "Business" of the Prospectus.

In light of the expansion in the securities-backed lending business segment, the Company has taken a proactive and prudent approach to control the Group's credit risk. Credit risk management is achieved through various means at different stages of activities of each margin client. For example, the KYC protocol of the Group at the stage of margin client account opening (as detailed in page 35 of this announcement), the ongoing daily monitoring of each client's margin ratio and prompt execution of margin calls as detailed in page 104 of the Prospectus and the regular updating of the internal manuals as explained below.

Since the Initial Listing, the Group has always ensured its internal control manuals are kept up to date and in line with any guidelines or updates published by any relevant regulatory authorities. The internal control procedures have been updated frequently in compliance with the updates of the Code of Conduct and guidelines published by the SFC. For example, (i) the client agreement relating to account openings have been updated to include certain risk disclosure statements; and (ii) the Group has ensured the implementation of the new professional investor regime.

Furthermore, to enhance to the Group's credit risk management, since Initial Listing, in addition to the basic requirements under the Code of Conduct, (i) the Group has updated its manual to include certain stress tests to ensure the compliance with FRR (financial resources rule). The stress tests are conducted at least once on a month and performed as if an individual collateral has been suspended from trading for three business days. The stress tests are designed to assess the impact of suspension from trading in the Group's collaterals on the Group's liquid capital such that the liquid capital after stress tests shall be maintained at a minimum of HK$5 million. Depending on the test results, various actions will be taken by the Group. For example, if the liquid capital is below a certain threshold after the stress tests, then the Group will immediately demand repayment of the outstanding balance from the margin client or request diversification of the client's portfolio; (ii) the Group has tightened its requirements for additional asset proof (including proof of financial standing, proof of income, tax return and any other documents deemed necessary by the Group to evaluate the potential client's creditworthiness) before granting a credit limit and in addition to the asset proof, the Group also takes into account other factors (including the client's occupation, track record, trading pattern and credit history with the Group, reasons for applying additional credit (if applicable)). Both of these new policies implemented since the Initial Listing target to address the credit risk exposure of the Group, among others, when granting credit limits; and (iii) the Group has also upgraded its cyber security infrastructure.

With respect to the Group's margin financing business, the year end loan portfolio was approximately HK$101.9 million, HK$173.2 million and HK$167.5 million for the three years ended 31 December 2016 respectively. As at 31 December 2016, the total market value of securities pledged as collateral in respect of the receivables from margin clients was approximately HK$437.2 million. With respect to the Group's money lending business, the year end loan portfolio was nil, nil and HK$56.0 million for the three years ended 31 December 2016 respectively.

The Group made 14, 23 and 34 margin calls for each of the three years ended 31 December 2016, which were all duly met.

As can be seen in the table the section headed "OPERATIONAL DATA", the Group recorded an average day-end collateral coverage of 5.01, 2.18 and 1.18 for the three years ended 31 December 2016. The average day-end collateral coverage ratio during the Track Record Period represents an average margin ratio of 20.0%, 45.9% and 84.7% for the three years ended 31 December 2016. This figure represents the average daily aggregate collateral value of the Group against the daily aggregate total loan book of the Group.

Since the Initial Listing, in accordance with the Group's credit risk management and internal control procedures, the Group had adopted a prudent and cautious approach in agreeing with its margin financing customers about their leverage ratio (i.e. the margin ratio). Although the Group assigned margin ratios of above 70% to one and three customers respectively during 2013 and 2014, the Group did not assign any margin ratios of above 70% to any of its customers during the years ended 31 December 2015 and 31 December 2016.

The significant increase in the average margin ratio in 2016 was due to the volatility of the trading price of the collateral shares. At the end of July 2016, there was a significant drop in the value of 11 different collaterals affecting 12 customers within a few trading days. The sudden drop in the value of the collateral shares resulted in the sharp jump of the daily margin ratio, upon which, the Group immediately initiated its risk management procedures by making margin calls and selling the collateral shares of these customers. After selling the collateral shares of the affected customers, the Group began negotiating with them and the margin customers were requested to deposit additional funds or pledge additional securities to top up their margin value. As at 31 October 2016 and 30 November 2016, the Group's collateral coverage were 1.22 and 1.76 respectively. As seen under the row headed "Collateral coverage (as at year end)" of the table, the Group recorded a collateral coverage of 2.61, representing a margin ratio of approximately 38.3% for the year 2016. During the recovery process, the Group had constant communication with the affected customers. The Group considers that the above mentioned event due to fluctuation in the value of the collateral shares is part of the anticipated risks associated with the Group's ordinary course of business. The risk management procedures in place enabled the Group to fully recover all the shortfall from its customers.

Incidents of non-compliance

During the Track Record Period, except for the two incidents below, the Group had complied with all applicable securities laws and regulations.

(i) Breach of the Securities and Futures (Client Securities) Rules (SFCSR) in August 2014

The background and details of the one-off incident were fully disclosed under the section headed "HISTORICAL COMPLIANCE MATTERS" of the "BUSINESS" section of the Prospectus.

At the beginning of the Group's business operations in January 2013, due to an inadvertent oversight of PSL's then responsible officers, after obtaining verbal confirmations in respect of the intention to repledge and the identity of the financial institution from the two customers, PSL repledged their securities collateral as part of a margin financing arrangement with a then market value of approximately HK$210.0 million to a financial institution which was not an Authorised Institution, in contravention of the SFCSR.

Upon becoming aware of the non-compliance issue after an enquiry from the SFC's offsite monitoring in August 2014, the Group has enhanced its internal control procedures to prevent future occurrence of such incident by (i) issuing a reminder to all staffs to strictly adhere to the relevant laws and regulations at all times and relevant training sessions were conducted to enhance staff's knowledge of the SFCSR; (ii) revising the Group's compliance and operational manuals such that in future, repledging of securities collateral to an intermediary which is not an Authorised Institution shall be at all times prohibited; and (iii) engaging independent internal control advisers to review the enhanced internal control measures who were of the view that the enhanced internal control measures had been properly designed, effectively implemented and had maintained operating effectiveness during the period under review.

Furthermore, the Group also obtained a legal opinion to ascertain the legal consequence of the aforementioned contravention. The legal counsel was of the view that even if the SFC were to bring disciplinary proceedings or legal action against the Group or the relevant responsible officer, the Group shall be subject to reprimand and a fine penalty far below the maximum penalty and the relevant responsible officer may be subject to reprimand and suspension of licence for a short period of time with the possibility of imprisonment being remote.

Since the abovementioned incident, there was no reoccurrence of similar incident and the Group did not record any breach of the SFCSR.

(ii) Breach of Securities and Futures (Client Money) Rules (SFCMR) in April 2016

In April 2016, the Group voluntarily reported to the SFC that the Company had not properly segregated client money in its segregated bank accounts. It was because the system-generated report for determination of client money to be segregated did not take into account the sales proceeds and client deposits received by the Company on the settlement day and thereby the Company failed to properly segregate client money on the next business day. This resulted in under-segregation of client money and a breach of the SFCMR between September 2012 and February 2016.

To rectify the breach, the Group instructed the vendor to correct the program software which handles client money. The report was revised to ensure accurate calculation of the amount of client money to be segregated.

Further, an external auditor was appointed for a review and assessment of the Group's handling of client money. The report rated the Group's written policy and procedures as low risk and made a recommendation for the Group to formalize documenting unidentified receipts procedures, which the Group duly adopted.

No action has been taken by the SFC against any member of the Group since the Group first reported the incident to the SFC in April 2016 up to the date of this announcement. The non-compliance incident did not involve any fraud nor dishonesty of the Directors or any of the Group's employees. None of the Group's clients suffered any financial loss as a result. On the basis that (i) the Group did not encounter any problems when fulfilling the withdrawal demands from its clients; (ii) the balance positions stated on the clients' statements were accurate; (iii) none of the Group's clients suffered any financial loss; and (iv) none of the Group's clients made any complaints nor enquiries regarding the delay in the movement of funds, the Directors are of the view that the non-compliance incident would not have any impact on the Group's operations and financial performance (including the renewal of its licenses).

Other risk management matters

In May 2016, the Group also received a letter from the SFC (the "**SFC Letter**") regarding certain aspects of its risk management. In this respect, the Group duly adopted the following measures.

(i) Concentration of client securities collateral

The operation manual was updated to monitor changes in collateral positions by conducting the stress tests periodically as further described under the paragraph "Internal control". As at the date of this announcement, the Board considers that the Group's risk exposure to any individual securities collateral is at an acceptable level, consistent with market and the Group's financial capability.

(ii) Trigger of margin call

Instead of adopting a flat loan-to-collateral ratio of 70% as the triggering level for making margin calls, the Group's updated mechanism takes into account a matrix of other factors including the quality of individual securities collateral in the client's portfolio (e.g. volatility and liquidity of the securities) and the client's credit worthiness.

(iii) Documentation of credit assessment and enforcement of credit limits

The Group completed a thorough review of all credit and trading limits. The Group's operation manual was updated for a more stringent process to assess credit limit as further described under the paragraph "Internal control". Also taking into account the independent auditor's report, the Group now has proper and formal documentation procedures in place to demonstrate the assessment of each client's creditworthiness.

Taking into account (i) the internal control procedures (including those relating to credit risk management) of the Group since Initial Listing, which were formulated with foresight of the expansion of the Group's margin finance business; (ii) the Group has no significant concentration of credit risk on a single customer; (iii) the monitoring of the Group's risks on an on-going basis; (iv) all margin calls were duly met during the Track record period; (v) the report by an independent auditor appointed in 2016 after reviewing and assessing the Group's internal control system; (vi) the procedures adopted by the Group addressing the SFC Letter; (vii) no recurring or new non-compliance incidents since the non-compliance events described above; and (viii) no impairment provision had been made over trade receivables and loans receivable for the three year ended 31 December 2016 and up to the date of this announcement, the Board considers that the policies and procedures remain up-to-date, are adequate and effective.

The Group has adhered to and kept its staff updated with any guidelines published by the relevant authorities. In January 2017, the SFC and the Stock Exchange published the "Joint statement regarding the price volatility of GEM stocks" and the "Guideline to sponsors, underwriters and placing agents involved in the listing and placing of GEM stocks" (the "**Guidelines**") which provides guidelines to sponsors, underwriters and placing agents regarding GEM IPOs. During the Track Record Period and up to the date of this announcement, the Group has not acted as an underwriter, a placing agent or a sub-placing agent for any GEM IPOs. Nevertheless, should the Group engage to act as an underwriter, a placing agent or a sub-placing agent, the Group will adhere strictly to (i) the Guidelines; and (ii) existing high standards of practice and internal controls with respect to issues identified in the Guidelines.

For instance, with respect to the know-your-client (KYC) procedures, in view of the Guidelines, the Group's current KYC protocol requires:

i. the establishment of the true and full identity of each client, including those who are ultimately responsible for originating transaction instructions and those who will ultimately benefit from and bear the risks of the transactions;

ii. to learn the essential facts relevant to the client (e.g. contact details, place of work, financial situation etc.); and

iii. to assess the client's investment experience and investment objectives.

As disclosed in the Prospectus, the Group generally expands client network through referrals from existing clients and personal networks of management. All clients were either referred (i) by senior management; or (ii) by clients who originated through previous referrals by our senior management. Should the Group be appointed as an underwriter, a placing agent or a sub-placing agent of any GEM IPOs, the Group will:

i. ensure the placing is adequately monitored by senior management, consisting two responsible officers and the head of compliance, each of them is a licensed representative under the SFO;

ii. notify all active clients regarding the such appointment and offer such placing to all active clients;

iii. ensure the subscriptions by the clients are aligned with their respective financial position and review the sources of funding of potential placees. The Group will ensure that the funds transferred to the Group's bank accounts for the subscription must originate from a bank account under the client's name. If in doubt, the Group will make immediate enquiries and require further proofs of the sources of funding to ensure such funds do not come from connected persons of the issuer and the potential placee is not a nominee such persons;

iv. conduct thorough KYC procedures of clients (including but not limited to, internet searches) to ensure independence of clients;

v. during the allocation process of a placing, if a majority of the Group's clients show keen interest in the underwritten securities such that the placing is oversubscribed, the Group will allocate the placing securities on a fair, reasonable and pro-rata basis based on the number the Shares subscribed by each of them. Except specifically disclosed in the listing document, there will be no preferential treatment to any clients in the allocation. If however, there is less client interest such that the underwritten securities are not oversubscribed, the Group will ensure that there will be no over concentration of securities placed to a small number of placees while the remainder were placed in small quantities to a large number of placees by continuously identifying other potential placees; and

vi. keep clear records such that the entire placing process is fully recorded.

Industry outlook and business development

The winning of Donald Trump at the US presidential election and the aftermath of Brexit have continued to add on-going uncertainties to the global markets in 2017. The US Federal Reserve is expected to start tightening its credit policy by raising interest rates, while Europe and Japan are expected to continue to support their economies by stimulus measures. Asia markets will be susceptible to all the uncertainties and volatility in the global economy with liquidity remaining to be a critical factor to the market. In the first quarter of 2017, the market has slowly picked up in comparison to the end of 2016 as the market has gradually adjusted to the uncertainties from US presidential election, Brexit, and U.S. interest rates hike, etc.. In view of the global political and economic environment, the Group will continue to prudently evaluate and monitor the market conditions, and manage our positions and exposures accordingly. The Group will continue to focus on developing our existing businesses including securities-backed lending, securities brokerage, placing and underwriting while strengthening existing client relationships and further cultivating new clients to lay a solid foundation for long term development.

Looking forward, securities-backed lending services will remain as our core business focus. With the cash flow generated from our businesses, we expect the income generated from securities-backed lending services to continue to grow for the coming year. The overall trend and pattern of customers' trading activities is predicted to be similar to that of the prior year; with commission income from securities brokerage services to be lower than the 2016 level. In 2017, fund raising exercises in IPO and secondary market is expected to remain active and we expect that the commission income from placing and underwriting services to be higher than the 2016 level.

The following table sets out further information on the Group's brokerage and margin financing businesses:

	For the year ended 31 December		
	2014	**2015**	**2016**
Number of Active margin customers	74	72	60
Range of margin loan interest rate	12.5% – 20.0%	12.5% – 20.0%	12.5% – 24.0%
Gross transaction value of brokerage by active margin customers *(HK$'000)*	2,852,100	3,902,000	1,044,000
Number of transactions conducted by active margin customers that generated commission income	32,232	34,187	14,688
Average month end loan balance *(HK$'000)*	90,800	139,300	164,100

(i) Interest income from securities-backed lending services

As shown in the table under the paragraph headed "Revenue" under the section headed "SUMMARY OF KEY FINANCIAL INFORMATION" of this announcement, the securities-backed lending services business has continued to be the main driver of the Group's revenue since the Initial Listing. The net proceeds from the Group's Initial Listing and subsequent fund raising activities were utilized as originally intended, which were mainly used to fund for the expansion of the Group's securities-backed lending services, this coupled with strong demand for our securities-backed lending service from clients resulted in the increase in the growth in interest income.

(ii) Commission income from securities brokerage services

As shown in the table under the paragraph headed "Revenue" under the section headed "SUMMARY OF KEY FINANCIAL INFORMATION" of this announcement, the Group recorded a decline in revenue generated from commission income of securities brokerage services in 2016 compared to the same period in 2015. Revenue generated from commission for a financial year is dependent on (i) the total value of each transaction; and (ii) the frequency of transactions by the Group's clients. Commission is generated when a transaction is executed. The decline in revenue generated from commission income is attributable to the following factors:

(i) the decrease in the daily turnover of the Hong Kong Stock Market which in turn results in smaller transaction values. The average daily turnover was HK$66.9 billion, a decrease of about 37% when compared with approximately HK$105.6 billion recorded for 2015; and

(ii) the Hong Kong Stock Market was lackluster clouded with some uncertainties during the year 2016, such as the slowdown of the China economy, the US interest rates hike, the exit of the United Kingdom from the European Union and the US presidential election. These uncertainties from recent political and economic events resulted in short term price fluctuations in which affected our clients' trading activities, resulting in generally lower transaction frequencies.

The two factors explained above resulted in (i) a decline in the gross transaction value of brokerage by active margin customers of 73%; and (ii) a decline in the trading frequencies of such active margin customers of 57% for the year ended 31 December 2016.

For the year ended 31 December 2016, although the Group's customers were more cautious in trading which affected the average transaction size and frequencies of transactions and hence a decline in revenue from commission, these customers, nevertheless, pledged an increased number of securities to obtain larger loans. As shown in the table above, the average month end loan balance of these active margin customers increased by 18% compared to the year ended 31 December 2015, notwithstanding the lower frequency of trading by the margin finance customers, these loans generated interest income to the Group, resulting in the growth of the Group's securities-backed lending services. Hence, revenue from these two business segments exhibited different trends for the year ended 31 December 2016. The Group recorded an increase in revenue from securities-backed lending services and a decrease in revenue from securities brokerage services.

Furthermore, on 3 January 2017, the Group was granted a tax loan of HK$6,420,000 at an interest rate of 2% for more efficient utilisation of its financial resources.

Licences

Type of licence	Effective date	Scope of licence	Status
SFO Type 1 licence	13 September 2012	Licence under the SFO to carry out Type 1 (dealing in securities) regulated activity	Valid
Exchange Participant Certificate (No. P1623)	3 December 2012	Allows corporation to trade on or through the Stock Exchange	Valid
Stock Exchange Trading Right (Distinctive No. 1074)	3 December 2012	Allows corporation to trade on or through the Stock Exchange	Valid
Money Lenders Licence (No. 0131/2017)	14 February 2017	Allows a person or corporation to lend money in Hong Kong	Valid until 14 February 2018

SFC licences

Set out below is a summary of the relevant licences and trading rights currently held by PSL relating to its brokerage, margin financing and placing and underwriting services:

(i) Licence under the SFO to carry out Type 1 (dealing in securities) regulated activity;

(ii) Exchange Participant Certificate (No. P1623); and

(iii) Stock Exchange Trading Right (Distinctive No. 1074).

Since 13 September 2012, PSL has been licensed to carry out Type 1 (Dealing in securities) regulated activities. The licence has no expiry date and remains valid until suspended or revoked by the SFC. As a licensed corporation, PSL must comply with all applicable laws and regulations, including the relevant codes, guidance notes, circulars and guidelines issued by the SFC. The continuing compliance obligations include for example monthly submission of financial resources returns, payment of annual fees and complying with the annual continuous professional training requirements.

Money Lenders Licence

As at the date of this announcement, Pinestone Capital Group Limited (鼎石資本集團有限公司) ("**PCGL**"), an indirect wholly owned subsidiary of the Company, is licensed under the MLO to operate money lending services. The current licence permits PCGL to carry out money lending services from 14 February 2017 to 14 February 2018. Upon application for renewal of the licence, corporate and banking information and details of the directors, past directors, management, controllers and shareholders of the applicant will be provided to the Registrar of Money Lenders for its consideration. On a continuing basis, the licensee is also required to comply with applicable laws and regulations including for example the regulations on transactions and arrangements (e.g. on written contract requirements and interest rates) which may be conducted by a licensed money lender imposed by the Money Lenders Ordinance, the Money Lenders Regulations in relation to the procedures, formats, fees for the renewal of the licence.

As at the date of this announcement, no member of the Group is a party to, and the Group is not aware of any incident of non-compliance that, in the opinion of the Company's management, may result in the revocation of any of the Group's material licenses. The Board is also of the view that the Group will be able to comply with all the applicable continuing obligations.

Material acquisitions or disposals

Since Initial Listing, the Group has not undertaken any material acquisition nor disposal. As at the date of this announcement, the Group has not entered into any agreement with respect to any material acquisitions or disposals.

DEALINGS IN THE SHARES ON THE MAIN BOARD

The Shares have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS with effect from 12 June 2015, the date on which the Shares were first listed on GEM.

Subject to the continued compliance with the stock admission requirements of HKSCC, the Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS once dealings in the Shares on the Main Board commence, and that all activities under CCASS are subject to the General Rules of the CCASS and CCASS Operational Procedures in effect from time to time.

The last day of dealings in the Shares on GEM (Stock code: 8097) will be 7 June 2017. Dealings in the Shares on the Main Board (Stock code: 804) will commence at 9:00 a.m. on 8 June 2017.

The Transfer will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates.

Currently, the Shares are traded in board lots of 5,000 Shares each and are traded in Hong Kong dollars. The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited.

No change will be made to the English and Chinese stock short names of the Company, the existing share certificates, the board lot size, the trading currency of the Shares and the abovementioned share registrar and transfer office of the Company following the Transfer.

COMPETING INTERESTS

As at the date of this announcement, none of the substantial Shareholders and their repetitive associates (as defined in the GEM Listing Rules) has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group which would be required to be disclosed under the GEM Listing Rules.

PUBLIC FLOAT

The Directors confirm that at least 25% of the total issued shares of the Company was held by the public (as defined in the Listing Rules) as at the date of this announcement. Accordingly, the minimum 25% public float requirement has been maintained in compliance with Rule 8.08 of the Listing Rules.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for viewing on the respective websites of the Company at www.pinestone.com.hk and of the Stock Exchange at www.hkexnews.hk:

(a) the first quarterly report of the Company for the three months ended 31 March 2017;

(b) the annual report of the Company for the year ended 31 December 2016;

(c) the third quarterly report of the Company for the nine months ended 30 September 2016;

(d) the interim report of the Company for the three months and the six months ended 30 June 2016;

(e) the first quarterly report of the Company for the three months ended 31 March 2016;

(f) the Articles;

(g) any prospectuses and circulars to shareholders issued by the Company in the immediately preceding full financial year; and

(h) a copy of each of the announcements and other corporate communications made by the Company prior to the date of this announcement as required under the GEM Listing Rules and the Main Board Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the following meanings unless the context requires otherwise:

"Articles"	the amended and restated articles of association of the Company
"associate(s)"	has the meaning ascribed to it under the Main Board Listing Rules
"Authorised Institutions"	has the meaning ascribed to it under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
"Board"	the board of Directors
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Code of Conduct"	the Code of Conduct for Persons Licensed by or Registered with the SFC
"Companies (Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Company"	Pinestone Capital Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the GEM
"Director(s)"	director(s) of the Company
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of the Securities on GEM
"Group"	the Company and its subsidiaries

"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Initial Listing"	the listing on the GEM by way of placing of 120 million Shares at HK$0.50, details of which are set out in the Prospectus
"Main Board"	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
"Main Board Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MLO"	the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong), as amended, supplemented or modified from time to time
"Predecessor Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies Ordinance and the Companies (Miscellaneous Provisions) Ordinance
"Prospectus"	the prospectus of the Company dated 29 May 2015
"PSL"	Pinstone Securities Limited, an indirect wholly-owned subsidiary of the Company
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.001 each of the Company

"Share Option Scheme"	the share option scheme adopted by the Company on 22 May 2015
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Stock Exchange Trading Right"	a right to be eligible to trade on or through the Stock Exchange as an Exchange Participant and entered as such a right in a list, register or roll kept by the Stock Exchange
"Track Record Period"	the period for the three years ended 31 December 2014, 2015 and 2016
"Transfer"	the transfer of the Shares from GEM to the Main Board
"%"	per cent

By order of the Board of
Pinestone Capital Limited
Cheung Yan Leung Henry
Chairman

Hong Kong, 31 May 2017

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Main Board Listing Rules and GEM Listing Rules for the purpose of giving information with regard to the Company.

The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this 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 in this announcement misleading.

As at the date of this announcement the executive Directors are Mr. Cheung Yan Leung Henry, Mr. Jonathan Cheung and the independent non-executive Directors are Mr. Yeung King Wah, Mr. Lai Tze Leung George and Mr. So Stephen Hon Cheung.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for a minimum period of 7 days from the date of its publication and on the Company's website at www.pinestone.com.hk.