ASTRUM

Astrum Financial Holdings Limited

阿仕特朗金融控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8333

Annual Report 2016

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

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

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

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

*This report, for which the directors (the "**Directors**") of Astrum Financial Holdings Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**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 report is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this report misleading.*

This report will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the Company's website at www.astrum-capital.com.

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors
Mr. Pan Chik *(Chairman and chief executive officer)*
Mr. Kwan Chun Yee Hidulf
Mr. Cheung Hon Fai Bosco

Independent Non-executive Directors
Mr. Chan Chun Hong
Mr. Lee Tak Cheung Vincent
Mr. Lau Hon Kee

AUDIT COMMITTEE
Mr. Lau Hon Kee *(Chairman)*
Mr. Chan Chun Hong
Mr. Lee Tak Cheung Vincent

REMUNERATION COMMITTEE
Mr. Chan Chun Hong *(Chairman)*
Mr. Pan Chik
Mr. Kwan Chun Yee Hidulf
Mr. Lee Tak Cheung Vincent
Mr. Lau Hon Kee

NOMINATION COMMITTEE
Mr. Pan Chik *(Chairman)*
Mr. Kwan Chun Yee Hidulf
Mr. Chan Chun Hong
Mr. Lee Tak Cheung Vincent
Mr. Lau Hon Kee

COMPLIANCE OFFICER
Mr. Cheung Hon Fai Bosco

COMPANY SECRETARY
Ms. Wong Susan Chui San, *ASCPA, HKICPA*

AUTHORISED REPRESENTATIVES
Mr. Pan Chik
Mr. Kwan Chun Yee Hidulf

REGISTERED OFFICE
Estera Trust (Cayman) Limited
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Room 2704, 27/F
Tower 1 Admiralty Centre
18 Harcourt Road
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Estera Trust (Cayman) Limited
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

AUDITORS
HLB Hodgson Impey Cheng Limited
31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

COMPLIANCE ADVISER
Messis Capital Limited

LEGAL ADVISER
King & Wood Mallesons

COMPANY WEBSITE
www.astrum-capital.com

CHAIRMAN'S STATEMENT

On behalf of the board of Directors (the "**Board**") of Astrum Financial Holdings Limited (the "**Company**"), I am delighted to present to you the annual report of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2016.

The year 2016 was a challenging one. Global financial market experienced high level of volatility amid concerns over the slowdown in China's economic growth, uncertainties surrounding the Brexit vote and potential risks associated with global monetary easing policies and increasing interest rates. In the circumstances, investment sentiment in Hong Kong was generally weak and the Group was inevitably affected by the overall economic and political situation.

Notwithstanding the unprecedented turn of events, the Group has delivered promising results. The Group's total revenue was approximately HK$58.1 million in comparison to approximately HK$91.8 million in 2015. Even though there was a decrease of approximately 36.7% in total revenue, such drop in total revenue was in line with the decrease in the average daily turnover of the Hong Kong securities markets, which recorded a drop of approximately 36.6% in 2016 as compared to that in 2015. As the Group's business is subject to the performance of the Hong Kong securities market, this proves that the Group performed steadily in 2016 in alignment with the Hong Kong securities market and the general market sentiment.

The Group recorded an interest income from securities and initial public offering financing of approximately HK$5.2 million, representing a significant growth of approximately 91.8% as compared with that of approximately HK$2.7 million during the year ended 31 December 2015. Such increase was triggered by the keen demand for financing services from customers and the expansion of funds available for financing services by approximately HK$61.6 million from the net proceeds of Share Offer.

From the liquidity perspective, the Directors and senior management are of the view that the available working capital level is adequate to operate the current businesses at the existing scale. The Group also secured sufficient revolving loan facilities to cater for its occasional needs of funding for the financing services.

The Directors and senior management will review the working capital level on an on-going basis in order to maximize the return to our shareholders while staying mindful of the statutory and regulatory requirements. We will continue to keep abreast of the latest developments such that the Group retains our position at the forefront in the Hong Kong financial industry.

Going forward, the Group will continuously focus our efforts to expand our existing businesses by broadening the customer base, cultivating new clients for long term growth and seeking new business opportunities. In addition to delivering sustained profitability, the Group is committed to a balanced growth and reaching out to the community to fulfill social responsibilities.

On behalf of the Board, I would like to express my sincere gratitude towards our shareholders, customers and business partners for their trust and continuous support to the Group over the years. Moreover, I would also like to thank all staff for their tremendous effort and contribution. With a competent management and other professional teams, I believe the Group will succeed in achieving our business goals. We will continue to explore new business opportunities in the challenging year ahead and strive for the best returns for our shareholders.

On behalf of the Board

PAN CHIK
Chairman and chief executive officer

MARKET REVIEW

The business of the Group is subject to the performance of the Hong Kong securities market. Compared with 2015 which was a robust year with an average daily turnover of securities market reached a ten year high, it was generally expected that the turnover and the fund raising size in both primary and secondary markets dropped in 2016. The following market statistics can serve as a benchmark of the performance of the Group:

	2015	**2016**	Change
Average daily turnover of Hong Kong securities market	HK$105.6 billion	**HK$66.9 billion**	–36.6%
Hang Seng Index	21,914.40	**22,000.56**	+0.4%
Initial public offering ("**IPO**")			
– Number of transactions	124	**120**	–3.2%
– Total fund raised	HK$263.1 billion	**HK$195.3 billion**	–25.8%
Placing			
– Number of transactions	539	**380**	–29.5%
– Total fund raised	HK$440.7 billion	**HK$154.1 billion**	–65.0%
Rights issue and open offers			
– Number of transactions	115	**80**	–30.4%
– Total fund raised	HK$121.6 billion	**HK$57.3 billion**	–52.9%

Source: Website of the Stock Exchange

In general, the average daily turnover of Hong Kong securities market, total fund raising size in primary market through IPO and in secondary market through placing, rights issue and open offers dropped significantly.

BUSINESS REVIEW

The Group is principally engaged in the provision of securities dealing and brokerage services, placing and underwriting services, corporate finance advisory services, financing services and asset management services. The Company was successfully listed on GEM of the Stock Exchange by way of share offer (the "**Share Offer**") on 14 July 2016 (the "**Listing Date**").

BUSINESS REVIEW (Continued)

Securities dealing and brokerage services

For the year ended 31 December 2016 (the "**Year**"), the Group continued to offer securities dealing and brokerage services principally for securities in Hong Kong which include stocks, derivatives and debt instruments. As at 31 December 2016, the Group had 172 active customers (2015: 200), among which, the ten largest active customers contributed approximately 70.1% (2015: approximately 53.0%) of the commission income from securities dealing and brokerage services. Though the principal operating subsidiary of the Group, Astrum Capital Management Limited ("**Astrum Capital**"), was approved as a China Connect Exchange Participant and a China Connect Clearing Participant and has installed the system required for handling trades through Shanghai-Hong Kong Stock Connect, Astrum Capital has not yet extended the securities dealing and brokerage services to eligible stocks listed on the Shanghai Stock Exchange through Shanghai-Hong Kong Stock Connect as customers of the Group did not show keen interest on such service.

Placing and underwriting services

During the Year, the Group completed 19 placing and underwriting engagements (2015: 29 engagements), among which, 2 engagements were IPOs, 8 engagements were placing of new shares, 8 engagements were rights issue or open offer and 1 engagement was placing of existing shares held by the shareholders. Revenue derived from underwriting service in respect of IPOs, rights issue and open offer amounted to approximately HK$29.4 million during the Year (2015: approximately HK$34.3 million) while revenue derived from placing service in respect of placing of new shares and existing shares amounted to approximately HK$8.1 million during the Year (2015: approximately HK$29.0 million).

Corporate finance advisory services

The Group was engaged in 13 corporate finance advisory engagements during the Year (2015: 18 engagements), among which, 6 financial advisory engagements contributed a total revenue of approximately HK$1.8 million and 7 independent financial advisory engagements contributed a total revenue of approximately HK$0.9 million.

Financing services

Financing services of the Group recorded a remarkable growth during the Year due to the keen demand for financing services from customers and the expansion of funds available for financing services by approximately HK$61.6 million from the net proceeds of Share Offer. The Group had terminated the bank overdrafts and revolving loan facilities of HK$17 million from two banks in December 2016 and subsequently obtained a revolving loan facility of HK$70 million from a licensed money lender in January 2017. The Group will draw on such revolving loan facility in case the internal resources of the Group is insufficient to satisfy the demand for financing services. The stagging facilities for IPO loan from a bank is still available as at the date of this report.

Asset management services

During the Year, the Group had been acting as the investment manager of Astrum Absolute Return China Fund (the "**Astrum China Fund**"). As at 31 December 2016, the asset under management of Astrum China Fund was approximately US$6.5 million (2015: approximately US$6.2 million) and the net asset value per share was approximately US$1,013.385 (2015: approximately US$965.676).

ACHIEVEMENT OF BUSINESS OBJECTIVES

As set out in the prospectus of the Company dated 30 June 2016 (the "**Prospectus**"), the principal business objective of the Group is to further strengthen the position of the Group in the financial services industry in Hong Kong by (i) further developing the core business by expanding financing services including securities and IPO financing; (ii) expanding the asset management business; and (iii) extending securities dealing and brokerage services to eligible stocks listed on the Shanghai Stock Exchange through Shanghai-Hong Kong Stock Connect.

(i) Expanding financing services including securities and IPO financing

After the Share Offer in July 2016, the Group has applied majority of the net proceeds from the Share Offer to financing services including securities and IPO financing in August 2016. With these additional capital resources and coupled with keen demand for financing services from customers, the interest income of the Group increased nearly a double from approximately HK$2.7 million in 2015 to approximately HK$5.2 million for the Year. The Directors will continue to closely monitor the liquidity level of the Group and strike the balance between expanding the loan portfolio and credit risk arising from default of payment from customers.

(ii) Expanding the asset management business

Leveraged on the experiences of the asset management team, Astrum China Fund recorded an annual return of approximately 4.9% for the Year, while the Hang Seng Index recorded a slight increase of approximately 0.4% during the same period. The Directors believe that the asset management business of the Group will continue to broaden the revenue base in the long run.

(iii) Extending securities dealing and brokerage services to eligible stocks listed on the Shanghai Stock Exchange through Shanghai-Hong Kong Stock Connect

The Group has not yet extended the securities dealing and brokerage services to eligible stocks listed on the Shanghai Stock Exchange through Shanghai-Hong Kong Stock Connect as customers did not show keen interest on such service. The Group will continuously monitor the customers' responses and demand for the service of Shanghai-Hong Kong Stock Connect. Upon receiving favourable response from a number of customers, the Directors will proactively consider to launch the service of Shanghai-Hong Kong Stock Connect.

FINANCIAL REVIEW

Key financial Data

	For the year ended/ As at 31 December 2015 HK$'000	**For the year ended/ As at 31 December 2016 HK$'000**	Approximate percentage change
Results of operation			
Revenue	91,799	**58,089**	-36.7%
Profit before tax	47,045	**21,244**	-54.8%
Profit and total comprehensive income for the year attributable to owners of our Company	38,337	**16,918**	-55.9%
Financial position			
Current assets	267,041	**353,918**	+32.5%
Current liabilities	208,448	**198,623**	-4.7%
Net current assets	58,593	**155,295**	+165.0%
Total equity	62,684	**158,181**	+152.3%
Key financial ratios			
Net profit margin	41.8%	**29.1%**	
Current ratio	1.3	**1.8**	
Gearing ratio	–	**–**	
Net debt to equity ratio	Net cash position	**Net cash position**	
Return on assets	14.1%	**4.7%**	
Return on equity	61.2%	**10.7%**	

FINANCIAL REVIEW (Continued)

Revenue

Total revenue of the Group for the Year was approximately HK$58.1 million as compared to approximately HK$91.8 million for the year ended 31 December 2015 (the "**Corresponding Year**"), representing a decrease of approximately 36.7%. Such decrease was attributable to (i) the decrease in the securities trading transaction amount of customers; (ii) the decrease in the number of placing and underwriting engagements secured and completed by the Group; (iii) the decrease in corporate finance advisory engagements charged and undertaken by the Group; and (iv) the decrease in asset management fee derived from asset management services of Astrum China Fund.

Commission from securities dealing and brokerage services decreased from approximately HK$19.9 million for the Corresponding Year to approximately HK$11.8 million for the Year, representing a decrease of approximately 40.8%. Such decrease was in line with the decrease in average daily turnover of Hong Kong securities market. According to "HKEx Monthly Market Highlights – December 2016", the average daily turnover of Hong Kong securities market for the Year dropped approximately 36.6% to approximately HK$66.9 billion as compared with the Corresponding Year.

Revenue derived from placing and underwriting services decreased from approximately HK$63.3 million for the Corresponding Year to approximately HK$37.5 million for the Year, representing a decrease of approximately 40.8%. Such decrease was mainly due to (i) the decrease in the number of placing and underwriting engagements completed by the Group from 29 for the Corresponding Year to 19 for the Year; and (ii) the decrease in the average income derived from the top 5 placing and underwriting engagements from approximately HK$7.7 million for the Corresponding Year to approximately HK$6.0 million for the Year.

Corporate finance advisory services fee decreased from approximately HK$3.3 million for the Corresponding Year to approximately HK$2.7 million for the Year, representing a decrease of approximately 18.8%. Such decrease was mainly due to the decrease in the number of corporate finance advisory engagements charged and undertaken by the Group from 18 for the Corresponding Year to 13 for the Year.

Interest income from securities and IPO financing increased from approximately HK$2.7 million for the Corresponding Year to approximately HK$5.2 million for the Year, representing an increase of approximately 91.8%. Such increase was triggered by the keen demand for financing services from customers and the expansion of funds available for financing services by approximately HK$61.6 million from the net proceeds of Share Offer.

Asset management fee decreased from approximately HK$2.6 million for the Corresponding Year to approximately HK$1.0 million for the Year, representing a decrease of approximately 63.5%. Astrum China Fund was launched on 1 April 2015 with an initial asset under management of US$6 million. For the Corresponding Year, a management fee and a performance fee of approximately HK$0.7 million and HK$1.9 million respectively were recognised. For the Year, the Group only recognised a management fee of approximately HK$1.0 million and no performance fee was charged as the net asset value of Astrum China Fund did not surpass the high water mark achieved in 2015.

Other income

Other income decreased from approximately HK$1.9 million for the Corresponding Year to approximately HK$1.8 million for the Year, representing a decrease of approximately HK$0.1 million.

FINANCIAL REVIEW (Continued)

Administrative and other operating expenses

Administrative and other operating expenses decreased from approximately HK$46.4 million for the Corresponding Year to approximately HK$38.5 million for the Year, representing a decrease of approximately 17.0%. Such decrease was mainly due to (i) the decrease in the listing expenses from approximately HK$6.2 million for the Corresponding Year to approximately HK$3.2 million for the Year; and (ii) the decrease in advertising from approximately HK$4.6 million for the Corresponding Year to approximately HK$2,000 for the Year as the Group suspended the advertisement on a financial magazine.

Finance costs

The decrease in the finance costs from approximately HK$211,000 for the Corresponding Year to approximately HK$106,000 for the Year was mainly due to decrease in IPO financing which in turn led to the decrease in utilisation of IPO loan borrowed from a bank.

Profit for the Year

As a result of the foregoing, profit decreased by approximately HK$21.4 million, or approximately 55.9% from approximately HK$38.3 million for the Corresponding Year to approximately HK$16.9 million for the Year.

PROSPECTS

The Group will continuously focus its efforts to expand its existing businesses by broadening the customer base, cultivating new clients for long term growth and seeking new opportunities. In addition to delivering sustained profitability, the Group is also committed to a balanced growth and reaching out to the community to fulfill social responsibilities.

Subsequent to 31 December 2016 and up to the date of this report, the Group completed 9 placing and underwriting engagements and 1 corporate finance advisory engagement and had 1 placing and underwriting engagement and 5 corporate finance advisory engagements in progress.

The Group is contemplated to extend the securities dealing and brokerage services to futures trading. Astrum Capital has been licensed to conduct Type 2 (dealing in futures contracts) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**"). In March 2017, Astrum Capital submitted an application to the Stock Exchange of Hong Kong Limited ("**Stock Exchange**") for the Exchange Participantship of Hong Kong Futures Exchange Limited ("**HKFE**") and Clearing Participantship of HKFE Clearing Corporation Limited under the category of Clearing Participant. Subject to the approval of the above participantships by the Stock Exchange, the testing of application software and connection with the Stock Exchange, the set-up of relevant risk and internal control systems and the allocation of manpower, the futures trading service will then be provided to the customers.

USE OF PROCEEDS

In respect of the net proceeds of approximately HK$68.4 million raised from the Share Offer of the Company in July 2016, up to the date of this report, (i) approximately HK$61.6 million has been deployed for the expansion of financing services; (ii) approximately HK$1.3 million has been used as general working capital for payment of rent and management fee and compliance adviser fee; and (iii) approximately HK$5.5 million is kept at bank for future use as general working capital as stated in the Prospectus.

EMPLOYEE INFORMATION

As at 31 December 2016, the Group had 21 employees (2015: 19 employees) and 5 account executives (2015: 5 account executives). Total staff costs (including directors' remuneration) were approximately HK$13.0 million (2015: approximately HK$14.4 million).

Employees' remuneration was determined based on the employees' qualification, experience, position and seniority. Assessment of employee remuneration is conducted annually to determine whether any bonus or salary adjustments are required to be made.

The Group adopted a share option scheme (the "**Scheme**"). Since its adoption, no options have been granted or agreed to be granted pursuant to the Scheme and, therefore, there were no outstanding options as at 31 December 2016 (2015: NIL).

Majority of the employees are licensed with the Securities and Futures Commission of Hong Kong (the "**SFC**") as responsible officers or licensed representatives and therefore are required to comply with the continuous professional training requirements. From time to time, the Group provides in-house continuous professional training and updates on changes or development in the financial industry including the revisions on rules and regulations to update the employees' knowledge and skills so as to maintain their professional competence and keep them remaining fit and proper.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the Year, the Group mainly financed its operations, capital expenditure and other capital requirements by internal resources and net proceeds raised from the Share Offer in July 2016 and occasionally financed its financing services by bank overdrafts and revolving loan facilities granted by banks.

As at 31 December 2016,

(i) the total assets of the Group amounted to approximately HK$356.8 million (2015: approximately HK$271.2 million) and the total equity attributable to owners of the Company amounted to approximately HK$158.2 million (2015: approximately HK$62.7 million). Such increases in total assets and total equity attributable to owners of the Company were mainly attributable to the addition of net proceeds of approximately HK$68.4 million raised from the Share Offer in July 2016;

(ii) the net current assets of the Group amounted to approximately HK$155.3 million (2015: approximately HK$58.6 million) and the current ratio of the Group, being the ratio of current assets to current liabilities, was approximately 1.8 times (2015: approximately 1.3 times). The increase in net current assets and current ratio was mainly due to the increase in bank balances in general accounts and trust accounts as well as the increase in trade receivables as at 31 December 2016 compared to 31 December 2015 and the decrease in trade payables as at 31 December 2016 compared to 31 December 2015;

(iii) the total bank balances and cash of the Group, which were substantially denominated in Hong Kong Dollars, amounted to approximately HK$256.7 million (2015: approximately HK$185.6 million). Such increase was mainly due to the increase in bank balances in (a) general accounts of approximately HK$56.4 million and (b) trust accounts of approximately HK$14.6 million; and

(iv) the Group did not have any debt (2015: NIL) and therefore gearing ratio was not applicable.

CHARGES ON THE GROUP'S ASSETS

The Group did not have any charges of assets as at 31 December 2016 (2015: NIL).

FOREIGN EXCHANGE EXPOSURE

The turnover and business costs of the Group were principally denominated in Hong Kong dollars. Therefore, the exposure to the risk of foreign exchange rate fluctuations for the Group was minimal and no financial instrument for hedging was employed during the Year.

SIGNIFICANT INVESTMENTS

The Group did not hold any significant investments during the Year.

MATERIAL ACQUISITIONS OR DISPOSALS

Save for the corporate reorganisation undertaken in preparation for the listing of the Company's shares on the GEM of the Stock Exchange as detailed in the Prospectus, there was no material acquisition or disposal of subsidiaries, associates and joint ventures during the Year.

COMMITMENTS

As at 31 December 2016, the Group had a gross commitment of approximately HK$676.9 million (2015: approximately HK$200.0 million) in respect of the underwriting and sub-underwriting agreements with independent third parties in relation to rights issue and initial public offering of shares listed/to be listed in Hong Kong. The Group had offered sub-underwriters for the participation of the aforesaid transactions and the sub-underwriters had accepted the offer with an aggregated commitment of approximately HK$230.5 million (2015: approximately HK$141.8 million). Such commitments was subsequently released by February 2017.

Save as disclosed above, the Group did not have any capital commitments as at 31 December 2016 (2015: NIL).

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2016 (2015: NIL).

PRINCIPAL RISKS AND UNCERTAINTIES

The business activities of the Group subject to different financial risks including credit risk and liquidity risk. The overall risk management of the Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance.

Credit risk

The Group is exposed to credit risk which may cause a financial loss due to failure to discharge an obligation by the counterparties.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of trading limits, trading approvals and other monitoring procedures to ensure that follow-up action is taken to recover outstanding balances. In addition, the Group reviews the recoverable amount of each individual receivable periodically to ensure that adequate impairment losses are made for irrecoverable amounts. Margin calls are made when the outstanding balances due from clients exceed their respective limits with consideration of the quality, liquidity and price volatility of individual stock, and the transaction history and credibility of the customer. Failure to meet margin calls may result in the prohibition of further purchase of securities or liquidation of the client's positions on a case-by-case basis. In this regard, the management considers that the credit risk is significantly reduced.

Liquidity risk

The Group is subject to the statutory liquidity requirements as prescribed by the regulators. The Group has a monitoring system to ensure that it maintains adequate liquid capital to fund its business commitments and to comply with the Securities and Futures (Financial Resources) Rules (Cap.571N of the laws of Hong Kong).

The Group has maintained revolving loan facilities to meet any contingency in its operations. The Directors believe that the Group's working capital is adequate to meet its financial obligations.

EVENT AFTER THE REPORTING PERIOD

In January 2017, the Group obtained a revolving loan facility of HK$70 million from a licensed money lender. Save and except for this, up to the date of this report, there was no significant event relevant to the business or financial performance of the Group that come to the attention of the Directors after the Year.

EXECUTIVE DIRECTORS

Mr. Pan Chik（潘稷）, aged 48, is the chairman of the Board, an executive Director and the chief executive officer of the Group. Mr. Pan was appointed as the executive Director on 13 January 2015 and is responsible for formulating corporate strategy, planning, business development as well as supervising the overall operations of the Group.

Mr. Pan has approximately 20 years of experience in the financial services industry. During the period from May 1993 to April 2007, he worked in Lippo Securities Holdings Limited and last held the position of associate director – investment services. Mr. Pan was a director of Murtsa Capital Partners Limited (currently known as Special Fine Investment and Management Limited) from October 2009 to September 2013, which was engaged in providing advisory and management services to offshore funds.

Mr. Pan has been a director of Astrum Capital Management Limited ("**Astrum Capital**") since 2007, a wholly-owned subsidiary of the Company. He is currently licensed with the Securities and Futures Commission of Hong Kong (the "**SFC**") as a Responsible Officer of Astrum Capital for Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities. Mr. Pan obtained a bachelor's degree of arts in accounting, finance and economics from University of Essex in July 1991.

Other than his directorship in the Company, Mr. Pan was a non-executive director of Tonking New Energy Group Holdings Limited (formerly known as JC Group Holdings Limited) (stock code: 8326) from November 2013 to July 2014.

Mr. Kwan Chun Yee Hidulf（關振義）, aged 44, was appointed as an executive Director on 13 January 2015 and is responsible for business planning and development and overseeing the operations of the Group. He has approximately 19 years of experience in the financial services industry. Prior to joining the Group, Mr. Kwan was the Responsible Officer of Asia Investment Management Limited, Goldin Financial Limited and South West Capital Limited at the material time for the period from March 2009 to June 2012.

Mr. Kwan joined the Group as the head of corporate finance department of Astrum Capital in July 2012 and was subsequently appointed as a director of Astrum Capital in October 2012. He is currently the managing director of Astrum Capital and is licensed with the SFC as a Responsible Officer of Astrum Capital for Type 1 (dealing in securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities. He obtained his bachelor's degree in business administration conferred by Lingnan University in Hong Kong in November 1999.

Mr. Cheung Hon Fai Bosco（張漢輝）, aged 65, was appointed as an executive Director on 13 January 2015 and is responsible for overseeing compliance and risk management of the Group. Mr. Cheung is also the compliance officer of the Company. He has approximately 40 years of experience in the financial services industry and his experience covers areas such as trading and settlement operation, compliance and risk management. From June 1983 to July 1990, he was employed by Anderson Man (Investment Services) Limited initially as operations manager and last held the position of director. From November 1991 to December 2004, Mr. Cheung was employed by Lippo Securities Holdings Limited and last held the position of director. From March 2005 to October 2013, he was employed by Astrum Capital and last held the position of director. From March 2010 to March 2014, Mr. Cheung was also a Responsible Officer for Murtsa Capital Partners Limited (currently known as Special Fine Investment and Management Limited).

Mr. Cheung re-joined Astrum Capital in April 2014 and is currently one of its Responsible Officers. Mr. Cheung is currently licensed with the SFC as a Responsible Officer of Astrum Capital for Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 9 (asset management) regulated activities. Mr. Cheung obtained a bachelor's degree in business (economics and finance) from Royal Melbourne Institute of Technology University (RMIT) in August 2009 through part-time studies via Hong Kong Management Association.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chun Hong（陳駿康）, aged 43, was appointed as an independent non-executive Director on 23 June 2016. Mr. Chan specializes in business valuation and consulting and is the Chairman of Graval Consulting Limited since September 2016. Mr. Chan is also an independent non-executive director of FDB Holdings Limited (stock code: 8248). He worked in Grant Sherman Appraisal Limited from March 2005 to August 2016 and his last position with Grant Sherman Appraisal Limited was director of transaction services and was responsible for the appraisal of business enterprises, intangible assets and derivatives instruments.

Mr. Chan is a fellow member of the Association of Chartered Certified Accountants, a CFA Charterholder and a fellow member of the Hong Kong Institute of Directors. Mr. Chan holds a bachelor's degree in business administration conferred by Hong Kong University of Science and Technology in November 1996.

Mr. Lee Tak Cheung Vincent（李德祥）, aged 54, was appointed as an independent non-executive Director on 23 June 2016. Mr. Lee has been practicing as a solicitor in Hong Kong since 1988. He has been a partner of the law firm, Tang and Lee from 1991 up to end of March 2014 when he retired as a partner but has remained as a consultant to the said law firm up to January 2015. Since February 2015, Mr. Lee has been a consultant of the law firm, Chow, Griffiths and Chan. Mr. Lee has been advising customers on conveyancing and corporate matters.

Mr. Lee is now also a Notary Public and a China-Appointed Attesting Officer in Hong Kong. Mr. Lee obtained a bachelor of law degree from The University of Hong Kong in November 1985.

Mr. Lau Hon Kee（劉漢基）, aged 46, was appointed as an independent non-executive Director on 23 June 2016. Mr. Lau has approximately 20 years of experience in the financial reporting and accounting fields. He is the financial controller and the company secretary of Shandong Luoxin Pharmaceutical Group Stock Co., Ltd. (stock code: 8058) and one of the joint company secretaries of Zhejiang Tengy Environmental Technology Co., Ltd (stock code: 1527). Mr. Lau is also an independent non-executive director of Dafeng Port Heshun Technology Company Limited (stock code: 8310).

Mr. Lau is a fellow of the Hong Kong Institute of Certified Public Accountants and a certified practising accountant of CPA Australia. Mr. Lau holds a bachelor's degree in commerce conferred by Australian National University in April 1994 and a master's degree in professional accounting conferred by Hong Kong Polytechnic University in October 2009.

SENIOR MANAGEMENT

Mr. Fung Tat Hung Ricky（馮達雄）, aged 46, head of dealing department, joined the Group on 1 March 2005. Mr. Fung has approximately 20 years of experiences in financial market. Mr. Fung is responsible for managing day to day trading operation. Mr. Fung obtained a diploma in business Management from The Hong Kong Polytechnic University in September 1995. In October 2003, Mr. Fung obtained a master degree in engineering management from University of Technology, Sydney via distance learning.

COMPANY SECRETARY

Ms. Wong Susan Chui San（黃翠珊）, aged 43, chief financial officer and company secretary, joined the Group on 19 January 2015. Ms. Wong has more than 19-year experience in auditing, accounting and taxation. She is the founder of Messrs. C.S. Wong & Co and the director of Pan-China (H.K.) CPA Limited. Ms. Wong is also the company secretary of Grand Investment International Limited (stock code: 1160) and an independent non-executive director of Ban Loong Holdings Limited (stock code: 30). From April 2012 to August 2015, Ms. Wong was the company secretary of Yin He Holdings Limited (formerly known as Zebra Strategic Holdings Limited) (stock code: 8260).

Ms. Wong has been a certified practising accountant of the Australian Society of Certified Practising Accountants and a certified public accountant of the Hong Kong Institute of Certified Public Accountants since May 1999 and May 2000, respectively. She is also a member of The Society of Chinese Accountants and Auditors, a fellow and a certified tax adviser of the Taxation Institute of Hong Kong. Ms. Wong obtained a bachelor of economic degree from The University of Sydney in May 1996.

The Company is committed to achieving and maintaining high standards of corporate governance to safeguard the stakeholders' interest and to enhance their confidence and support. From 14 July 2016 (the "**Listing Date**") to 31 December 2016, the Company has adopted and complied with the code provisions of the Corporate Governance Code ("**CG Code**") as set out in Appendix 15 to the GEM Listing Rules except the deviation from CG Code provision A.2.1. The board (the "**Board**") of Directors will review and continue to enhance the Company's corporate governance standards, as the Directors believe that sound internal controls and effective corporate governance practices are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the shareholders of the Company.

The Board is pleased to report compliance with the code provisions of the CG Code for the year ended 31 December 2016 (the "**Year**"), except where otherwise stated.

CHAIRMAN AND CHIEF EXECUTIVE

CG Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Pan Chik has been managing and supervising the overall operations of the Group since 2007. The Board believes that vesting the roles of chairman and chief executive officer in Mr. Pan is beneficial to the business operations and management of the Group and will provide a strong and consistent leadership to the Group. The Board also believes that the Company already has a strong corporate governance structure in place to ensure effective oversight of management.

THE BOARD

The Board currently consists of six members including three executive Directors and three independent non-executive Directors. In compliance with Rules 5.05(1) & (2) and Rule 5.05A of the GEM Listing Rules, the Company has appointed three independent non-executive Directors, representing more than one-third of the Board and at least one of them has appropriate professional qualifications, or accounting or related financial management expertise. The Board is of the view that the Board comprises members with diversified background and industry expertise to oversee and operate the Company efficiently and safeguard the interests of various stakeholders of the Company.

The Board has the responsibility for leadership and control of the Group. They are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board is accountable to shareholders for the strategic development of the Group with the goal of maximising long-term shareholder value, while balancing broader stakeholder interests. The Board has delegated the day-to-day responsibility to the executive Directors and senior management of the Company who will meet regularly to review the financial results and performance of the Group and make financial and operational decisions for the implementation of strategies and plans approved by the Board. The Board is also responsible to communicate with shareholders and regulatory bodies and, where appropriate, will make recommendations to shareholders on final dividends and approve the declaration of any interim dividend.

In accordance with article 108 of Articles and Association of the Company (the "**Articles**"), at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. At the forthcoming annual general meeting of the Company (the "**2017 AGM**"), each of Mr. Pan Chik and Mr. Kwan Chun Yee Hidulf will retire as Director by rotation and, being eligible, will offer themselves for re-election at the 2017 AGM.

EXECUTIVE DIRECTORS

Executive Directors are responsible for formulating corporate strategy, planning business development, supervising the overall operations of the Group and overseeing compliance and risk management of the Group. They are responsible to ensure proper risk management and internal control system is in place and the Group's business conforms to applicable laws and regulations.

Executive Directors

Mr. Pan Chik (Chairman and chief executive officer)	(appointed on 13 January 2015)
Mr. Kwan Chun Yee Hidulf	(appointed on 13 January 2015)
Mr. Cheung Hon Fai Bosco	(appointed on 13 January 2015)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors who was appointed on 23 June 2016 has entered into a service contract for an initial term of three years commencing from the Listing Date, unless terminated earlier by either side by giving not less than one month's prior written notice and subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Articles.

Independent non-executive Directors

Mr. Chan Chun Hong	(appointed on 23 June 2016)
Mr. Lee Tak Cheung Vincent	(appointed on 23 June 2016)
Mr. Lau Hon Kee	(appointed on 23 June 2016)

All independent non-executive Directors are professionals with well recognised experience and expertise to bring valuable advice to the Board. Mr. Chan Chun Hong and Mr. Lau Hon Kee possess the appropriate professional qualifications, or accounting and related financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules. None of the independent non-executive Directors has any business or financial interests with the Company and all independent non-executive Directors confirmed their independence to the Group as at 31 December 2016 in accordance with Rule 5.09 of the GEM Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence requirements set out in Rule 5.09 of the GEM Listing Rules.

BOARD DIVERSITY POLICY

The Board Diversity Policy as adopted by the Board aims to achieve diversity in the Board in order to have a balance of skills, experience and diversity of perspectives in accordance with the business nature of the Company. The Company endorses and recognises the benefits of having a diversified Board. Selections on the Board for appointments are based on a range of diversity of perspectives, including gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

BOARD COMMITTEE

The Board has established three Board committees, namely the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the GEM website *www.hkgem.com* and the Company's website at *www.astrum-capital.com*. All the Board committees should report to the Board on their decisions or recommendations.

The Board is responsible for performing the corporate governance duties as set out in the CG Code which include (i) developing and reviewing the Company's policies and practices on corporate governance, (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management, (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, (iv) developing, reviewing and monitoring the code of conduct and compliance manual, and (v) reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Remuneration Committee

The Remuneration Committee was established on 23 June 2016. The chairman of the Remuneration Committee is Mr. Chan Chun Hong, being an independent non-executive Director, and other members include Mr. Pan Chik and Mr. Kwan Chun Yee Hidulf, both being executive Directors and Mr. Lee Tak Cheung Vincent and Mr. Lau Hon Kee, both being independent non-executive Directors.

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management of the Company and the establishment of a formal and transparent procedure for developing remuneration policy, and on the remuneration packages of individual executive Directors and senior management (including benefits in kinds, pension rights and compensation payment) and the remuneration of the non-executive Directors. On the date of this report, the Remuneration Committee has reviewed the remuneration package of the Directors and senior management of the Company and considered that they are fair and reasonable during the Year.

Nomination Committee

The Nomination Committee was established on 23 June 2016. The chairman of the Nomination Committee is Mr. Pan Chik, being the chairman of the Board, an executive Director and the chief executive officer of the Company, and other members include Mr. Kwan Chun Yee Hidulf, being an executive Director and Mr. Chan Chun Hong, Mr. Lee Tak Cheung Vincent and Mr. Lau Hon Kee, all being independent non-executive Directors.

The primary duties of the Nomination Committee are to review the structure, size, composition and diversity (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, to review and assess the independence of the independent non-executive Directors, and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive. On the date of this report, the Nomination Committee has reviewed the structure, size, composition and diversity of the Board. The Nomination Committee will continue to review the necessity of recruiting more competent staff in the expansion of the Group.

BOARD COMMITTEE (Continued)

Audit Committee

The Audit Committee was established on 23 June 2016. The chairman of the Audit Committee is Mr. Lau Hon Kee, being an independent non-executive Director, and other members include Mr. Chan Chun Hong and Mr. Lee Tak Cheung Vincent, both being independent non-executive Directors.

The primary duties of the Audit Committee are to (i) to review and monitor the Company's external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; (ii) monitor integrity of the Company's financial statements, review annual report and accounts, half-year report and quarterly reports, and review significant financial reporting judgements contained in them; and (iii) review the Company's financial reporting, financial controls, risk management and internal control systems.

The Company has complied with Rule 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting or related financial management expertise. Since the Listing Date and up to the date of this report, the Audit Committee held 3 meetings to review, assess and comment on the consolidated quarterly, interim and final results of the Group. It has also reviewed the risk management and internal control systems of the Group, the continuing connected transactions carried out by the Group and the compliance with the Deed of Non-competition in the section headed "REPORT OF THE DIRECTORS" of this report. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the Year have complied with applicable accounting standards and GEM Listing Rules and that adequate disclosures have been made.

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

Directors/Board Committees*	The Board (Notes 1 & 2)	Audit Committee (Note 1)	Remuneration Committee (Notes 1 & 2)	Nomination Committee (Notes 1 & 2)
Mr. Pan Chik	C (5/5)		M (0/0)	C (0/0)
Mr. Kwan Chun Yee Hidulf	M (5/5)		M (0/0)	M (0/0)
Mr. Cheung Hon Fai Bosco	M (5/5)			
Mr. Chan Chun Hong	M (5/5)	M (2/2)	C (0/0)	M (0/0)
Mr. Lee Tak Cheung Vincent	M (5/5)	M (2/2)	M (0/0)	M (0/0)
Mr. Lau Hon Kee	M (5/5)	C (2/2)	M (0/0)	M (0/0)

(•) no. of attendance during the period from the Listing Date to 31 December 2016

Notes:

1. C – Chairman of the relevant Board Committee
   M – Member of the relevant Board Committee

2. In January 2017, each of the Board, the Remuneration Committee and the Nomination Committee held a meeting and all of their respective members were present.

ACCOUNTABILITY AND AUDIT

The Directors acknowledged their responsibilities to prepare the consolidated financial statements of the Group and other financial disclosures required under the GEM Listing Rules and the management has provided such explanation and information to the Board to enable it to make an informed assessment of the financial and other Board decisions. The Directors believed that they have selected suitable accounting policies and applied them consistently, made judgements and estimates that are prudent and reasonable and ensured the consolidated financial statements are prepared on a "going concern" basis. The statement of the auditors of the Company regarding their reporting responsibilities for the consolidated financial statements of the Group is set out in the Independent Auditors' Report on pages 40 to 43 of this report.

The management has provided all members of the Board with monthly updates on internal financial statements so as to give the Directors a balanced and understandable assessment of the Group's performance, position and prospects.

DIRECTORS' TRAINING AND DEVELOPMENT

All Directors have been updated with the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements to ensure their compliance with these requirements and enhance their awareness of good corporate governance. All Directors and employees of the Group are encouraged to attend relevant training courses to keep abreast of the latest market and regulatory changes and developments. The Board may seek independent professional advice in appropriate circumstances, at the Company's expenses, in order to assist and ensure the Directors can duly discharge their duties.

All Directors confirmed that they have complied with the CG Code provision A.6.5. From the Listing Date to the date of this report, each Director had participated in continuous professional development by attending seminars, courses or conferences or read related materials to develop and refresh their knowledge and skills.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions. Having made specific enquiries with all Directors, all of them confirmed that they have complied with the required standard of dealings throughout the period from the Listing Date to the date of this report. The Company has not been notified of any incident of non-compliance during such period.

COMPANY SECRETARY

Ms. Wong Susan Chui San joined the Group on 19 January 2015 as chief financial officer and company secretary. The biographical details of Ms. Wong are set out under the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" of this report. In accordance with the Rule 5.15 of the GEM Listing Rules, Ms. Wong had taken no less than 15 hours of relevant professional training during the Year.

INDEPENDENT AUDITORS' REMUNERATION

During the Year, the remuneration paid or payable to the external auditors of the Company, HLB Hodgson Impey Cheng Limited, in respect of the audit and non-audit services were as follows:

Services rendered	Remuneration paid/ payable HK$'000
Audit services	
– Statutory audit services	600
Non-audit services	
– Review of the financial information in quarterly and interim reports	160
– Acting as reporting accountants for the listing of the shares of the Company on the GEM of the Stock Exchange	1,350
	2,110

CONSTITUTIONAL DOCUMENTS

There are no significant change in the Company's constitutional documents during the period from the Listing Date to the date of this report.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the strategic objectives of the Group, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems.

The Group's risk management framework sets out the process of identification, evaluation and management of the principal risks affecting the business:

i. Each division is responsible for identifying, evaluating and managing risks within its own division on a regular basis with mitigation plans to manage those risks after taking into account the objective of such division.

ii. The management is responsible for overseeing the risk management and internal control activities of the Group through regular meetings with each division to ensure principal risks are properly managed and new or changing risks and material internal control defects have been identified and addressed.

iii. The Board is responsible for reviewing the effectiveness of the Group's risk management and internal control systems through regular meetings with the management. In addition, the Audit Committee, with the professional advices and opinions from the external internal control consultant of the Company, is responsible for ensuring the sufficiency and effectiveness of the Group's risk management and internal control systems through regular inspection and monitoring.

The risk management framework, coupled with our internal controls, ensures that the risk associated with different divisions of the Group are effectively controlled and in line with the Group's appetite. However, the Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

As the corporate and operation structure of the Group is not complex and a separate internal audit department may divert resources of the Group, the Company does not have an internal audit department. However, the Group engaged an external internal control consultant, CT Partners Consultants Limited, to conduct a review on the internal control system of the Group during the Year. The review covered certain operational procedures and included recommendations for improvement and strengthening of the internal control system of the Group. No significant control failings or weakness have been identified by CT Partners Consultants during the review.

Handling and Dissemination of Inside Information

With respect to the handling and dissemination of inside information, the Group has adopted various procedures and measures on disclosure of inside information with an aim to ensure that the insiders abide by the confidentiality requirement and that inside information is to be disseminated to public in equal and timely manner in accordance with the applicable laws and regulations. Such procedures include, among others, notification of regular blackout period and securities dealing restrictions to the Directors and employees, dissemination of information to specified persons on a need-to-know basis and use of code to identify projects.

COMMUNICATION WITH AND RIGHTS OF THE SHAREHOLDERS

Communication with the Shareholders and Investor Relations

The Company has adopted the shareholders' communication policy (the "**Shareholders' Communication Policy**") with the objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company (including the financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable the shareholders to exercise their rights in an informed manner, and to allow the shareholders and potential investors to engage actively with the Company.

In accordance with the Shareholders' Communication Policy, information of the Company shall be communicated to the shareholders and potential investors mainly through the Company financial reports (quarterly, interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the disclosure submitted to the Stock Exchange and the corporate communications and other corporate publications on the Company's website.

Procedures for the Shareholders to Convene an Extraordinary General Meeting

According to article 64 of the Articles, extraordinary general meetings of the Company shall be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

At any general meeting a resolution put to the vote of the meeting shall be decided by poll save that the chairman of the meeting may, pursuant to the GEM Listing Rules, allow a resolution to be voted by a show of hands.

Procedures for Putting Forward Proposals by Shareholders at Shareholders' Meetings

Shareholders may include a resolution to be considered at an extraordinary general meeting. The requirements and procedures are set out above in the paragraph headed "Procedures for the Shareholders to Convene an Extraordinary General Meeting".

Enquiries of Shareholders

Shareholders may send their enquiries to the Board by addressing them to the principal place of business of the Company in Hong Kong (located at Room 2704, 27/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong) by post or by email to info@astrum-capital.com. Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. In addition, shareholders should direct the questions about their shareholdings to Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company.

REPORT OF THE DIRECTORS

The Directors are pleased to present this report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2016 (the "**Year**").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of its subsidiaries include provision of (i) securities dealing and brokerage services; (ii) placing and underwriting services; (iii) corporate finance advisory services; (iv) financing services including securities and IPO financing; and (v) asset management services. There were no significant changes in nature of Group's principal activities during the Year.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2016 are set out in Note 34 to the consolidated financial statements.

BUSINESS REVIEW

A review of the Group's business, a discussion and analysis of the Group's performance during the Year and an analysis of the prospects of the Group's business are set out in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" from pages 5 to 13.

A description of the principal risks and uncertainties facing by the Group are set out in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" from pages 5 to 13.

SEGMENTAL INFORMATION

Details of segment reporting are set out in Note 6 to the consolidated financial statements.

RESULTS AND DIVIDEND

The results of the Group for the Year and the financial position of the Group as at 31 December 2016 are set out in the consolidated financial statements from pages 44 to 95 of this report.

The Directors do not recommend the payment of final dividend for the Year.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last four financial years, as set out on page 96 of this report, are extracted from this report and the prospectus of the Company dated 30 June 2016 (the "Prospectus").

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the turnover attributable to the Group's largest customer accounted for approximately 24.4% (2015: approximately 16.6%) of the Group's total turnover and the turnover attributable to the Group's five largest customers accounted for approximately 56.9% (2015: approximately 48.4%) of the Group's total turnover.

Mr. Ng Yau Sing, the ultimate beneficial owner of Ample Honesty Limited which in turn owns 9.0% of the issued Shares of the Company, together with his spouse, are the ultimate beneficial owners of Unique Prosperity Limited which in turn owns approximately 22.43% of the issued shares of Universe International Financial Holdings Limited (Stock code: 1046) as at the date of this report. Universe International Financial Holdings Limited was one of the five largest customers of the Group during the Year.

Save and except the above, to the best of the Directors' knowledge, none of the Directors, their respective close associates (as defined under the GEM Listing Rules) or any shareholder of the Company (who to the knowledge of the Directors owns more than 5% of the issued shares of the Company) had an interest in any of the major customers above.

The Group had no major supplier due to the nature of principal business activities of the Group.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in Note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in Note 24 to the consolidated financial statements.

DEBENTURES

The Company did not issued any debentures during the Year.

RESERVES

Details of movements in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity and in Note 33 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2016, the Company's reserves available for distribution to the Shareholders are approximately HK$65.7 million (2015: Nil) as calculated in accordance with statutory provisions applicable in the Cayman Islands.

PURCHASE, SALE OR REDEMPTION OF SHARES

The issued shares of the Company were listed on GEM of Stock Exchange on 14 July 2016 (the "**Listing Date**"). Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities after listing and up to 31 December 2016.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company (the "**Article**") or the laws of Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders of the Company.

EQUITY-LINKED AGREEMENTS

Save and except for the Scheme as disclosed in the paragraph headed "SHARE OPTION SCHEME", no equity-linked agreements that (i) will or may result in the Company issuing shares or (ii) require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Year or subsisted at the end of the Year.

SHARE OPTION SCHEME

A share option scheme (the "**Scheme**") was adopted by the shareholders of the Company on 23 June 2016. Unless otherwise cancelled or amended, the Scheme will remain in force for a period of 10 years. Under the Scheme, the Board shall be entitled to offer to grant a share option to any eligible participant whom the Board may select at its absolute discretion. No share options have been granted under the Scheme since its effective date and up to 31 December 2016. The major terms of the Scheme are set out in Note 26 to the consolidated financial statements.

CORPORATE GOVERNANCE

The principal corporate governance practices as adopted by the Company are set out in the section headed "CORPORATE GOVERNANCE REPORT" from pages 17 to 24 of this report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As the principal business activities of the Group are carried out by Astrum Capital Management Limited ("**Astrum Capital**") which is a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**"), the Group is committed to comply with all relevant laws and regulations under the regulatory regime for the financial service industry, in particular, all applicable provisions of the SFO and its supplementary rules and regulations as well as the codes and guidelines issued by the Securities and Futures Commission of Hong Kong (the "**SFC**").

To the best of knowledge of the Directors, the Group has complied with all relevant laws, rules and regulations during the Year.

DISCLOSURES UNDER RULES 17.22 TO 17.24 OF THE GEM LISTING RULES

As at 31 December 2016, the Group had no circumstances which would give rise to a disclosure obligation under Rules 17.22 to 17.24 of the GEM Listing Rules.

ENVIRONMENTAL POLICIES AND PERFORMANCES

The Group is committed to support for environmental protection by adopting green office practices to reduce consumption of energy and natural resources. The green office practices include use of energy-efficient LED lights and duplex printing, reuse of single-side printed paper, envelops and stationery, turning off idle electrical appliances and setting optimal temperature on the air-conditioning. Employees have been following the green office practices whenever possible during the day-to-day operation.

A separate environmental, social and governance report is expected to be published on the website of the Stock Exchange and the Company no later than three months after the publication of this report.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND BUSINESS PARTNERS

The Group is committed to establish and maintain long term and harmonious relationships with its employees, customers and business partners. The Group provides a pleasant and healthy working environment to employees. During the Year, the Group organised various activities to promote the friendship, bonding and healthiness of employees including badminton games, hiking, festive celebrations, overseas trip and health check. In addition, continuous professional training is provided to employees to update and strengthen their professional knowledge. Instead of mass communication, employees of the Group communicate with his/her customers and/or business partners on an ongoing and promptly basis through email, telephone or face-to-face meeting. The Group was able to retain its customers and business partners during the Year and no complaints were received.

DONATION

The Group's charitable and other donations during the Year amounted to approximately HK$753,000, which include donation to The Community Chest of HK$650,000 for choosing the stock code of the Company "8333" and supports to other charitable organisations. No donations were made to political parties during the Year.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during the Year and up to date of this report were:

Executive Directors

Mr. Pan Chik (Chairman and chief executive officer)
Mr. Kwan Chun Yee Hidulf
Mr. Cheung Hon Fai Bosco

Independent Non-executive Directors

Mr. Chan Chun Hong (appointed on 23 June 2016)
Mr. Lee Tak Cheung Vincent (appointed on 23 June 2016)
Mr. Lau Hon Kee (appointed on 23 June 2016)

The biographical details of the Directors are set out on pages 14 to 15 of this report.

In accordance with article 108 of Articles, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. At the forthcoming annual general meeting of the Company (the "**2017 AGM**"), each of Mr. Pan Chik and Mr. Kwan Chun Yee Hidulf will retire from office as Director by rotation and, being eligible, will offer themselves for re-election at the 2017 AGM.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS (Continued)

Each of the Directors has entered into a service contract with the Company for a term of three years which is subject to termination by either party giving not less than one month's written notice.

No Director proposed for re-election at the 2017 AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than the normal statutory compensation.

CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmation of independence from each of the independent non-executive Directors pursuant to the GEM Listing Rules. The Company considers the independent non-executive Directors to be independent pursuant to Rule 5.09 of the GEM Listing Rules as at the date of this report.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out in the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" on pages 14 to 16 of this report.

EMOLUMENT POLICY

The emolument policy of the Group is on the basis of the qualifications and contributions of individuals to the Group. The Company has adopted a share option scheme as an incentive to eligible participants, details of which are set out in the paragraph headed "SHARE OPTION SCHEME".

The Directors' fee are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Group

Details of the emoluments of the Directors and five highest paid individuals are set out in Notes 11 and 12 to the consolidated financial statements respectively.

Details of the remuneration of senior management by band is set out in Note 30(iv) to the consolidated financial statements.

Details of the retirement benefit scheme are set out in Note 27 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

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

COMPETING INTERESTS

During the Year, none of the Directors, the substantial shareholders of the Company and their respective 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.

NON-COMPETITION UNDERTAKING

Each of Mr. Pan Chik, Autumn Ocean Limited, Mr. Ng Yau Sing and Ample Honesty Limited as covenantor (each a "**Covenantor**", collectively, "**Covenantors**") entered into a deed of non-competition dated 23 June 2016 in favour of the Company (the "**Deed of Non-competition**").

Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and for the benefit of the Company's subsidiaries) that, save and except as disclosed in the prospectus, so far as the Deed of Non-competition continues to remain effective, he/it shall not, and shall procure that his/its close associates (other than any member of the Group) not to develop, acquire, invest or be interested, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group within Hong Kong and such other parts of the world where any member of the Group may operate from time to time, save for the holding of not more than 5% shareholding interests (individually or with his/its close associates) in any company listed on a recognised stock exchange and at any time the relevant listed company shall have at least one shareholder (individually or with his/its close associates, if applicable) whose shareholding interests in the relevant listed company is higher than that of the relevant Covenantor (individually or with his/its close associates). Each of the Covenantors further undertakes that if he/it or his/its close associates other than any member of the Group is offered or becomes aware of any business opportunity which may compete with the business of the Group, he/it shall procure that his/its close associates to promptly notify the Group in writing and the Group shall have a right of first refusal to take up such opportunity. The independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition by the Covenantors, and be responsible for deciding whether or not to allow any of the Covenantors and/or his/its close associates to involve or participate in any business in competition with or likely to be in competition with the existing business activity of any member of the Group within Hong Kong and such other parts of the world where any member of the Group may operate from time to time and if so, any condition to be imposed. The Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition of the Covenantors in the annual reports of the Company.

A summary of the major terms of the Deed of Non-competition was disclosed in the section headed "Relationship with our Controlling Shareholders" of the Prospectus.

NON-COMPETITION UNDERTAKING (Continued)

Annual confirmation from Mr. Pan and Autumn Ocean Limited

The Company received from Mr. Pan and Autumn Ocean Limited an annual confirmation in March 2017 on their compliance of the non-competition undertaking under the Deed of Non-competition ("**Pan's Undertaking**"). The independent non-executive Directors have reviewed the compliance of Pan's Undertaking and evaluated the effectiveness of the implementation of the Deed of Non-competition, and were satisfied that Mr. Pan and Autumn Ocean Limited have complied with Pan's Undertaking during the Year.

Annual confirmation from Mr. Ng and Ample Honesty Limited

The Company also received from Mr. Ng and Ample Honesty Limited an annual confirmation ("**Ng's Confirmation**") in March 2017 on their compliance of the non-competition undertaking under the Deed of Non-competition ("**Ng's Undertaking**"). As disclosed in Ng's Confirmation, Unique Prosperity Limited ("**Unique Prosperity**"), a company which is owned as to 5% by Mr. Ng and 95% by the spouse of Mr. Ng, Ms. Leung Yuet Kwan Belinda ("**Mrs. Ng**"), as at the date of Ng's Confirmation, held approximately 22.43% of the issued share capital in Universe International Financial Holdings Limited ("**Universe**"), a company listed on the Main Board of the Stock Exchange whose principal business activities include, amongst other things, securities brokerage and margin financing which are carried out by one of its subsidiaries, China Jianxin Financial Services Limited ("**China Jianxin**"). The deemed interest of Mr. Ng in more than 5% shareholding interest in Universe appears to be a non-compliance of Ng's Undertaking (the "**Incident**").

According to Ng's Confirmation, Unique Prosperity's shareholding in Universe first exceeded 5% when it acquired approximately 11.25% of the issued share capital of Universe in August 2016 (which was after the Listing Date). In October 2016, Unique Prosperity subscribed for rights shares in Universe during the rights issue exercise of Universe, and as a result of which Unique Prosperity's shareholding in Universe increased to approximately 26.92%. In February 2017, Unique Prosperity's shareholding in Universe was lowered to approximately 22.43% due to the increase of issued share capital of Universe as a result of a placing exercise.

Upon receipt of Ng's Confirmation, the Company convened a full Board meeting which was attended by all executive Directors and all independent non-executive Directors to discuss the Incident. The following matters were discussed at the Board meeting: (i) remedial actions which should be taken by the Company in response to the Incident; (ii) measures to prevent the reoccurrence of similar incidents in future; and (iii) the obtaining of external legal advice on the Incident. After the Board meeting, the Company engaged a law firm in Hong Kong to advise the Company on the non-compliance of Ng's Undertaking.

Business relationships between Astrum Capital, Universe and China Jianxin

Astrum Capital Management Limited ("**Astrum Capital**"), a wholly-owned subsidiary of the Company, acted as the sole underwriter of Universe in the rights issue exercise conducted by Universe from July to September 2016. In addition, Astrum Capital and China Jianxin had occasionally made invitations to each other to participate in fund-raising exercises of their respective customers, including cross-invitations of sub-placing and sub-underwriting. These business co-operations were part of the ordinary and usual course of business of financial institutions in Hong Kong, and were conducted amongst the Company, Astrum Capital and China Jianxin, totally independently of Mr. and Mrs. Ng and without their participation or involvement, as Mr. and Mrs. Ng have never participated in the management or executive functions of the Company and/or its subsidiaries, including, amongst others, Astrum Capital. Further, as confirmed by Mr. and Mrs. Ng, they have never participated in the management or executive functions of Universe and/or its subsidiaries, including, amongst others, China Jianxin.

NON-COMPETITION UNDERTAKING (Continued)

The Board's observations and analysis

The Company has consulted its Hong Kong legal adviser on the Incident and the possible remedies against Mr. Ng on the non-compliance of Ng's Undertaking. The Company is of the view that the non-compliance of Ng's Undertaking is not a result of any loophole of the Company's compliance and internal control systems. In particular, the Company noted that there is no threat of actual leakage of business information by the Group, since Mr. and Mrs. Ng did not and do not have access to any confidential business information of the Group given that they have no past and present executive or management roles in the Group. However, in order to reinforce the Group's compliance efforts, the Company intends to request confirmations from the Covenantors to disclose the status of their compliance with the Deed of Non-competition more frequently, that is, on a quarterly rather than annual basis.

The independent non-executive Directors have instructed the Company's management to seek further legal advice as to the appropriate legal actions which should be taken by the Company in response to the Incident, and to make an assessment on the impact of the Incident on the Group. In the meantime, the Company will reserve all its rights to take any legal action relating to the Incident.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group are set out in Note 30 to the consolidated financial statements. Those related party transactions which constituted connected transactions/continuing connected transactions under the GEM Listing Rules, which are set out in the paragraph headed "CONNECTED TRANSACTIONS/CONTINUING CONNECTED TRANSACTIONS" below, have complied with the requirements under Chapter 20 of the GEM Listing Rules.

CONNECTED TRANSACTIONS/CONTINUING CONNECTED TRANSACTIONS

One-off Connected Transactions

During the Year, the Group had not entered into any non-exempt one-off connected transactions which were subject to the reporting, annual review, announcement and/or independent shareholders' approval requirements under the GEM Listing Rules.

Continuing Connected Transactions

During the Year, the Group conducted the following continuing connected transactions:

1. *Financial Services Agreements*

Date of agreement:	23 June 2016
Term:	commencing from 14 July 2016 (date of listing of shares of the Company on GEM) and ending on 31 December 2018
Transaction nature:	provision of margin financing and/or IPO financing services by Astrum Capital to each of the connected parties under their respective securities trading account with Astrum Capital

CONNECTED TRANSACTIONS/CONTINUING CONNECTED TRANSACTIONS (Continued)

Continuing Connected Transactions (Continued)

1. Financial Services Agreements (Continued)

Connected parties	Annual caps	Annual cap amount for the Year HK$'000	Payment from/ to the Group	Maximum amount/ transaction amount for the Year HK$'000 (Approximately)
Mr. Pan Chik ("**Mr. Pan**") and his associates (including his family members and certain private companies controlled by Mr. Pan and his family members but excluding Astrum China Fund and the Group) (collectively the "**Pan's Family**")	IPO Annual Cap	30,480	Advance from the Group	12,727
	Margin Annual Cap	5,938	Advance from the Group	5,698
	Interest Annual Cap	177	Interest paid to the Group	126
Mr. Kwan Chun Yee Hudilf ("**Mr. Kwan**")	IPO Annual Cap	1,539	Advance from the Group	1,458
	Margin Annual Cap	127	Advance from the Group	82
	Interest Annual Cap	2	Interest paid to the Group	2
Mr. Cheung Hon Fai Bosco ("**Mr. Cheung**")	IPO Annual Cap	282	Advance from the Group	–
	Margin Annual Cap	88	Advance from the Group	–
	Interest Annual Cap	1	Interest paid to the Group	–

Notes:

– IPO Annual Cap is the annual cap of the daily maximum amounts of IPO financing to be advanced to each of the connected parties

– Margin Annual Cap is the annual cap of the daily maximum amounts of margin financing to be advanced to each of the connected parties

– Interest Annual Cap is the annual cap of the interest to be received from the provision of margin financing and IPO financing services from each of the connected parties

CONNECTED TRANSACTIONS/CONTINUING CONNECTED TRANSACTIONS (Continued)

Continuing Connected Transactions (Continued)

2. *Investment Management Agreements*

Date of agreement:	18 March 2015 and supplemented by the Supplemental Investment Management Agreement on 23 June 2016
Term:	commencing from 1 April 2015 and ending on 31 December 2017 with an option to renew by mutual agreement of Astrum China Fund and Astrum Capital no less than 30 days before the expiration of 31 December 2017 and subject to compliance with the relevant GEM Listing Rules
Transaction nature:	provision of service as an investment manager by Astrum Capital to Astrum China Fund

Connected parties	Annual caps	Annual cap for the Year HK$'000	Payment to the Group	Transaction amount for the Year HK$'000 (Approximately)
Astrum China Fund	Performance fee and management fee	1,100	Performance fee and management fee paid to the Group	971

3. *Brokerage Services Agreements*

Date of agreement:	23 June 2016
Term:	commencing from 14 July 2016 (date of listing of shares of the Company on GEM) and ending on 31 December 2018
Transaction nature:	provision of brokerage services by Astrum Capital to each of the connected parties under their respective securities trading account with Astrum Capital

Connected parties	Annual Cap HK$'000	Commission amount paid to the Group for the Year HK$'000 (Approximately)
The Pan's Family	400	114
Mr. Kwan	10	7
Mr. Cheung	10	1

CONNECTED TRANSACTIONS/CONTINUING CONNECTED TRANSACTIONS (Continued)

Continuing Connected Transactions (Continued)

4. *Brokerage Services (Fund) Agreement*

Date of agreement:	23 June 2016
Term:	commencing from 1 January 2016 and ending on 31 December 2018
Transaction nature:	provision of brokerage services by Astrum Capital to Astrum China Fund under its securities trading account with Astrum Capital

Connected parties	Annual Cap HK$'000	Commission amount paid to the Group for the Year HK$'000 (Approximately)
Astrum China Fund	600	445

Listing Rule Implications

Save for the Financial Services Agreement entered into between the Group and the Pan's Family, which is a non-exempt continuing connected transaction, all other continuing connected transactions fall under the de minimis provision set forth in Rule 20.74(1)(c) of the GEM Listing Rules and are therefore fully exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

Auditors' Letter on Continuing Connected Transactions

The Company's auditors were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The Company's auditors have issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 20.54 of the GEM Listing Rules.

Confirmation of independent non-executive Directors

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that these transactions have been entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to independent third parties (as defined under the GEM Listing Rules); and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 31 December 2016, the interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) held by the Directors and chief executives of the Company (the "**Chief Executives**") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register maintained by the Company pursuant to section 352 of the SFO, or which were notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long position in ordinary shares of HK$0.01 each of the Company

Name of Director	Capacity/Nature of interests	Number of shares interested in	Percentage of shareholding (Note 2)
Mr. Pan (Note 1)	Interest in a controlled corporation	528,000,000	66%

1. These 528,000,000 shares are held by Autumn Ocean Limited which is wholly owned by Mr. Pan and hence, Mr. Pan is deemed, or taken to be, interested in all the shares held by Autumn Ocean Limited for the purposes of the SFO.

2. The percentage is calculated on the basis of 800,000,000 shares in issue as at 31 December 2016.

Save as disclosed above, as at 31 December 2016, none of the Directors or Chief Executives had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or pursuant to section 352 of the SFO, which would have to be recorded in the register referred to therein, or pursuant to rules 5.46 to 5.67 of the GEM Listing Rules, which would have to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS OF THE COMPANY IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors and the Chief Executives are aware, as at 31 December 2016, other than the Directors and Chief Executives, the following persons had or were deemed or taken to have an interest and/or short position in the shares or the underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under section 336 of the SFO, or which would be, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

Name	Capacity/Nature of interests	Number of shares held	Percentage of shareholding (Note 4)
Ms. Liu Ming Lai Lorna (Note 1)	Interest of spouse	528,000,000	66%
Autumn Ocean Limited	Beneficial interest	528,000,000	66%
Mr. Ng Yau Sing (Note 2)	Interest in a controlled corporation	72,000,000	9%
Ms. Leung Yuet Kwan Belinda (Note 3)	Interest of spouse	72,000,000	9%
Ample Honesty Limited	Beneficial interest	72,000,000	9%

Notes:

1. Ms. Liu Ming Lai Lorna is the spouse of Mr. Pan. She is deemed, or taken to be, interested in all the shares in which Mr. Pan is interested for the purposes of the SFO.

2. These 72,000,000 shares are held by Ample Honesty Limited which is wholly owned by Mr. Ng Yau Sing and hence, Mr. Ng Yau Sing is deemed, or taken to be, interested in all the shares held by Ample Honesty Limited for the purposes of the SFO.

3. Ms. Leung Yuet Kwan Belinda is the spouse of Mr. Ng Yau Sing. She is deemed, or taken to be, interested in all the shares in which Mr. Ng Yau Sing is interested for the purposes of the SFO.

4. The percentage is calculated on the basis of 800,000,000 shares in issue as at 31 December 2016.

Save as disclosed above, as at 31 December 2016, the Directors were not aware of any person or corporation (other than the Directors and the Chief Executives) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO, or pursuant to section 336 of the SFO, which would have to be recorded in the register referred to therein.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraphs headed "INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS" in this report, at no time during the Year and as at the end of the Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and Chief Executives (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares or underlying shares in, or debentures of, the Company or any of its associated corporation.

DIRECTORS' INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save for those disclosed under the section headed "CONNECTED TRANSACTIONS/CONTINUING CONNECTED TRANSACTIONS" above and those disclosed in Note 30 to the consolidated financial statements, during the Year, there was no transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or a connected entity of that Director has or had, directly or indirectly, a material interest.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Group's business were entered into or existed during the Year.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within its knowledge, as at the date of this report, there is sufficient public float of 25% of the Company's issued shares as required under the GEM Listing Rules.

COMPLIANCE ADVISER'S INTERESTS

As at 31 December 2016, as notified by Messis Capital Limited (the "**Compliance Adviser**"), save and except for the compliance adviser's agreement entered into between the Company and the Compliance Adviser dated 4 February 2016, neither the Compliance Adviser nor its directors, employees or close associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDITORS

The consolidated financial statements of the Group for the Year were audited by HLB Hodgson Impey Cheng Limited ("**HLB**"), the independent auditors of the Company, who shall retire and, being eligible, offer itself for re-appointment at the 2017 AGM. The Board has taken the recommendation of the Audit Committee that a resolution for the re-appointment of HLB as the independent auditors of the Company will be proposed at the 2017 AGM.

The Company did not change its auditors in the preceding 3 years.

On behalf of the Board

Pan Chik
Chairman and Chief Executive Officer

Hong Kong, 24 March 2017

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF ASTRUM FINANCIAL HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Astrum Financial Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 44 to 95, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables	
Refer to key sources of estimation uncertainty in Note 5 and the disclosures of trade receivables in Note 18 to the consolidated financial statements. We identified the impairment of trade receivables as a key audit matter due to the use of judgement and estimates in assessing the recoverability of trade receivables. In determining whether there is objective evidence of impairment loss, the Group takes into consideration the credit history of the customers and the current market condition which may require management judgement.	Our audit procedures in relation to impairment of trade receivables mainly included: – obtaining an understanding of the credit assessment process on trading limits and trading approvals granted to customers; and the monitoring procedure on (i) overdue receivables and (ii) margin position of margin accounts; – assessing the reasonableness of the management's estimations on the recoverability of trade receivables, including the value of realisable collateral based on available market information, quality of the securities collateral, past collection history, creditworthiness of the clients and subsequent settlements; and – testing the accuracy of information included in the impairment assessment process, including re-performed the calculation of marginable amount and leverage ratio for margin accounts with outstanding balances and checking the subsequent settlements.

Other Information

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

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

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

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

The engagement director on the audit resulting in this independent auditors' report is Chan Ching Pang.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Chan Ching Pang
Practising Certificate Number: P05746

Hong Kong, 24 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Revenue	6	**58,089**	91,799
Other income	7	**1,771**	1,863
Administrative and other operating expenses		**(38,510)**	(46,406)
Finance costs	8	**(106)**	(211)
Profit before tax	9	**21,244**	47,045
Income tax expense	10	**(4,326)**	(8,708)
Profit and total comprehensive income for the year attributable to owners of the Company		**16,918**	38,337
Earnings per share			
– Basic and diluted (HK cents)	14	**2.33**	5.81

Details of dividends are disclosed in Note 13 to the consolidated financial statements.

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	15	1,847	2,706
Intangible asset	16	450	450
Other assets	17	547	1,004
Deferred tax assets	23	42	–
		2,886	4,160
Current assets			
Trade receivables	18	96,125	80,113
Deposits, prepayments and other receivables	19	1,139	1,329
Amount due from a related company	20	–	20
Bank balances and cash			
– General accounts and cash	21	67,220	10,784
– Trust accounts	21	189,434	174,795
		353,918	267,041
Total assets		356,804	271,201
Current liabilities			
Trade payables	22	196,596	202,158
Other payables and accruals		1,732	1,309
Current tax liabilities		295	4,981
		198,623	208,448
Net current assets		155,295	58,593
Total assets less current liabilities		158,181	62,753
Non-current liabilities			
Deferred tax liabilities	23	–	69
Net assets		158,181	62,684
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	24	8,000	2
Reserves	25	150,181	62,682
Total equity		158,181	62,684

The consolidated financial statements on pages 44 to 95 were approved and authorised for issue by the board of directors on 24 March 2017 and signed on its behalf by:

Pan Chik	**Kwan Chun Yee Hidulf**
Director	Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company				
	Share capital HK$'000 (Note 24)	Share premium HK$'000 (Note 25)	Special reserve HK$'000 (Note 25)	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2015	45,001	–	–	6,786	51,787
Profit and total comprehensive income for the year	–	–	–	38,337	38,337
Effect of reorganisation	(44,999)	–	44,999	–	–
Dividends recognised as distribution during the year (Note 13)	–	–	–	(27,440)	(27,440)
Balance at 31 December 2015	2	–	44,999	17,683	62,684
Profit and total comprehensive income for the year	–	–	–	16,918	16,918
Effect of reorganisation	6,598	–	(6,598)	–	–
Issue of shares by share offer	1,400	82,600	–	–	84,000
Transaction costs attributable to issue of shares	–	(5,421)	–	–	(5,421)
Balance at 31 December 2016	8,000	77,179	38,401	34,601	158,181

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Cash flows from operating activities			
Profit before tax		21,244	47,045
Adjustments for:			
– Depreciation of property, plant and equipment		894	315
– Interest expense		106	211
– Interest income		(7)	(6)
– Loss on disposal of property, plant and equipment		–	18
Operating cash flows before movements in working capital		22,237	47,583
Decrease/(increase) in other assets		457	(774)
Increase in trade receivables		(16,012)	(28,209)
Decrease/(increase) in deposits, prepayments and other receivables		190	(923)
Decrease/(increase) in amount due from a related company		20	(20)
Increase in trust accounts		(14,639)	(150,282)
(Decrease)/increase in trade payables		(5,562)	153,291
Increase in other payables and accruals		423	904
Cash (used in)/generated from operations		(12,886)	21,570
Income tax paid		(9,123)	(5,158)
Interest received		7	6
Interest paid		(106)	(211)
Net cash (used in)/generated from operating activities		(22,108)	16,207
Cash flows from investing activities			
Placement of a fixed deposit with original maturity over three months	21	(102)	–
Purchase of property, plant and equipment	15	(35)	(2,941)
Net cash used in investing activities		(137)	(2,941)
Cash flows from financing activities			
Dividends paid	13	–	(27,440)
Proceeds from issue of shares	24	84,000	–
Proceeds from bank borrowings		12,000	6,000
Repayment of bank borrowings		(12,000)	(6,000)
Transaction costs on issue of shares		(5,421)	–
Net cash generated from/(used in) financing activities		78,579	(27,440)
Net increase/(decrease) in cash and cash equivalents		56,334	(14,174)
Cash and cash equivalents at the beginning of year		10,784	24,958
Cash and cash equivalents at the end of year	21	67,118	10,784

The accompanying notes form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

Astrum Financial Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 13 January 2015 as an exempted company with limited liability. The shares of the Company have been listed on the Growth Enterprise Market ("**GEM**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 14 July 2016 (the "**Listing**"). Its parent and ultimate holding company is Autumn Ocean Limited, a company incorporated in the British Virgin Islands (the "**BVI**") and wholly-owned by Mr. Pan Chik ("**Mr. Pan**"), the controlling shareholder, an executive director and the chairman of the Company.

The address of the registered office of the Company is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and the address of the principal place of business is Room 2704, 27/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "**Group**") is principally engaged in the provision of securities dealing and brokerage services, placing and underwriting services, corporate finance advisory services, financing services including securities and initial public offering financing and asset management services.

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

2. BASIS OF PRESENTATION

Prior to the corporate reorganisation undertaken in preparation for the listing of the Company's shares on the GEM of the Stock Exchange (the "**Reorganisation**"), the group entities were under the control of Mr. Pan. Through the Reorganisation, the Company became the holding company of the companies now comprising the Group on 23 June 2016. Accordingly, for the purpose of the preparation of the consolidated financial statements of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the years presented. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of Mr. Pan prior to and after the Reorganisation.

The consolidated financial statements have been prepared as if the Company had been the holding company of the Group throughout the years presented in accordance with Accounting Guideline 5 "*Merger Accounting for Common Control Combinations*" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years presented, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the years presented, or since their respective dates of incorporation, where this is a shorter period. The consolidated statement of financial position as at 31 December 2015 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at that date.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]

1 Effective for annual periods beginning on or after 1 January 2017.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective for annual periods beginning on or after 1 January 2019.
4 Effective for annual periods beginning on or after a date to be determined.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective (Continued)

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective (Continued)

HKFRS 9 Financial Instruments (Continued)

The directors of the Company are in the process of assessing the impact of the application of HKFRS 9. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group completes a detailed review.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company are in the process of assessing the impact of the application of HKFRS 15. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group completes a detailed review.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective (Continued)

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under HKAS 17 are presented as operating cash flows; whereas under the HKFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group as lessee has non-cancellable operating lease commitments of approximately HK$4,078,000. HKAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in Note 29(i). A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have an impact on the amounts recognised in the Group's consolidated financial statements and the directors of the Company are currently assessing its potential impact. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 16 until the Group completes a detailed review.

The directors of the Company anticipate that the application of the other new and amendments to HKFRSs will have no material impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5 below.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the ordinary course of business. Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group; and when specific criteria have been met for each of the Group's activities, as described below.

Commission from securities dealing and brokerage services are recognised on the transaction date when the relevant contracts are executed.

Placing and underwriting commission are recognised in accordance with the terms of the underlying agreements or deal mandates when the relevant significant acts have been completed (i.e. when shares are allotted).

Corporate finance advisory services fee, management fee income and administrative services income are recognised when the services are rendered.

Fund management and performance fee are recognised in accordance with the terms and conditions of the relevant agreements.

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

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset, and is recognised in profit or loss.

Intangible assets

Trading rights

Trading rights, being the eligibility rights to trade on or through the Stock Exchange, with indefinite useful lives are stated at cost (or deemed cost) less any accumulated impairment losses (see accounting policy in respect of impairment losses on tangible and intangible assets below).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other assets, trade receivables, deposits and other receivables, amount due from a related company, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the respective credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control of the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the futures, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of trade receivables

The Group makes impairment loss for doubtful debts based on an assessment of the recoverability of trade receivables. Provisions are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates based on the credit history of the clients and the current market conditions. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and doubtful debt expenses in the period in which such estimate has been changed. At 31 December 2016, the aggregate carrying amount of trade receivables was approximately HK$96,125,000 (2015: HK$80,113,000). No allowance for impaired debts has been provided due to the quality of the securities held by each client in the trading account maintained with the Group, current creditworthiness and past collection history of each client.

6. REVENUE AND SEGMENT INFORMATION

HKFRS 8, *Operating Segments*, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the provision of securities dealing and brokerage services, placing and underwriting services, corporate finance advisory services, financing services including securities and initial public offering financing and asset management services. Since this is the only operating segment of the Group, no further analysis for segment information is presented.

Revenue from major services

The Group's revenue from its major services are as follows:

	2016 HK$'000	2015 HK$'000
Commission from securities dealing and brokerage services	11,756	19,873
Placing and underwriting commission	37,463	63,267
Corporate finance advisory services fee	2,650	3,265
Interest income from securities and initial public offering financing	5,249	2,736
Asset management services		
– Fund management and performance fee	971	2,658
	58,089	91,799

Geographical information

The Company is domiciled in the Cayman Islands with the Group's major operations located in Hong Kong. All of the Group's revenue from external customers during the years ended 31 December 2016 and 2015 are derived from Hong Kong, the place of domicile of the Group's operating subsidiary. All the non-current assets of the Group are located in Hong Kong.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the Group's total revenue are as follows:

	2016 HK$'000	2015 HK$'000
Customer A	14,175	N/A[1]
Customer B	6,400	N/A[1]
Customer C	N/A[1]	15,240
Customer D	N/A[1]	9,839

[1] The corresponding revenue did not contribute over 10% of the Group's total revenue.

7. OTHER INCOME

	2016 HK$'000	2015 HK$'000
Interest income from		
– banks	4	4
– others	3	2
Administrative services income	942	491
Management fee income	31	78
Handling fee income	635	1,260
Sundry income	156	28
	1,771	1,863

8. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interest expense on bank overdrafts and borrowings	106	211

9. PROFIT BEFORE TAX

	2016 HK$'000	2015 HK$'000
Profit before tax has been arrived at after charging:		
Auditors' remuneration	600	191
Commission expenses	12,835	14,467
Depreciation of property, plant and equipment	894	315
Loss on disposal of property, plant and equipment	–	18
Net foreign exchange loss	19	11
Operating lease payments in respect of rented premises	2,039	1,477
Listing expenses	3,202	6,223
Employee benefits expense:		
Salaries and other benefits	12,094	12,250
Commission to accounts executives	598	1,897
Contributions to retirement benefit scheme	258	233
Total employee benefits expense, including directors' emoluments (Note 11)	12,950	14,380

10. INCOME TAX EXPENSE

	2016 HK$'000	2015 HK$'000
Hong Kong Profits Tax:		
– Current year	4,400	8,700
– Under/(over)-provision in prior years	37	(61)
	4,437	8,639
Deferred tax (Note 23):	(111)	69
	4,326	8,708

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits arising in or derived from Hong Kong for both years.

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016 HK$'000	2015 HK$'000
Profit before tax	21,244	47,045
Tax at Hong Kong Profits Tax rate of 16.5% (2015: 16.5%)	3,505	7,762
Tax effect of income not taxable for tax purpose	(1)	(1)
Tax effect of expenses not deductible for tax purpose	639	1,036
Tax effect of temporary differences not recognised	6	(28)
Under/(over)-provision in prior years	37	(61)
Tax effect of tax losses not recognised	176	–
Others	(36)	–
Income tax expense for the year	4,326	8,708

11. DIRECTORS' EMOLUMENTS

Details of the emoluments paid or payable to each of the directors of the Company are as follows:

	Fees	Salaries and other benefits in kind	Discretionary bonuses	Contributions to retirement benefit scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 31 December 2016					
Executive directors					
Mr. Pan (Note (i))	–	1,440	200	18	1,658
Mr. Kwan Chun Yee Hidulf ("**Mr. Kwan**") (Note (i))	–	1,176	98	18	1,292
Mr. Cheung Hon Fai Bosco ("**Mr. Cheung**") (Note (i))	–	719	65	5	789
Independent non-executive directors					
Mr. Chan Chun Hong ("**Mr. Chan**") (Note (ii))	56	–	–	–	56
Mr. Lee Tak Cheung Vincent ("**Mr. Lee**") (Note (ii))	56	–	–	–	56
Mr. Lau Hon Kee ("**Mr. Lau**") (Note (ii))	56	–	–	–	56
	168	3,335	363	41	3,907
For the year ended 31 December 2015					
Executive directors					
Mr. Pan (Note (i))	–	1,219	990	18	2,227
Mr. Kwan (Note (i))	–	1,068	490	18	1,576
Mr. Cheung (Note (i))	–	696	318	18	1,032
	–	2,983	1,798	54	4,835

Notes:

(i) Mr. Pan, Mr. Kwan and Mr. Cheung were appointed as executive directors of the Company on 13 January 2015.

(ii) Mr. Chan, Mr. Lee and Mr. Lau were appointed as independent non-executive directors of the Company on 23 June 2016.

Mr. Pan is the chief executive officer of the Company.

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

Neither the chief executive officer nor any of the directors waived or agreed to waive any emoluments during the year ended 31 December 2016 (2015: Nil).

12. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments, three (2015: three) of them are directors of the Company whose emoluments are set out in Note 11 above. Details of the emoluments in respect of the remaining two (2015: two) highest paid individuals are as follows:

	2016	2015
	HK$'000	HK$'000
Salaries and other benefits in kind	**1,536**	2,513
Discretionary bonuses	**58**	8
Contributions to retirement benefit scheme	**29**	20
	1,623	2,541

The number of the highest paid individuals who are not the directors of the Company whose emoluments fell within the following band:

	Number of individuals	
	2016	2015
Nil to HK$1,000,000	**2**	–
HK$1,000,001 to HK$1,500,000	**–**	2
	2	2

During the year ended 31 December 2016, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office (2015: Nil).

13. DIVIDENDS

	2016	2015
	HK$'000	HK$'000
Dividends recognised as distribution	**–**	27,440

The dividends of HK$27,440,000 declared and paid for the year ended 31 December 2015 represented the dividends paid by the subsidiaries of the Company to their then equity owners prior to the Reorganisation. The rate of dividend and the number of shares ranking for dividend are not presented as such information is not meaningful for the preparation of these consolidated financial statements.

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2016 (2015: Nil), nor has any dividend been proposed since the end of the reporting period.

14. EARNINGS PER SHARE

	2016	2015
	HK$'000	HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**16,918**	38,337

	2016	2015
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**725,409,836**	660,000,000

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 December 2016 was derived from 660,000,000 ordinary shares in issue as if these 660,000,000 ordinary shares were outstanding throughout the year and the effect of share offer by the Company as set out in Note 24.

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 December 2015 was derived from 660,000,000 ordinary shares in issue as if these 660,000,000 ordinary shares were outstanding throughout the year.

The diluted earnings per share is equal to the basic earnings per share as there is no dilutive potential ordinary share in issue during years ended 31 December 2016 and 2015.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Computer and equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
Cost					
At 1 January 2015	274	205	510	–	989
Additions	1,840	160	361	580	2,941
Disposals	(274)	(205)	(510)	–	(989)
At 31 December 2015	1,840	160	361	580	2,941
Additions	–	–	35	–	35
At 31 December 2016	**1,840**	**160**	**396**	**580**	**2,976**
Accumulated depreciation					
At 1 January 2015	176	205	510	–	891
Depreciation expense	234	9	48	24	315
Eliminated on disposals	(256)	(205)	(510)	–	(971)
At 31 December 2015	154	9	48	24	235
Depreciation expense	613	40	96	145	894
At 31 December 2016	**767**	**49**	**144**	**169**	**1,129**
Carrying amounts					
At 31 December 2016	**1,073**	**111**	**252**	**411**	**1,847**
At 31 December 2015	1,686	151	313	556	2,706

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Over the term of the lease
Furniture and fixtures	25%
Computer and equipment	25%
Motor vehicle	25%

16. INTANGIBLE ASSET

	Stock Exchange trading rights HK$'000
Cost and carrying amount	
Balance at 1 January 2015, 31 December 2015 and 31 December 2016	450

Intangible asset comprised the eligibility rights to trade on or through the Stock Exchange. The trading rights have no foreseeable limit to the period over which the Group can use to generate net cash flows. As a result, the trading rights are considered by the management of the Group as having indefinite useful lives because they are expected to contribute to net cash inflows indefinitely. Accordingly, the trading rights is not amortised. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired.

The trading rights are allocated to the businesses of securities dealing and brokerage services, placing and underwriting services, corporate finance advisory services, financing services and asset management services as one cash generating unit. The recoverable amount of this cash generating unit is determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by the management covering a period of 2 years and pre-tax discount rate of 14.9% (2015: 16.5%) for the year ended 31 December 2016. The discount rates used reflects specific risks relating to the relevant businesses. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue and operating costs which are determined from past performance and management's expected market development. The directors are of the opinion that based on value-in-use calculation, there was no impairment of the trading rights as at 31 December 2016 (2015: Nil), and any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the cash generating unit to exceed its recoverable amount.

17. OTHER ASSETS

	2016 **HK$'000**	2015 HK$'000
Deposits with the Stock Exchange		
– Compensation fund	**50**	50
– Fidelity fund	**50**	50
– Stamp duty deposit	**30**	150
Contribution of guarantee fund paid to Hong Kong Securities Clearing Company Limited ("**HKSCC**")	**145**	464
Admission fee paid to HKSCC	**50**	50
Mainland security deposit to HKSCC	**222**	240
	547	1,004

18. TRADE RECEIVABLES

	2016 **HK$'000**	2015 HK$'000
Trade receivables arising from the ordinary course of business of:		
Dealing in securities		
Clients – cash	**18,848**	22,791
Clients – margin	**72,089**	36,032
Clearing house	**4,495**	20,920
	95,432	79,743
Corporate finance advisory services	**610**	300
Asset management services	**83**	70
	96,125	80,113

18. TRADE RECEIVABLES (Continued)

The settlement terms of trade receivables arising from the ordinary course of business of dealing in securities from cash clients and clearing house are two days after trade date.

The credit terms of trade receivables arising from the ordinary course of business of corporate finance advisory services and asset management services are 7 days or due upon issuance of invoices and 30 days respectively.

The Group seeks to maintain strict control over its outstanding receivables in order to minimise credit risk and the overdue balances are regularly reviewed by senior management.

Margin clients are required to pledge securities collateral to the Group in order to obtain the margin facilities for securities trading. At 31 December 2016, loans to margin clients are secured by clients' securities pledged as collateral with market value of approximately HK$408,926,000 (2015: HK$150,960,000). Management has assessed the market value of the pledged securities of each individual client who has margin shortfall at the end of each reporting period and considered that no impairment allowance is necessary due to quality of the securities held by each client, current creditworthiness and past collection history of each client. The margin loans are repayable on demand and bear variable interest at commercial rates. No aged analysis is disclosed as, in the opinion of the directors, the aged analysis does not give additional value in view of the nature of securities margin business.

The ageing analysis of the trade receivables arising from cash clients and clearing house which are past due but not impaired at the end of the reporting period, based on the trade date, is as follows:

	2016 **HK$'000**	2015 HK$'000
Neither past due nor impaired	**8,528**	38,908
Past due but not impaired:		
Less than 1 month	**12,428**	1,411
1 to 3 months	**1,980**	3,392
More than 3 months	**407**	–
Total	**23,343**	43,711

Receivables that were neither past due nor impaired represent unsettled trades transacted on the last two days prior to the end of the reporting period and it also relate to a wide range of independent clients for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent clients that have a good track record with the Group. When cash clients fail to settle on the settlement date, the Group has the right to sell the purchased securities of the respective transaction. Based on past experience, management believes that no impairment allowance is necessary after taking into consideration the recoverability from the purchased securities and past collection history of each client.

18. TRADE RECEIVABLES (Continued)

The ageing analysis of the trade receivables arising from corporate finance advisory services and asset management services at the end of the reporting period, based on invoice date, are as follows:

	2016	2015
	HK$'000	HK$'000
Neither past due nor impaired	**83**	70
Past due but not impaired:		
Less than 1 month	**610**	300
Total	**693**	370

Trade receivables arising from corporate finance advisory services and asset management services which have not yet been settled by clients after the Group's credit period and are considered not to be impaired as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

19. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2016	2015
	HK$'000	HK$'000
Deposits	**356**	349
Prepayments	**592**	730
Other receivables	**191**	250
	1,139	1,329

20. AMOUNT DUE FROM A RELATED COMPANY

	2016	2015
	HK$'000	HK$'000
Amount due from a related company		
– Astrum Asset Management Limited	**–**	20
Maximum amount outstanding during the year:		
– Astrum Asset Management Limited	**20**	20

Astrum Asset Management Limited is indirectly wholly-owned by Mr. Pan, whom is also a director of the company. The amount due was non-trade nature, unsecured, interest-free and repayable on demand.

21. BANK BALANCES AND CASH

	2016 HK$'000	2015 HK$'000
Bank balances and cash:		
(i) General accounts and cash	67,220	10,784
(ii) Trust accounts	189,434	174,795
	256,654	185,579
Analysis of balances of cash and cash equivalents:		
General accounts and cash	67,220	10,784
Less: fixed deposit with original maturity over three months	(102)	–
Cash and cash equivalents in the consolidated statement of cash flows	67,118	10,784

The Group maintains trust bank accounts with authorised financial institutions to receive and hold money deposited by clients in the course of the conduct of the regulated activities. These clients' monies are maintained in one or more trust bank accounts and bear interest at commercial rate. The Group has recognised the corresponding trade payables to respective clients. However, the Group currently does not have an enforceable right to offset those payables with the deposits placed.

The general accounts and cash comprise cash held by the Group, bank balances bear interest at commercial rates and a fixed deposit of approximately HK$102,000 (2015: Nil) with an original maturity over three months bear interest at 1.15% per annum (2015: Nil).

22. TRADE PAYABLES

	2016 HK$'000	2015 HK$'000
Trade payables arising from the ordinary course of business of dealing in securities:		
Clients – cash	178,659	176,823
Clients – margin	17,937	25,335
	196,596	202,158

The settlement terms of trade payables arising from the ordinary course of business of dealing in securities are two days after trade date.

At 31 December 2016, trade payables to cash and margin clients are interest-free (2015: bear variable interest at commercial rates), and are repayable on demand subsequent to settlement date. No aged analysis is disclosed as, in the opinion of the directors, the aged analysis does not give additional value in view of the nature of business.

At 31 December 2016, the trade payables amounting to approximately HK$189,434,000 (2015: HK$174,795,000) was payable to clients in respect of the trust and segregated bank balances received which are held for clients in the course of conducting the regulated activities. However, the Group currently does not have an enforceable right to offset these payables with the deposits placed.

23. DEFERRED TAXATION

The following are the major deferred tax assets/(liabilities) recognised and movements thereon during the current and prior years:

	(Accelerated)/ decelerated tax depreciation
	HK$'000
At 1 January 2015	–
Charged to profit or loss (Note 10)	(69)
At 31 December 2015	(69)
Credited to profit or loss (Note 10)	111
At 31 December 2016	42

At 31 December 2016, the Group has unused tax losses of approximately HK$1,062,000 (2015: Nil), subject to agreement by the Inland Revenue Department, that are available for offset against future profits that may be carried forward indefinitely. No deferred tax assets has been recognised in relation to tax losses due to the unpredictability of future profit streams. The unused tax losses may be carried forward indefinitely.

24. SHARE CAPITAL

Share capital as at 31 December 2015 represents the aggregate of the paid up share capital of the Company and Major Harvest Investments Limited held by Mr. Pan, the controlling shareholder, prior to the Reorganisation.

Details of the Company's authorised and issued ordinary share capital are as follows:

	Number of ordinary shares	Share capital
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 13 January 2015 (date of incorporation) (Note (i)) and 31 December 2015	38,000,000	380
Increase on 23 June 2016 (Note (ii))	1,962,000,000	19,620
At 31 December 2016	2,000,000,000	20,000
Issued and fully paid:		
At 13 January 2015 (date of incorporation) (Note (i)) and 31 December 2015	100	–
Issue of shares pursuant to Reorganisation (Note (iii))	659,999,900	6,600
Issue of shares by share offer (Note (iv))	140,000,000	1,400
At 31 December 2016	800,000,000	8,000

Notes:

(i) The Company was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company with limited liability on 13 January 2015 with an initial authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each. 1 ordinary share was allotted and issued nil-paid to the subscriber on 13 January 2015, and was subsequently transferred to Autumn Ocean Limited on the same day; and 79 ordinary shares and 20 ordinary shares were allotted and issued nil-paid to Autumn Ocean Limited and Ample Honesty Limited respectively on the same day.

(ii) Pursuant to the written resolution passed by the shareholders on 23 June 2016, the authorised share capital of the Company was increased from HK$380,000 to HK$20,000,000 by the creation of an additional of 1,962,000,000 ordinary shares of HK$0.01 each which, upon issue, shall rank pari passu in all respects with the then existing issued ordinary shares.

(iii) Pursuant to the Reorganisation and as consideration for the acquisition by the Company of the entire issued share capital of Major Harvest Investments Limited from Autumn Ocean Limited and Ample Honesty Limited on 23 June 2016, (a) 80 nil-paid ordinary shares held by Autumn Ocean Limited and 20 nil-paid ordinary shares held by Ample Honesty Limited were credited as fully paid; and (b) 527,999,920 ordinary shares and 131,999,980 ordinary shares were allotted and issued to Autumn Ocean Limited and Ample Honesty Limited respectively, and were credited as fully paid.

(iv) On 14 July 2016, the Company issued 140,000,000 ordinary shares of HK$0.01 each pursuant to the Company's listing on GEM of the Stock Exchange by way of share offer at a price of HK$0.60 per ordinary share.

25. RESERVES

Share premium

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

Special reserve

Special reserve represents the reserve arose pursuant to the Reorganisation for the purpose of the Listing.

26. SHARE OPTION SCHEME

The Company has adopted a share option scheme ("**Scheme**") pursuant to a resolution passed on 23 June 2016. The purpose of the Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

Under the Scheme, the board of directors may, at their absolute discretion and subject to the terms of the Scheme, grant options to any employees (full-time or part-time), directors, consultants or advisors of the Group, or any substantial shareholders of the Group, or any distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group, to subscribe for shares of the Company.

Under the Scheme, the maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the shares in issue upon the date of which the shares are listed and permitted to be dealt in the Stock Exchange. The 10% limit may be refreshed at any time by approval of the Company's shareholders provided that the total number of Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share options schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit. Subject to the approval of the Company's shareholders, the aggregate number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the Company's shares in issue from time to time. No options may be granted under the Scheme or any other share options schemes of the Company if this will result in the limit being exceeded.

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) under the Scheme or any other share option schemes of the Company in any 12-month period up to date of grant shall not exceed 1% of the shares of the Company in issue. Where any further grant of options to a participant under the Scheme would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such participant and his/her close associates abstaining from voting.

26. SHARE OPTION SCHEME (Continued)

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approval by the independent non-executive directors of the Company (excluding any independent non-executive director who is the grantee). Where any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective close associates would result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) under the Scheme and any other share option schemes of the Company to such person in any 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the shares of the Company in issue and having an aggregate value in excess of HK$5 million must be approved by the Company's shareholders at the general meeting of the Company, with voting to be taken by way of poll.

The offer of a grant of share options might be accepted in writing within 7 days from the date of the offer. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the directors may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof. A nominal consideration of HK$1 is payable on acceptance of the grant of an option with a remittance in favour of the Company within such time as may be specified in the offer (which shall not be later than 7 days from the date of the offer).

The subscription price shall be a price solely determined by the board of directors of the Company and notified to a participant and shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date; and (iii) the nominal value of the Company's share on the offer date.

The Scheme shall be valid and effective for a period of ten years commencing on 23 June 2016 and expiring on the business day immediately preceding the 10th anniversary thereof, subject to early termination provisions contained in the Scheme.

There was no share option granted to eligible participants during the year ended 31 December 2016. There was no outstanding share options as at 31 December 2016.

27. RETIREMENT BENEFIT SCHEME

The Group operates a defined contribution scheme which is registered under the Mandatory Provident Fund Scheme (the "**MPF Scheme**") established under the Mandatory Provident Fund Schemes Ordinance. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

For members of the MPF Scheme, the Group contributes at the lower of HK$1,500 per month or 5% of relevant payroll costs each month to the MPF Scheme, which contribution is matched by the employee.

The only obligation of the Group with respect of the MPF Scheme is to make the specified contributions. The total expenses recognised in the consolidated statement of profit or loss and other comprehensive income amounted to approximately HK$258,000 (2015: HK$233,000) for the year ended 31 December 2016 and represent contributions paid or payable to the MPF Scheme by the Group at rates specified in the rules of the scheme.

28. BANKING FACILITIES

In December 2016, the bank overdraft and revolving loan banking facilities were terminated and the securities of the Group's margin clients pledged and the personal guarantee provided by Mr. Pan in relation to the banking facilities have been fully released.

During the year ended 31 December 2015, securities collateral deposited by the Group's margin clients was repledged to banks to secure the Group's banking facilities to the extent of HK$17,000,000. The market value of the collateral repledged to banks as at 31 December 2015 amounted to approximately HK$13,125,000.

As at 31 December 2015, the bank overdraft facility and revolving loan facility were also secured by personal guarantee executed by Mr. Pan for unlimited amount and HK$9,000,000 respectively.

29. COMMITMENTS

(i) Operating lease commitments as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented office premises which fall due as follows:

	2016	2015
	HK$'000	HK$'000
Within one year	2,039	340
In the second to fifth years inclusive	2,039	–
	4,078	340

Operating lease relates to office premises with lease term of three years.

(ii) Other commitments

At 31 December 2016, the Group had a gross commitment of approximately HK$676,903,000 (2015: approximately HK$200,000,000) in respect of the underwriting and sub-underwriting agreements with independent third parties in relation to rights issue and initial public offering of shares listed/to be listed in Hong Kong. The Group had offered sub-underwriters for the participation of the aforesaid transactions and the sub-underwriters had accepted the offer with an aggregated commitment of approximately HK$230,510,000 (2015: approximately HK$141,778,000). Such commitments was subsequently released by February 2017.

30. RELATED PARTY TRANSACTIONS

(i) Transactions with related parties

During the years ended 31 December 2016 and 2015, the Group entered into the following transactions with related parties:

Related party	Nature of transaction	Notes	2016 HK$'000	2015 HK$'000
Mr. Pan	Commission income	(a)	25	38
	Interest income received from securities and initial public offering financing	(b)	25	21
Close family members of Mr. Pan	Commission income	(a)	82	125
	Interest income received from securities and initial public offering financing	(b)	61	159
Returns Best Investments Limited, a company wholly-owned by a close family member of Mr. Pan	Commission income	(a)	–	8
	Interest income received from securities and initial public offering financing	(b)	–	15
	Management fee income	(c)	–	3
Shine Clear Investments Limited, a company wholly-owned by a close family member of Mr. Pan	Commission income	(a)	7	61
	Interest income received from securities and initial public offering financing	(b)	40	17
Astrum Absolute Return China Fund	Fund management and performance fee	(d)	971	2,658
	Commission income	(a)	445	421
Mr. Kwan	Commission income	(a)	7	2
	Interest income received from securities and initial public offering financing	(b)	2	2
Mr. Cheung	Commission income	(a)	1	3

30. RELATED PARTY TRANSACTIONS (Continued)

(i) Transactions with related parties (Continued)

During the years ended 31 December 2016 and 2015, the Group entered into the following transactions with related parties: (continued)

Related party	Nature of transaction	Notes	2016 HK$'000	2015 HK$'000
Mr. Ng Yau Sing, a shareholder of the Company (Note (e))	Commission income	(a)	–	1
	Interest income received from securities and initial public offering financing	(b)	–	2
Mr. Fung Tat Hung Ricky, a member of the key management personnel	Commission income	(a)	15	10
	Interest income received from securities and initial public offering financing	(b)	5	3
Ms. Truong To Linh, a member of the key management personnel (resigned in August 2016)	Commission income	(a)	4	8
	Interest income received from securities and initial public offering financing	(b)	2	1

Notes:

(a) The commission income was calculated at rates which ranged from 0.08% to 0.20% (subject to minimum charge of HK$50 or HK$80).

(b) The interest income received from securities and initial public offering financing was based on the rates which substantially in line with those normally received by the Group from third parties.

(c) The management fee income was based on terms stipulated on the agreement entered between the contracting parties.

(d) The fund management and performance fee were based on terms stipulated on the agreement entered between the contracting parties. The management shares of Astrum Absolute Return China Fund are held by Astrum Asset Management Limited and Astrum Asset Management Limited are indirectly wholly-owned by Mr. Pan, whom is also a director of Astrum Absolute Return China Fund.

(e) Mr. Ng Yau Sing ceased to have significant influence over the Group upon Listing.

30. RELATED PARTY TRANSACTIONS (Continued)

(ii) Outstanding balances with related parties

Included in trade receivables and trade payables arising from the ordinary course of business of dealing in securities are amounts due from and (to) certain related parties, the details of which are as follows:

Related party	Nature of account	2016 HK$'000	2015 HK$'000
Mr. Pan	Margin account	(5,972)	(5)
Mr. Kwan	Margin account	(441)	(110)
Mr. Cheung	Margin account	–	(716)
Close family members of Mr. Pan (Note (a))	Margin account	918	930
Shine Clear Investments Limited, a company wholly-owned by a close family member of Mr. Pan (Note (b))	Margin account	428	88
Astrum Absolute Return China Fund (Note (c))	Cash account	1,089	1,983
Mr. Fung Tat Hung Ricky, a member of the key management personnel	Margin account	(1,667)	(1,927)
Ms. Truong To Linh, a member of the key management personnel (resigned in August 2016)	Margin account	–	(1)

The outstanding balances of cash accounts above represent the net balance of trading accounts at the end of the reporting period.

Included in trade receivables arising from the ordinary course of business of asset management services as at 31 December 2016 of approximately HK$83,000 (2015: HK$70,000) are amount due from Astrum Absolute Return China Fund. The amount due is unsecured, interest-free and repayable within 30 days.

30. RELATED PARTY TRANSACTIONS (Continued)

(ii) Outstanding balances with related parties (Continued)

Notes:

(a) The maximum outstanding balance during the year ended 31 December 2016 is approximately HK$4,488,000 (2015: HK$4,438,000).

(b) The maximum outstanding balance during the year ended 31 December 2016 is approximately HK$756,000 (2015: HK$1,012,000).

(c) The maximum outstanding balance during the year ended 31 December 2016 is approximately HK$4,946,000 (2015: HK$4,703,000).

(iii) Guarantees provided by related parties

For the period from 1 January 2015 to 28 April 2015, the Group had a revolving subordinated loan facility provided by Mr. Pan, which had been approved by Securities and Futures Commission (the "**SFC**"). Pursuant to the revolving subordinated loan agreement, Mr. Pan agreed to grant revolving credit facilities to the extent of HK$5,000,000 to a subsidiary of the Company, which was unsecured and bear interest at 3% per annum. The Group had terminated the revolving subordinated loan facility on 28 April 2015.

Except for the above, details of personal guarantees provided by Mr. Pan in connection with the banking facilities granted to the Group at the end of the reporting period are set out in Note 28 above.

(iv) Compensation of key management personnel

Key management includes executive directors and senior management of the Company. The remuneration of key management during the years ended 31 December 2016 and 2015 are as follows:

	2016	2015
	HK$'000	HK$'000
Salaries and other benefits in kind	**4,835**	6,201
Contributions to retirement benefit scheme	**74**	87
	4,909	6,288

The remuneration of senior management who are not the directors of the Company whose emoluments fell within the following band:

	Number of individuals	
	2016	2015
Nil to HK$1,000,000	**3**	3

31. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital is to safeguard the Group's ability to continue a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes borrowings net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits. At the end of each of the reporting period, the Group did not have any borrowings and therefore, had net debt-to-equity ratio of Nil.

A subsidiary of the Group is licensed with the SFC for the business it operates in. The Group's licensed subsidiary is subject to liquid capital requirements under Securities and Futures (Financial Resources) Rules ("**SF(FR)R**") adopted by the SFC. Under SF(FR)R, the licensed subsidiary must maintain a liquid capital (assets and liabilities adjusted as determined by SF(FR)R) in excess of HK$3 million or 5% of its total adjusted liabilities, whichever is higher. Management closely monitors, on a daily basis, the liquid capital level of the licensed subsidiary to ensure compliance with the requirements under the SF(FR)R.

The Group's risk management reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risk associated with capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. For the licensed subsidiary, the Group ensures it will maintains a liquid capital level adequate to support the level of activities with sufficient buffer to accommodate for increases in liquidity requirements arising from potential increases in the level of business activities. The Group's licensed subsidiary has complied to maintain the required amount of liquid capital throughout both years.

32. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2016 HK$'000	2015 HK$'000
Financial assets		
Loans and receivables		
Other assets	547	1,004
Trade receivables	96,125	80,113
Deposits and other receivables	547	599
Amount due from a related company	–	20
Bank balances and cash	256,654	185,579
	353,873	267,315
Financial liabilities		
Financial liabilities at amortised cost		
Trade payables	196,596	202,158
Other payables and accruals	1,732	1,309
	198,328	203,467

(b) Financial risk management objectives and policies

The Group's major financial instruments include other assets, trade receivables, deposits and other receivables, amount due from a related company, bank balances and cash, trade payables, other payables and accruals. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

32. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk

(i) Foreign currency risk management

The majority of the Group's transactions and balances as at and for the years ended 31 December 2016 and 2015 were denominated in Hong Kong dollars. The directors consider that the currency risk is not significant and the Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

In virtue of the exposure on foreign currency risk being minimal, the respective quantitative disclosures have not been prepared.

(ii) Interest rate risk management

The Group is exposed to cash flow interest rate risk in relation to variable-rate trade receivables and bank balances. However, the management considers the risk is insignificant to the Group.

Changes in market interest rates may affect the Group's securities margin financing business which is typically prime-based, and the Group mitigates this risk by revising the margin financing rate as and when appropriate. As the Group has no other significant interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group currently does not have a policy on hedges of interest rate risk. However, the management monitors interest-rate exposure and will consider the hedging significant interest-rate exposures should the need arise.

In virtue of the exposure on cash flow and fair value interest rate risk being minimal, the respective quantitative disclosures have not been prepared.

32. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk management

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of trading limits, trading approvals and other monitoring procedures to ensure that follow-up action is taken to recover outstanding balances. In addition, the Group reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. Margin calls are made when the outstanding balances due from clients exceed their respective limits with consideration of the quality, liquidity and price volatility of individual stock, and the transaction history and credibility of the clients. Failure to meet margin calls may result in the prohibition of further purchase of securities or liquidation of the client's positions on a case-by-case basis. In this regard, the management considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings or with good reputation.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which has built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities.

32. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk management (Continued)

As at 31 December 2016, the Group has available unutilised bank overdrafts and revolving loan facilities with an aggregated amount of Nil (2015: HK$17,000,000).

Liquidity tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	On demand or within one year HK$'000	Over one year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
Non-derivative financial liabilities				
As at 31 December 2016				
Trade payables	**196,596**	**–**	**196,596**	**196,596**
Other payables and accruals	**1,732**	**–**	**1,732**	**1,732**
	198,328	**–**	**198,328**	**198,328**
As at 31 December 2015				
Trade payables	202,158	–	202,158	202,158
Other payables and accruals	1,309	–	1,309	1,309
	203,467	–	203,467	203,467

32. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid prices respectively; and

- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Fair value measurements recognised in the consolidated statement of financial position

During the years ended 31 December 2016 and 2015, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

At 31 December 2016 and 2015, the Group did not have any assets and liabilities that were measured at the fair value measurements hierarchy.

(d) Financial assets and financial liabilities offsetting

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement.

Under the agreement of continuous net settlement made between the Group and HKSCC, the Group has a legally enforceable right to set off the money obligations receivable and payable with HKSCC on the same settlement date and the Group intends to settle on a net basis.

32. FINANCIAL INSTRUMENTS (Continued)

(d) Financial assets and financial liabilities offsetting (Continued)

As at 31 December 2016

	Gross amounts of recognised financial assets/ (liabilities) HK$'000	Gross amounts of recognised financial assets/ (liabilities) set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets/ (liabilities) presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position: Collateral received HK$'000	Net amount HK$'000
Financial assets						
Trade receivables – Clearing house	12,795	(8,300)	4,495	–	–	4,495
Financial liabilities						
Trade payables – Clearing house	(8,300)	8,300	–	–	–	–

As at 31 December 2015

	Gross amounts of recognised financial assets/(liabilities) HK$'000	Gross amounts of recognised financial assets/ (liabilities) set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets/ (liabilities) presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position: Collateral received HK$'000	Net amount HK$'000
Financial assets						
Trade receivables – Clearing house	49,405	(28,485)	20,920	–	–	20,920
Financial liabilities						
Trade payables – Clearing house	(28,485)	28,485	–	–	–	–

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 HK$'000	2015 HK$'000
Non-current assets		
Investment in a subsidiary	70,425	–
Current assets		
Prepayments	150	31
Amounts due from subsidiaries	67,170	–
Bank balances	20	7
	67,340	38
Total assets	137,765	38
Current liabilities		
Accruals	204	–
Amount due to a subsidiary	–	6,569
	204	6,569
Net current assets/(liabilities)	67,136	(6,531)
Net assets/(liabilities)	137,561	(6,531)
Capital and reserves		
Equity attributable to owners of the Company		
Share capital	8,000	–
Reserves (Note)	129,561	(6,531)
Total equity	137,561	(6,531)

The Company's statement of financial position was approved and authorised for issue by the board of directors on 24 March 2017 and signed on its behalf by:

Pan Chik	**Kwan Chun Yee Hidulf**
Director	Director

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium HK$'000	Special reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 13 January 2015 (date of incorporation)	–	–	–	–
Loss and total comprehensive expense for the period	–	–	(6,531)	(6,531)
Balance at 31 December 2015	–	–	(6,531)	(6,531)
Loss and total comprehensive expense for the year	–	–	(4,912)	(4,912)
Effect of reorganisation	–	63,825	–	63,825
Issue of shares by share offer	82,600	–	–	82,600
Transaction costs attributable to issue of shares	(5,421)	–	–	(5,421)
Balance at 31 December 2016	77,179	63,825	(11,443)	129,561

Special reserve

Special reserve represents the difference between the total equity of Major Harvest Investments Limited acquired by the Company pursuant to the Reorganisation over the nominal value of the Company's shares issued in exchange therefore.

34. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries at 31 December 2016 are as follows:

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid share capital	Equity interests attributable to the Group	Principal activities
Major Harvest Investments Limited	BVI	US$200	100% (direct)	Investment holding
Astrum Capital Management Limited	Hong Kong	HK$70,000,000	100% (indirect)	Provision of securities dealing and brokerage services, placing and underwriting services, corporate finance advisory services, financing services including securities and initial public offering financing and asset management services

35. EVENT AFTER THE REPORTING PERIOD

In January 2017, the Group obtained a revolving loan facility of HK$70,000,000 from a licensed money lender.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements and the Prospectus, is set out below.

RESULTS

	For the year ended 31 December			
	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**58,089**	91,799	40,434	15,250
Profit before tax	**21,244**	47,045	21,692	2,817
Income tax expense	**(4,326)**	(8,708)	(1,500)	–
Profit for the year	**16,918**	38,337	20,192	2,817

ASSETS AND LIABILITIES

	As at 31 December			
	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**356,804**	271,201	102,559	95,987
Total liabilities	**(198,623)**	(208,517)	(50,772)	(64,393)
Total equity	**158,181**	62,684	51,787	31,594