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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

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.

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*This announcement, 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 announcement is accurate and complete in all material aspects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

This announcement, in both English and Chinese version, is available on the Company’s website at www.astrum-capital.com.

SUMMARY

- Revenue for the six months ended 30 June 2017 amounted to approximately HK\$38.6 million while revenue for the six months ended 30 June 2016 amounted to approximately HK\$30.7 million.
- Profit and total comprehensive income attributable to owners of the Company for the six months ended 30 June 2017 amounted to approximately HK\$18.3 million while profit and total comprehensive income attributable to owners of the Company for the six months ended 30 June 2016 amounted to approximately HK\$10.4 million.
- Basic earnings per share for the six months ended 30 June 2017 amounted to approximately HK2.29 cents while basic earnings per share for the six months ended 30 June 2016 amounted to approximately HK1.58 cents.
- On 28 April 2017, the Board declared an interim dividend of HK\$0.005 (six months ended 30 June 2016: Nil) per ordinary share in respect of the three months ended 31 March 2017 (2016: Nil), such interim dividend declared in the total amount of HK\$4.0 million was paid to the shareholders of the Company on 8 June 2017.

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the three months and six months ended 30 June 2017 together with the comparative unaudited figures for the corresponding periods in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2017

	<i>Notes</i>	Three months ended 30 June		Six months ended 30 June	
		2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)
Revenue	3	8,291	20,349	38,632	30,655
Other income	4	677	205	1,187	471
Administrative and other operating expenses		(6,529)	(10,758)	(17,531)	(18,601)
Finance costs		(69)	(28)	(189)	(58)
Profit before tax	5	2,370	9,768	22,099	12,467
Income tax expense	6	(420)	(1,850)	(3,770)	(2,050)
Profit and total comprehensive income for the period attributable to owners of the Company		<u>1,950</u>	<u>7,918</u>	<u>18,329</u>	<u>10,417</u>
Earnings per share					
– Basic and diluted (HK cents)	8	<u>0.24</u>	1.20	<u>2.29</u>	1.58

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

		As at 30 June 2017 <i>HK\$'000</i> (Unaudited)	As at 31 December 2016 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	9	2,442	1,847
Intangible asset		450	450
Other assets		497	547
Deferred tax assets		42	42
		3,431	2,886
Current assets			
Trade receivables	10	166,309	96,125
Deposits, prepayments and other receivables		2,926	1,139
Bank balances and cash			
– General accounts and cash		37,193	67,220
– Trust accounts		79,861	189,434
		286,289	353,918
Total assets		289,720	356,804
Current liabilities			
Trade payables	11	104,571	196,596
Other payables and accruals		757	1,732
Borrowing	12	7,817	–
Current tax liabilities		4,065	295
		117,210	198,623
Net current assets		169,079	155,295
Net assets		172,510	158,181
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	13	8,000	8,000
Reserves		164,510	150,181
Total equity		172,510	158,181

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company				Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Retained profits HK\$'000	
Six months ended 30 June 2016					
Balance at 1 January 2016 (Audited)	2	–	44,999	17,683	62,684
Profit and total comprehensive income for the period	–	–	–	10,417	10,417
Balance at 30 June 2016 (Unaudited)	<u>2</u>	<u>–</u>	<u>44,999</u>	<u>28,100</u>	<u>73,101</u>
Six months ended 30 June 2017					
Balance at 1 January 2017 (Audited)	8,000	77,179	38,401	34,601	158,181
Profit and total comprehensive income for the period	–	–	–	18,329	18,329
Dividends recognised as distribution during the period (<i>Note 7</i>)	–	–	–	(4,000)	(4,000)
Balance at 30 June 2017 (Unaudited)	<u>8,000</u>	<u>77,179</u>	<u>38,401</u>	<u>48,930</u>	<u>172,510</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash (used in)/generated from operating activities	(32,778)	14,777
Net cash used in investing activities	(1,067)	(28)
Net cash used in financing activities	(4,000)	–
Net (decrease)/increase in cash and cash equivalents	(37,845)	14,749
Cash and cash equivalents at the beginning of period	67,118	10,784
Cash and cash equivalents at the end of period	<u>29,273</u>	<u>25,533</u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash, excluding trust accounts	37,193	25,533
Less:		
Bank overdrafts	(7,817)	–
Fixed deposit with original maturity over three months	(103)	–
	<u>29,273</u>	<u>25,533</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 13 January 2015 under the Companies Law of the Cayman Islands. The shares of the Company have been listed on the GEM of the Stock Exchange on 14 July 2016.

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

The Company is an investment holding company. 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.

In the opinion of the Directors, the parent and ultimate holding company of the Company is Autumn Ocean Limited, a company incorporated in British Virgin Islands and wholly-owned by Mr. Pan Chik ("**Mr. Pan**"), the controlling shareholder, an executive director and the chairman of the Company.

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

2. BASIS OF PREPARATION

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure requirements of Chapter 18 to the GEM Listing Rules. This unaudited condensed consolidated financial statements should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

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. Details of the Reorganisation are set out in the section headed "History, reorganisation and corporate structure" in the prospectus of the Company dated 30 June 2016 (the "**Prospectus**"). 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 unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2017, the Company has been considered as the holding company of the companies now comprising the Group throughout the six months ended 30 June 2016. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

2. BASIS OF PREPARATION (Continued)

The unaudited condensed consolidated financial statements have been prepared as if the Company had been the holding company of the Group throughout the six months ended 30 June 2016 in accordance with Accounting Guideline 5 “*Merger Accounting for Common Control Combinations*” issued by the HKICPA. The condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months ended 30 June 2016, 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 six months ended 30 June 2016.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 2017 are consistent with those adopted in the Group’s annual financial statements for the year ended 31 December 2016, except in relation to the adoption of the new and revised HKFRSs (the “**New and Revised HKFRSs**”) issued by the HKICPA that are relevant to its operations and effective for its accounting beginning on 1 January 2017. The effect of the adoption of these New and Revised HKFRSs in the current period has had no material impact on the Group’s financial performance and position for the current and prior periods and/or disclosure set out in these unaudited condensed consolidated financial statements.

The Group has not early applied the New and Revised HKFRSs that have been issued but are not yet effective. The Group is in the process of making an assessment of the impact of the New and Revised HKFRSs upon initial application but is not yet in a position to state whether these New and Revised HKFRSs would have a significant impact on the Group’s results of operation and financial position.

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

The preparation of the unaudited condensed consolidated financial statements in conformity with the HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The unaudited condensed consolidated financial statements are unaudited, but have been reviewed by the Audit Committee of the Company. The unaudited condensed financial statements were approved for issue on 2 August 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

3. REVENUE AND SEGMENT INFORMATION

Based on the information reported to the executive directors of the Company, being the chief operating decision maker, for the purpose of resources allocation and performance assessment, 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 for the three months and six months ended 30 June 2017 and 2016 are as follows:

	Three months ended		Six months ended	
	30 June		30 June	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Commission from securities dealing and brokerage services	3,491	2,795	7,432	5,771
Placing and underwriting commission	461	15,628	23,917	21,256
Corporate finance advisory services fee	935	640	1,270	1,200
Interest income from securities and initial public offering financing	3,122	1,052	5,467	1,958
Asset management services fee	282	234	546	470
	<u>8,291</u>	<u>20,349</u>	<u>38,632</u>	<u>30,655</u>

4. OTHER INCOME

	Three months ended		Six months ended	
	30 June		30 June	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income from				
– banks	1	1	2	1
– others	1	1	1	2
Administrative services income	202	3	451	137
Management fee income	8	8	18	12
Handling fee income	465	192	715	319
	<u>677</u>	<u>205</u>	<u>1,187</u>	<u>471</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

5. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Three months ended		Six months ended	
	30 June		30 June	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Auditors' remuneration	150	50	300	100
Commission expenses	100	5,194	3,871	7,896
Depreciation of property, plant and equipment	247	224	471	446
Interest expense on bank overdrafts and borrowings	42	28	52	58
Interest expense on other borrowings	27	–	137	–
Operating lease payments in respect of rented premises	510	510	1,020	1,020
Listing expenses	–	371	–	803
Employee benefits expense:				
Salaries and other benefits in kind	3,511	2,460	7,481	5,329
Commission to accounts executives	271	197	673	316
Contributions to retirement benefit scheme	81	61	161	125
Total employee benefits expense, including directors' emoluments	3,863	2,718	8,315	5,770

6. INCOME TAX EXPENSE

	Three months ended		Six months ended	
	30 June		30 June	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hong Kong Profits Tax:				
– Current period	420	1,850	3,770	2,050

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired property, plant and equipment of approximately HK\$1,066,000 (six months ended 30 June 2016: approximately HK\$28,000).

10. TRADE RECEIVABLES

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Trade receivables arising from the ordinary course of business of:		
Dealing in securities		
Clients – cash	22,500	18,848
Clients – margin	135,117	72,089
Clearing house	8,297	4,495
	<u>165,914</u>	<u>95,432</u>
Corporate finance advisory services	300	610
Asset management services	95	83
	<u>166,309</u>	<u>96,125</u>

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 30 June 2017, loans to margin clients are secured by clients' securities pledged as collateral with market value of approximately HK\$331.7 million (31 December 2016: approximately HK\$408.9 million). 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

10. TRADE RECEIVABLES (Continued)

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:

	As at 30 June 2017 <i>HK\$'000</i> (Unaudited)	As at 31 December 2016 <i>HK\$'000</i> (Audited)
Neither past due nor impaired	17,553	8,528
Past due but not impaired:		
Less than 1 month	11,774	12,428
1 to 3 months	1,464	1,980
More than 3 months	6	407
Total	30,797	23,343

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:

	As at 30 June 2017 <i>HK\$'000</i> (Unaudited)	As at 31 December 2016 <i>HK\$'000</i> (Audited)
Neither past due nor impaired	95	83
Past due but not impaired:		
Less than 1 month	300	610
Total	395	693

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

11. TRADE PAYABLES

	As at 30 June 2017 <i>HK\$'000</i> (Unaudited)	As at 31 December 2016 <i>HK\$'000</i> (Audited)
Trade payables arising from the ordinary course of business of dealing in securities:		
Clients – cash	84,691	178,659
Clients – margin	19,880	17,937
	<u>104,571</u>	<u>196,596</u>

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

Trade payables to cash and margin clients are interest-free 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 30 June 2017, the trade payables amounting to approximately HK\$79.9 million (31 December 2016: approximately HK\$189.4 million) 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.

12. BORROWING

	As at 30 June 2017 <i>HK\$'000</i> (Unaudited)	As at 31 December 2016 <i>HK\$'000</i> (Audited)
Bank overdrafts	<u>7,817</u>	<u>–</u>

The securities collateral deposited by the Group's margin clients was repledged to a bank to secure the Group's overdraft banking facilities to the extent of approximately HK\$8.0 million (31 December 2016: Nil). The market value of the collateral repledged to a bank as at 30 June 2017 amounted to approximately HK\$11.6 million (31 December 2016: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

13. SHARE CAPITAL

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 1 January 2017 and 30 June 2017	2,000,000,000	20,000
Issued and fully paid:		
At 1 January 2017 and 30 June 2017	800,000,000	8,000

14. RELATED PARTY TRANSACTIONS

(i) Transactions with related parties

During the six months ended 30 June 2017 and 2016, the Group entered into the following transactions with its related parties:

Related party	Nature of transaction	Notes	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
			HK\$'000	HK\$'000
Mr. Pan	Commission income	(a)	6	5
	Interest income	(b)	5	7
Autumn Ocean Limited, a company wholly-owned by Mr. Pan	Commission income	(a)	3	–
Close family members of Mr. Pan	Commission income	(a)	80	20
	Interest income	(b)	53	13
Shine Clear Investments Limited, a company wholly-owned by a close family member of Mr. Pan	Commission income	(a)	3	5
	Interest income	(b)	8	12
Astrum Absolute Return China Fund (the "Astrum China Fund")	Asset management services fee	(c)	546	470
	Commission income	(a)	333	249

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

14. RELATED PARTY TRANSACTIONS (Continued)

(i) Transactions with related parties (Continued)

Related party	Nature of transaction	Notes	Six months	Six months
			ended	ended
			30 June	30 June
			2017	2016
			HK\$'000	HK\$'000
			(Unaudited)	(Unaudited)
Mr. Kwan Chun Yee,	Commission income	(a)	2	3
Hidulf (“Mr. Kwan”)	Interest income	(b)	1	2
Mr. Cheung Hon Fai, Bosco	Commission income	(a)	–	1
Mr. Fung Tat Hung, Ricky,	Commission income	(a)	4	6
a member of the key	Interest income	(b)	–	2
management personnel				
Ms. Truong To Linh, a	Commission income	(a)	–	3
member of the key	Interest income	(b)	–	1
management personnel				
(resigned in August 2016)				

Notes:

- (a) The commission income from securities dealing and brokerage services 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 from securities and initial public offering financing was based on the rates which was substantially in line with those normally received by the Group from third parties.
- (c) The asset management services fee were based on terms stipulated on the agreement entered between the contracting parties. The management shares of Astrum 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 China Fund.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

14. RELATED PARTY TRANSACTIONS (Continued)

(ii) Outstanding balances with related parties

Included in trade receivables and 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	As at	As at
		30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Mr. Pan	Margin account	(4,793)	(5,972)
Mr. Kwan	Margin account	(275)	(441)
Close family members of Mr. Pan	Margin account	1,764	918
Shine Clear Investments Limited, a company wholly-owned by a close family member of Mr. Pan	Margin account	190	428
Autumn Ocean Limited, a company wholly-owned by Mr. Pan	Cash account	(1,014)	–
Astrum China Fund	Cash account	2,465	1,089
Mr. Fung Tat Hung, Ricky, a member of the key management personnel	Margin account	(1,054)	(1,667)

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 30 June 2017 of approximately HK\$95,000 (31 December 2016: approximately HK\$83,000) are amount due from Astrum China Fund. The amount due is unsecured, interest-free and repayable within 30 days.

(iii) Compensation of key management personnel

Key management includes executive directors and senior management of the Company. The remuneration of key management during the six months ended 30 June 2017 and 2016 are as follows:

	Six months ended 30 June 2017 HK\$'000 (Unaudited)	Six months ended 30 June 2016 HK\$'000 (Unaudited)
Salaries and other benefits in kind	3,209	2,271
Contributions to retirement benefit scheme	36	39
	<u>3,245</u>	<u>2,310</u>

MANAGEMENT DISCUSSION AND ANALYSIS

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 including securities and initial public offering (“**IPO**”) financing 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**”).

It has been a rewarding first financial half of 2017. The Hong Kong stock market was bullish due to the strong inflows of mainland capital into Hong Kong. The Group recorded a significant increase in profit and total comprehensive income attributable to its owners for the six months ended 30 June 2017 by approximately HK\$7.9 million as compared to the corresponding period in 2016. The increase was principally attributable to the increase in revenue derived from placing and underwriting services and increase in interest income from securities and initial public offering financing.

PROSPECTS

Notwithstanding the recent robust trend of the Hong Kong stock market, it is expected that the global economy will be full of uncertainties in the coming few months. The Board remains cautious about the impacts on the global financial market resulting from the gradual hike of interest rates, the global monetary easing policies as well as the expected implementation of the balance sheet normalisation program by the Federal Reserve. The Group will continue to respond to the changing market environment and review its business strategy on a regular basis. On the other hand, 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 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.

FINANCIAL REVIEW

Revenue

Revenue of the Group for the six months ended 30 June 2017 (the “**Current Period**”) was approximately HK\$38.6 million as compared to approximately HK\$30.7 million for the six months ended 30 June 2016 (the “**Corresponding Period**”), representing an increase of approximately 26.0%. Such increase was attributable to (i) the increase in commission from securities dealing and brokerage services; (ii) the increase in the number of placing and underwriting engagements secured and completed by the Group; and (iii) the increase in interest income derived from securities and IPO financing services.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Revenue (Continued)

Commission from securities dealing and brokerage services increased from approximately HK\$5.8 million for the Corresponding Period to approximately HK\$7.4 million for the Current Period, representing an increase of approximately 28.8%. Such increase was due to the increase in the transaction amount of customers' securities trading.

Revenue derived from placing and underwriting services increased from approximately HK\$21.3 million for the Corresponding Period to approximately HK\$23.9 million for the Current Period, representing an increase of approximately 12.5%. Such increase was mainly due to the increase in the number of placing and underwriting engagements completed by the Group from eight engagements for the Corresponding Period to eleven engagements for the Current Period.

Corporate finance advisory services fee increased slightly from approximately HK\$1.2 million for the Corresponding Period to approximately HK\$1.3 million for the Current Period, representing an increase of approximately 5.8%. Such increase was mainly due to the increase in the number of financial advisory engagements charged by the Group from six engagements for the Corresponding Period to eight engagements for the Current Period.

Interest income from securities and IPO financing increased from approximately HK\$2.0 million for the Corresponding Period to approximately HK\$5.5 million for the Current Period, representing an increase of approximately 179.2%. Such increase was attributable to the keen demand of margin financing from customers and the expansion of funds available for margin financing services by approximately HK\$61.6 million from the net proceeds of Share Offer, a bank overdraft facility of HK\$8 million and a revolving loan facility of HK\$70 million from a licensed money lender.

Asset management services fee increased slightly from approximately HK\$470,000 for the Corresponding Period to approximately HK\$546,000 for the Current Period.

Other income

Other income increased from approximately HK\$0.5 million for the Corresponding Period to approximately HK\$1.2 million for the Current Period. Such increase was mainly due to (i) the increase in the transaction amount of customers' securities trading which in turn resulted in the increase in handling fees income, such as CCASS charges and scrip fees received from customers; and (ii) the increase in administrative services income received from customers.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Administrative and other operating expenses

Administrative and other operating expenses decreased from approximately HK\$18.6 million for the Corresponding Period to approximately HK\$17.5 million for the Current Period, representing a decrease of approximately 5.8%. Such decrease was mainly due to (i) the decrease in commission expenses in respect of the placing and underwriting services from approximately HK\$7.9 million for the Corresponding Period to approximately HK\$3.9 million for the Current Period; and (ii) the absence of listing expenses for the Current Period while the same for the Corresponding Period amounted to approximately HK\$0.8 million, and partially offset by the increase in the total employee benefits expense from approximately HK\$5.8 million for the Corresponding Period to approximately HK\$8.3 million for the Current Period.

Finance costs

The increase in finance costs from approximately HK\$58,000 for the Corresponding Period to approximately HK\$189,000 for the Current Period was mainly due to the usage of revolving loan facility from a licensed money lender to satisfy the demand for financing services.

PROFIT FOR THE PERIOD

As a result of the foregoing, profit and total comprehensive income attributable to owners of the company increased by approximately HK\$7.9 million, or approximately 76.0%, from approximately HK\$10.4 million for the Corresponding Period to approximately HK\$18.3 million for the Current Period.

LIQUIDITY AND FINANCIAL RESOURCES

During the Current Period, 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 overdraft facility and revolving loan facility from a licensed money lender.

As at 30 June 2017,

- (i) the total assets of the Group amounted to approximately HK\$289.7 million (31 December 2016: approximately HK\$356.8 million). Such decrease in total assets was mainly due to the decrease in bank balances and cash of approximately HK\$139.6 million; and offset by the increase in trade receivables of approximately HK\$70.2 million as a result of increase in margin client purchased on credit and remained outstanding as at 30 June 2017;
- (ii) the total equity attributable to owners of the Company amounted to approximately HK\$172.5 million (31 December 2016: approximately HK\$158.2 million). Such increase in total equity attributable to owners of the Company was mainly due to record of profit for the six months ended 30 June 2017 of approximately HK\$18.3 million and offset by the declaration and payment of interim dividend of HK\$4.0 million;

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES (Continued)

- (iii) the net current assets of the Group amounted to approximately HK\$169.1 million (31 December 2016: approximately HK\$155.3 million) and the current ratio of the Group, being the ratio of current assets to current liabilities, was approximately 2.4 times (31 December 2016: approximately 1.8 times). The increase in net current assets and current ratio was mainly due to the decrease in trade payables as at 30 June 2017 compared to 31 December 2016;
- (iv) the total bank balances and cash of the Group, which were substantially denominated in Hong Kong Dollars, amounted to approximately HK\$117.1 million (31 December 2016: approximately HK\$256.7 million). Such decrease was mainly due to the decrease in bank balances in (a) general accounts of approximately HK\$30.0 million and (b) trust accounts of approximately HK\$109.6 million; and
- (v) the gearing ratio of the Group was approximately 4.5% (31 December 2016: not applicable), which was calculated as a percentage of total borrowings over total equity of the Group.

EMPLOYEE INFORMATION

Total remuneration for the Current Period (including directors' emoluments and commission paid to staff and directors excluding mandatory provident fund contributions) was approximately HK\$8.2 million (Corresponding Period: HK\$5.6 million). Such increase was mainly due to (i) salary increment to staff and increase in the number of staff; and (ii) increase in commission to accounts executives of approximately HK\$0.4 million. The Group's remuneration policies are formulated on the basis of performance, qualifications and experience of individual employee and make reference to the prevailing market conditions.

MATERIAL ACQUISITIONS OR DISPOSALS

There was no material acquisition or disposal of subsidiaries associates and joint overtures during the Current Period.

CHARGES ON THE GROUP'S ASSETS

The Group did not have any charges of assets as at 30 June 2017 (31 December 2016: 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 Current Period.

MANAGEMENT DISCUSSION AND ANALYSIS

COMMITMENTS

As at 30 June 2017, the Group had a gross commitment of approximately HK\$29.4 million in respect of the underwriting and sub-underwriting agreements with independent third parties in relation to rights issue and IPO of shares listed/to be listed in Hong Kong. The Group had offered a sub-underwriter for the participation of the aforesaid transactions and the sub-underwriter had accepted the offer with an aggregated commitment of approximately HK\$12.4 million.

As at 31 December 2016, the Group had a gross commitment of approximately HK\$676.9 million in respect of the underwriting and sub-underwriting agreements with independent third parties in relation to rights issue and IPO 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. Such commitments was subsequently released by February 2017.

Save as disclosed above, the Group did not have any capital commitments as at 30 June 2017 and 31 December 2016.

CONTINGENT LIABILITIES

No material contingent liability had come to the attention of the Directors in the Current Period and up to the date of this announcement.

EVENT AFTER THE REPORTING PERIOD

Up to the date of this announcement, there was no significant event relevant to the business or financial performance of the Group that came to the attention of the Directors after the Current Period.

USE OF PROCEEDS

In respect of the net proceeds of approximately HK\$68.4 million raised from the Share Offer in July 2016, up to the date of this announcement, (i) approximately HK\$61.6 million has been deployed for the expansion of financing services; (ii) approximately HK\$2.7 million has been used as general working capital for payment of rent and management fee and compliance adviser fee; and (iii) approximately HK\$4.1 million has been kept at bank for future use as general working capital as stated in the Prospectus.

OTHER INFORMATION

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 30 June 2017, 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“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 held	Percentage of shareholding (Note 2)
Mr. Pan (Note 1)	Interest of a controlled corporation	532,000,000	66.50%

Notes:

1. These 532,000,000 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 30 June 2017.

Save as disclosed above, as at 30 June 2017, 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.

OTHER INFORMATION

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 30 June 2017, 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/ interested in	Percentage of shareholding (Note 2)
Ms. Liu Ming Lai Lorna (Note 1)	Interest of spouse	532,000,000	66.50%
Autumn Ocean Limited	Beneficial interest	532,000,000	66.50%

Notes:

1. Ms. Liu Ming Lai Lorna is the spouse of Mr. Pan. She is deemed, or taken to be, interested in all shares in which Mr. Pan is interested in for the purposes of the SFO.
2. The percentage is calculated on the basis of 800,000,000 shares in issue as at 30 June 2017.

Save as disclosed above, as at 30 June 2017, 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.

OTHER INFORMATION

SHARE OPTION SCHEME

A share option scheme (the “**Scheme**”) was adopted by 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 30 June 2017.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph 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 announcement, at no time during the Current Period and as at 30 June 2017 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.

COMPETING INTERESTS

As at 30 June 2017, 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

Confirmation from Mr. Pan and Autumn Ocean Limited

The Company received from Mr. Pan and Autumn Ocean Limited a confirmation in July 2017 on their compliance of the non-competition undertaking under the Deed of Non-competition (“**Pan’s Undertaking**”) for the period from 1 April 2017 to 30 June 2017. The independent non-executive Directors 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 period from 1 April 2017 to 30 June 2017.

OTHER INFORMATION

NON-COMPETITION UNDERTAKING (Continued)

Non-compliance by Mr. Ng Yau Sing (“Mr. Ng”) of his undertaking under the deed of non-competition

The Company has disclosed in the annual results announcement (“**Annual Results Announcement**”) of the Company dated 24 March 2017, amongst others, a non-compliance by Mr. Ng Yau Sing (“**Mr. Ng**”) of his undertaking under a deed of non-competition entered into between, amongst others, Mr. Ng and the Company dated 23 June 2016. As stated in the Annual Results Announcement, Mr. Ng might not have complied with certain terms of the deed of non-competition (the “**Non-Compliance**”).

As notified by Mr. Ng, on 18 April 2017, Ample Honesty Limited had disposed of 72,000,000 shares in the Company, representing 9% of the issued share capital of the Company. Immediately after such disposal, neither Mr. Ng, Ample Honesty Limited nor each of their respective close associates holds any securities of the Company. Pursuant to the terms of the Deed of Non-competition, Ng’s Undertaking was terminated on the date on which Mr. Ng and Ample Honesty Limited ceased to be interested in 5% or more of issued share capital of the Company.

On 31 May 2017, the Board received a legal opinion from a barrister-at-law of Hong Kong (the “**Counsel**”) as to the possible remedies and damages that may be recovered from Mr. Ng. As advised by the Counsel, for such Non-Compliance, it is not likely that the court would grant any injunction and only nominal damages are likely to be awarded to the Company. Having considered the above, the Board is of the view that it may not be in the best interest of the Company and its Shareholders to take legal action against Mr. Ng regarding the Non-Compliance, but to recover the legal costs incurred as a result of the Non-Compliance.

On 12 June 2017, the Company and Mr. Ng entered into a deed of settlement pursuant to which (i) Mr. Ng agreed to pay the Company an amount which represented the legal costs incurred by the Company in seeking legal opinion in relation to the non-compliance (the “**Damages**”); and (ii) subject to the full payment of the Damages, the Company agreed not to take any further legal actions against Mr. Ng. As of 12 June 2017, Mr. Ng has fully paid the Damages to the Company.

COMPLIANCE ADVISER’S INTERESTS

As at 30 June 2017, save and except for the compliance adviser’s agreement entered into between the Company and Messis Capital Limited (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.

OTHER INFORMATION

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings (the “**Required Standard of Dealing**”) set out in rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries of all the Directors, each of them have confirmed that they have complied with the Required Standard of Dealings throughout the Current Period. No incident of non-compliance was noted by the Company during the Current Period.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Current Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance to safeguard the interests of the shareholders of the Company and enhance its corporate value. The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code in Appendix 15 to the GEM Listing Rules (the “**CG Code**”).

During the Current Period, to the best knowledge of the Board, the Company had complied with the code provisions in the CG Code, save for the deviation from the code provision A.2.1 as explained below.

Pursuant to A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Given the current corporate structure, there is no separation between the roles of the chairman and the chief executive officer. Since May 2007, Mr. Pan has been managing the Group's business and supervising the overall operations of the Group. The Directors believe that the vesting of the roles of chairman of the Board 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. Accordingly, the Company has not segregated the roles of the chairman and the chief executive officer as required by A.2.1 of the CG Code.

OTHER INFORMATION

AUDIT COMMITTEE

The audit committee (the “**Audit Committee**”) has been established with written terms of reference in compliance with rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 of the CG Code. The Audit Committee currently comprises three independent non-executive Directors and is chaired by Mr. Lau Hon Kee. The other members are Mr. Chan Chun Hong and Mr. Lee Tak Cheung Vincent. The primary duty of the Audit Committee is to review and supervise the Company’s financial reporting process, the internal control systems of the Group and the monitoring of continuing connected transactions. All members of the Audit Committee are appointed by the Board.

The Audit Committee had reviewed the unaudited condensed consolidated results of the Group for the Current Period and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

By order of the Board of
ASTRUM FINANCIAL HOLDINGS LIMITED
Pan Chik
Chairman and Chief Executive Officer

Hong Kong, 2 August 2017

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

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

This announcement will remain on the “Latest Company Announcements” page of the GEM website (www.hkgem.com) for at least 7 days from the date of its publication and on the website of the Company (www.astrum-capital.com).