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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

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

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that companies listed on GEM are generally small and mid-sized companies, 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.

*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 respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

ANNUAL RESULTS

The board of Directors (the “**Board**”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2018 (the “**Year**”) together with the comparative audited figures for the year ended 31 December 2017 (the “**Corresponding Year**”). The financial information has been approved by the Board.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue	4	49,958	58,118
Other income		684	2,075
Administrative and other operating expenses		(23,585)	(32,318)
Finance costs		(272)	(278)
Profit before tax	5	26,785	27,597
Income tax expense	6	(4,300)	(4,732)
Profit and total comprehensive income for the year attributable to owners of the Company		22,485	22,865
Earnings per share			
– Basic and diluted (<i>HK cents</i>)	8	2.81	2.86

Details of dividends are disclosed in Note 7 to the financial information.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

		2018	2017
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		823	1,705
Intangible assets		950	950
Other assets		12,834	12,806
Deferred tax assets		160	50
		<u>14,767</u>	<u>15,511</u>
Current assets			
Trade receivables	9	39,744	74,627
Deposits, prepayments and other receivables		1,508	1,049
Bank balances and cash			
– General accounts and cash		135,099	99,198
– Trust accounts		35,507	76,406
		<u>211,858</u>	<u>251,280</u>
Total assets		<u>226,625</u>	<u>266,791</u>
Current liabilities			
Trade payables	10	38,349	92,089
Other payables and accruals		937	1,375
Current tax liabilities		3,808	281
		<u>43,094</u>	<u>93,745</u>
Net current assets		<u>168,764</u>	<u>157,535</u>
Net assets		<u>183,531</u>	<u>173,046</u>
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	11	8,000	8,000
Reserves		175,531	165,046
Total equity		<u>183,531</u>	<u>173,046</u>

Notes:

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 are listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). 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 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. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and 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.

HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“**ECL**”) for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

The table below sets out the classification and measurement of financial assets and financial liabilities under HKFRS 9 and HKAS 39 at the date of initial application on 1 January 2018.

Financial assets/liabilities	Original measurement category under HKAS 39	New measurement category under HKFRS 9	Original carrying amount under HKAS 39 HK\$'000	New carrying amount under HKFRS 9 HK\$'000
Trade receivables	Loans and receivables	Financial assets at amortised cost	74,627	74,627
Deposits and other receivables	Loans and receivables	Financial assets at amortised cost	358	358
Bank balances and cash – General accounts and cash	Loans and receivables	Financial assets at amortised cost	99,198	99,198
Bank balances and cash – Trust accounts	Loans and receivables	Financial assets at amortised cost	76,406	76,406
Other assets	Loans and receivables	Financial assets at amortised cost	12,806	12,806
Trade payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost	(92,089)	(92,089)
Other payables and accruals	Financial liabilities at amortised cost	Financial liabilities at amortised cost	(1,375)	(1,375)

There was no material impact from the initial application of the new impairment requirements.

HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 *Revenue from Contracts with Customers* for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed as at 1 January 2018.

There is no impact of transition to HKFRS 15 on retained profits as at 1 January 2018.

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 16	Leases ¹
HKFRS 17	Insurance Contracts ⁴
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKAS 1 and HKAS 8	Definition of Material ³
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle ¹

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

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

³ Effective for annual periods beginning on or after 1 January 2020

⁴ Effective for annual periods beginning on or after 1 January 2021

⁵ Effective for annual periods beginning on or after a date to be determined

Except for the new HKFRS mentioned below, 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 in the foreseeable future.

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. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Other than certain requirements which are also applicable to lessor, 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.

The Group expects to adopt HKFRS 16 using a modified retrospective approach where the cumulative effect of initially applying the standard is recognised as an adjustment to the opening retained profits and comparatives are not restated. The adoption of HKFRS 16 is not expected to have a material impact on the assets, financial liabilities and retained profits at the date of initial application.

3. 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 GEM of the Stock Exchange (the “**GEM Listing Rules**”) 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.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

4. 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 (the “**CODM**”), for the purposes of resource allocation and performance assessment. During the year, the CODM assesses the operating performance and allocates the resources of the Group as a whole as the Group is primarily engaged in the provision of brokerage services, placing and underwriting services, corporate finance advisory services, financing services including securities and initial public offering financing and asset management services. Therefore, the directors of the Company consider that the Group only has one operating segment.

The CODM reviews the overall results and financial position of the Group as a whole based on the same accounting policies of the Group and no further analysis for segment information is presented.

Revenue from major services

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Commission from brokerage services	7,232⁽ⁱ⁾	10,955
Placing and underwriting commission	27,217⁽ⁱ⁾	31,861
Corporate finance advisory services fee	10,785⁽ⁱⁱ⁾	3,705
Interest income from securities and initial public offering financing	2,734	8,888
Asset management services		
– Fund management and performance fee	1,990⁽ⁱⁱ⁾	2,709
	49,958	58,118

(i) Revenue recognised at a point in time

(ii) Revenue recognised over time

The amounts for the year ended 31 December 2017 were recognised under HKAS 18.

Transaction price allocated to the remaining performance obligations for contracts with customers

Corporate finance advisory services are provided for a period within one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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 2018 and 2017 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:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Customer A	10,080	N/A ¹
Customer B	8,188	N/A ¹
Customer C	N/A¹	12,618
Customer D	N/A¹	6,408

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

5. PROFIT BEFORE TAX

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit before tax has been arrived at after charging/(crediting):		
Auditors' remuneration	650	700
Commission expenses	352	4,613
Depreciation of property, plant and equipment	900	994
Gain on disposal of property, plant and equipment	–	(15)
Impairment losses recognised on trade receivables	–	1,519
Net foreign exchange loss	28	–
Operating lease payments in respect of rented premises	2,039	2,039
Employee benefits expense:		
Salaries and other benefits	13,265	14,650
Commission to accounts executives	448	1,108
Contributions to retirement benefit scheme	313	325
Total employee benefits expense, including directors' emoluments	14,026	16,083

6. INCOME TAX EXPENSE

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Hong Kong Profits Tax:		
– Current year	4,464	4,721
– (Over)/under-provision in prior years	(54)	19
	4,410	4,740
Deferred taxation:	(110)	(8)
	4,300	4,732

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the year ended 31 December 2018, the Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2,000,000.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits arising in or derived from Hong Kong for the year ended 31 December 2017.

7. DIVIDENDS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Dividends recognised as distribution during the year		
First interim dividend paid of HK\$0.005 (2017: HK\$0.005) per ordinary share	4,000	4,000
Second interim dividend paid of HK\$0.005 (2017: HK\$0.005) per ordinary share	4,000	4,000
Third interim dividend paid of HK\$0.005 (2017: NIL) per ordinary share	4,000	–
	<u>12,000</u>	<u>8,000</u>

No final dividend was proposed by the directors of the Company for the year ended 31 December 2018 (2017: NIL).

8. EARNINGS PER SHARE

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	<u>22,485</u>	<u>22,865</u>
	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>800,000,000</u>	<u>800,000,000</u>

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 2018 and 2017.

9. TRADE RECEIVABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade receivables arising from the ordinary course of business of:		
Dealing in securities		
Clients – cash	2,292	8,748
Clients – margin	32,118	41,737
Clearing house	957	1,706
Broker	–	72
Subscriptions of new shares in initial public offering	–	22,909
	<u>35,367</u>	<u>75,172</u>
Dealing in futures contracts		
Clearing house	–	209
Corporate finance advisory services	4,275	360
Asset management services	102	405
	<u>39,744</u>	<u>76,146</u>
Less: Impairment allowance for dealing in securities	–	(1,519)
	<u><u>39,744</u></u>	<u><u>74,627</u></u>

The settlement terms of trade receivables arising from the ordinary course of business of (i) dealing in securities from cash clients, clearing house and a broker are two days after trade date; and (ii) dealing in futures contracts are one day after trade date.

The credit terms of trade receivables arising from the ordinary course of business of (i) corporate finance advisory services are 7 days or due upon issuance of invoice; and (ii) asset management services are 30 days.

The ageing analysis of the trade receivables arising from cash clients, clearing houses and a broker presented based on the trade date, is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0–30 days	<u>3,249</u>	<u>10,735</u>

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0–30 days	4,202	765
31–60 days	175	–
Total	<u>4,377</u>	<u>765</u>

10. TRADE PAYABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade payables arising from the ordinary course of business of:		
Dealing in securities		
Clients – cash	19,851	61,817
Clients – margin	15,670	29,307
Clearing house	1,653	–
	<u>37,174</u>	<u>91,124</u>
Dealing in futures contracts		
Clients	1,175	965
	<u>38,349</u>	<u>92,089</u>

The settlement terms of trade payables arising from the ordinary course of business of (i) dealing in securities are two days after trade date; and (ii) dealing in futures contracts are one day after trade date.

As at 31 December 2018, trade payables to clients are interest-free, and are repayable on demand subsequent to settlement date except where certain trade payables to clients represent margin deposits received from clients for their trading in futures contracts under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

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.

11. SHARE CAPITAL

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

	Number of ordinary shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2017, 31 December 2017 and 31 December 2018	2,000,000,000	20,000
Issued and fully paid:		
At 1 January 2017, 31 December 2017 and 31 December 2018	800,000,000	8,000

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The Hong Kong securities market was volatile in 2018. Hang Seng Index dropped 14% from last year end to 25,846 or slumped 23% from its peak of 33,484 on 29 January 2018. The financial market has been troubled by the US-China trade war, interest rate hikes and slowdown in China's economy, resulting in a cautious and pessimistic financial market sentiment throughout the year. Despite the gloomy financial market, the IPO market in Hong Kong was encouraging. The new listing rules introduced in 2018 opened the door for companies with non-standard share structures and pre-revenue biotech companies, which in turn helped Hong Kong to regain its top global IPO ranking in 2018. In 2018, the number of new listed companies increased by 25% to 218 with fund raising size surged by 124% to HK\$288.0 billion. The following sets out market statistics relation to the business of the Group.

	2017	2018	Change
Average daily turnover of Hong Kong securities market	HK\$88.2 billion	HK\$107.4 billion	+21.8%
Hang Seng Index	29,919	25,846	-13.6%
Initial public offering (“IPO”)			
– Number of newly listed companies (including the number of transfer of listings from GEM to Main Board)	174	218	+25.3%
– Total fund raised	HK\$128.5 billion	HK\$288.0 billion	+124.1%
Placing			
– Number of transactions (2018: provisional data)	307	235	-23.5%
– Total fund raised (2018: provisional data)	HK\$339.3 billion	HK\$140.3 billion	-58.7%
Rights issue and open offers			
– Number of transactions	69	29	-58.0%
– Total fund raised	HK\$58.9 billion	HK\$32.5 billion	-44.8%

Source: Website of the Stock Exchange

BUSINESS REVIEW

The Group is principally engaged in the provision of 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**”).

Brokerage services

For the year ended 31 December 2018 (the “**Year**”), the Group fully extended its brokerage services to eligible stocks listed in Hong Kong, Shanghai Stock Exchange and Shenzhen Stock Exchange, Hang Seng Index Futures & Options and Hang Seng China Enterprises Index Futures & Options.

As at 31 December 2018, the Group had 188 active customers (2017: 202), among which, the ten largest active customers contributed approximately 72.3% (2017: approximately 62.7%) of the commission income from brokerage services.

Placing and underwriting services

During the Year, the Group completed 11 placing and underwriting engagements (2017: 20 engagements), all of which were IPOs. Revenue derived from underwriting service amounted to approximately HK\$27.2 million during the Year (2017: approximately HK\$30.3 million) while no revenue was derived from placing service during the Year (2017: approximately HK\$1.6 million).

Corporate finance advisory services

The Group was engaged in 23 corporate finance advisory engagements during the Year (2017: 15 engagements), among which, 12 financial advisory engagements contributed a total revenue of approximately HK\$7.9 million and 11 independent financial advisory engagements contributed a total revenue of approximately HK\$2.9 million.

Financing services

During the Year, the demand for financing services from customers was weak with interest income amounted to only approximately HK\$2.7 million, representing a year-on-year decrease of approximately 69.7%. Such weak demand was due to the cautious and pessimistic financial market sentiment in 2018 and the inactive placing and underwriting business of the Group. As the demand for financing services was weak and the Group had sufficient internal financial resources for financing services, the Group only maintained the staging facilities for IPO loan from a bank during the Year.

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 2018, the asset under management of Astrum China Fund was approximately US\$7.9 million (2017: approximately US\$8.2 million) and the net asset value per share was approximately US\$1,238.395 (2017: approximately US\$1,287.141).

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 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 recorded a growth of approximately 92.6% to approximately HK\$5.2 million in 2016 and a further growth of approximately 71.2% to approximately HK\$8.9 million in 2017. Unfortunately, the demand for financing services from customers in 2018 was weak with interest income amounted to only approximately HK\$2.7 million, representing a year-on-year decrease of approximately 69.7%. Such weak demand was due to the cautious and pessimistic financial market sentiment in 2018 and the inactive placing and underwriting business of the Group.

(ii) Expanding the asset management business

The net asset value per share (“**NAV/share**”) of Astrum China Fund recorded a year-on-year decrease of approximately 3.8% during the Year, while the Hang Seng Index dropped approximately 13.6% during the same period. The NAV/share of Astrum China Fund surpassed the high water mark achieved in 2017 and accordingly the Group recorded performance fee of approximately HK\$0.7 million during the Year.

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

In 2018, the Group has extended the brokerage services to eligible stocks listed on the Shanghai Stock Exchange through Shanghai-Hong Kong Stock Connect.

FINANCIAL REVIEW

Key financial Data

	For the year ended/ As at 31 December 2017 <i>HK\$'000</i>	For the year ended/ As at 31 December 2018 <i>HK\$'000</i>	Approximate percentage change
Results of operation			
Revenue	58,118	49,958	-14.0%
Profit before tax	27,597	26,785	-2.9%
Profit and total comprehensive income for the year attributable to owners of the Company	22,865	22,485	-1.7%
Financial position			
Current assets	251,280	211,858	-15.7%
Current liabilities	93,745	43,094	-54.0%
Net current assets	157,535	168,764	+7.1%
Total equity	173,046	183,531	+6.1%
Key financial ratios			
Net profit margin	39.3%	45.0%	
Current ratio	2.7	4.9	
Gearing ratio	–	–	
Net debt to equity ratio	Net cash position	Net cash position	
Return on assets	8.6%	9.9%	
Return on equity	13.2%	12.3%	

Revenue

Total revenue of the Group for the Year was approximately HK\$50.0 million as compared to approximately HK\$58.1 million for the year ended 31 December 2017 (the “**Corresponding Year**”), representing a decrease of approximately 13.9%. 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 interest income from securities and IPO financing; and (iv) the decrease in asset management fee derived from asset management services of Astrum China Fund.

Commission from brokerage services decreased slightly from approximately HK\$11.0 million for the Corresponding Year to approximately HK\$7.2 million for the Year, representing a decrease of approximately 34.5%.

Revenue derived from placing and underwriting services decreased from approximately HK\$31.9 million for the Corresponding Year to approximately HK\$27.2 million for the Year, representing a decrease of approximately 14.7%. Such decrease was mainly due to the decrease in number of placing and underwriting engagements from 20 for the Corresponding Year to 11 for the Year.

Corporate finance advisory services fee increased from approximately HK\$3.7 million for the Corresponding Year to approximately HK\$10.8 million for the Year, representing an increase of approximately 191.9%. Such increase was mainly due to the increase in the number of corporate finance advisory engagements charged by the Group from 15 for the Corresponding Year to 23 for the Year and the increase in average revenue for each corporate finance advisory engagement charged and undertaken by the Group for the Year.

Interest income from securities and IPO financing decreased from approximately HK\$8.9 million for the Corresponding Year to approximately HK\$2.7 million for the Year, representing a decrease of approximately 69.7%. Such decrease was attributable to the weak demand for margin financing service from customers.

Asset management fee decreased from approximately HK\$2.7 million for the Corresponding Year to approximately HK\$2.0 million for the Year, representing a decrease of approximately 25.9%. For the Year, the Group recognised a management fee of approximately HK\$1.3 million (Corresponding Year: approximately HK\$1.2 million) and a performance fee of approximately HK\$0.7 million (Corresponding Year: approximately HK\$1.5 million) was charged as the net asset value per share of Astrum China Fund surpassed the high water mark achieved in 2017.

Other income

Other income decreased from approximately HK\$2.1 million for the Corresponding Year to approximately HK\$0.7 million for the Year, representing a decrease of approximately HK\$1.4 million. Such decrease was mainly due to (i) the decrease in the transaction amount of customers' securities trading which in turn resulted in the decrease in handling fees income, such as CCASS charges and scrip fees received from customers; and (ii) the decrease in administrative services income received from customers.

Administrative and other operating expenses

Administrative and other operating expenses decreased from approximately HK\$32.3 million for the Corresponding Year to approximately HK\$23.6 million for the Year, representing a decrease of approximately 26.9%. Such decrease was mainly due to (i) the decrease in commission expenses from approximately HK\$4.6 million for the Corresponding Year to approximately HK\$0.4 million for the Year; (ii) the decrease in the total employee benefits expense from approximately HK\$16.1 million for the Corresponding Year to approximately HK\$14.0 million for the Year; and (iii) the decrease in impairment losses recognised on trade receivables from approximately HK\$1.5 million for the Corresponding Year to nil for the Year.

Finance costs

During the Year, the finance cost of the Group amounted to approximately HK\$272,000, which was roughly the same as approximately HK\$278,000 for the Corresponding Year. The finance cost for the Year mainly derived from the utilisation of IPO loan borrowed from a bank.

Profit for the Year

As a result of the foregoing, profit decreased by approximately HK\$0.4 million, or approximately 1.7%, from approximately HK\$22.9 million for the Corresponding Year to approximately HK\$22.5 million for the Year.

PROSPECTS

Looking ahead for 2019, the global economy, beset with considerable uncertainties and downward pressures, has abruptly turned from synchronised robust growth early last year to the current synchronised slowdown. Market sentiment has become increasingly cautious. The International Monetary Fund (IMF) lowered its global economic growth forecast for 2019 twice in the past five months, from 3.9% down to 3.5%, indicating that the slowdown risks should not be ignored.

Development of the US-China trade war, pace of US interest rate hike, the final Brexit arrangements and timetable and the slowdown in China's economy are the key uncertainties that greatly affect investors' risk appetite. The uncertain global economic outlook this year will restrain Hong Kong's economic performance and cast a shadow on the Hong Kong stock market. The performance of the Group in 2019 would inevitably be affected by the macroeconomic environment. However, under the shadow of the uncertain global economic outlook, the Group will stay alert of, and take appropriate actions in response to, the change in business environment in Hong Kong, with an aim of striving for sustained income and balanced growth.

Subsequent to 31 December 2018 and up to the date of this announcement, the Group completed 2 placing and underwriting engagements and 3 corporate finance advisory engagements and had 1 placing and underwriting engagement and 2 corporate finance advisory engagements in progress.

USE OF PROCEEDS

In respect of the net proceeds of approximately HK\$68.4 million raised from the Share Offer, 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\$6.7 million has been used as general working capital for payment of rent and management fee and compliance adviser fee; and (iii) approximately HK\$0.1 million is kept at bank for future use as general working capital as stated in the Prospectus.

EMPLOYEE INFORMATION

As at 31 December 2018, the Group had 23 employees (2017: 23 employees) and 4 account executives (2017: 4 account executives). Total staff costs (including directors' remuneration) were approximately HK\$14.0 million (2017: approximately HK\$16.1 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 2018 (2017: 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 and occasionally financed its financing services by IPO staging bank loan facility.

As at 31 December 2018,

- (i) the total assets of the Group amounted to approximately HK\$226.6 million (2017: approximately HK\$266.8 million). The decrease in total assets of the Group was mainly due to (i) the decrease in bank balances in trust accounts of approximately HK\$40.9 million; (ii) the decrease in trade receivables from cash and margin clients of approximately HK\$14.6 million, net of allowance for doubtful debts; and (iii) the absence of trade receivables due to the subscriptions of new shares in initial public offering in 2018 (2017: approximately HK\$22.9 million). Such decrease was partially offset by the increase in bank balances in general accounts and cash of approximately HK\$35.9 million;
- (ii) the total equity attributable to owners of the Company amounted to approximately HK\$183.5 million (2017: approximately HK\$173.0 million). Such increase was mainly attributable to the contribution of the profit and total comprehensive income for the Year in the amount of approximately HK\$22.5 million and offset by the payment of interim dividends in the total amount of HK\$12.0 million for the first, second and third quarter financial periods in 2018;
- (iii) the net current assets of the Group amounted to approximately HK\$168.8 million (2017: approximately HK\$157.5 million) and the current ratio of the Group, being the ratio of current assets to current liabilities, was approximately 4.9 times (2017: approximately 2.7 times). The net current assets of the Group as at 31 December 2018 and 31 December 2017 remained relatively stable. As the decreasing rate of the current liabilities (approximately 54.0%) was greater than that of the current assets (approximately 15.7%), the current ratio of the Group increased from approximately 2.7 times as at 31 December 2017 to approximately 4.9 times as at 31 December 2018;
- (iv) the total bank balances and cash of the Group, which were substantially denominated in Hong Kong Dollars, amounted to approximately HK\$170.6 million (2017: approximately HK\$175.6 million). Such decrease was mainly due to the decrease in bank balances in trust accounts of approximately HK\$40.9 million and offset by the increase in general accounts and cash of approximately HK\$35.9 million; and
- (v) the Group did not have any debt (2017: 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 2018 (2017: 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

During the Year, the Group did not conduct any material acquisition or disposal of subsidiaries, associates and joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at the date of this announcement, there was no plan authorised by the Board for any material investments or additions of capital assets.

COMMITMENTS

As at 31 December 2018, the Group did not have any operating lease commitments (2017: approximately HK\$2.0 million).

Save as disclosed above, the Group did not have any capital commitments as at 31 December 2018 (2017: NIL).

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2018 (2017: NIL).

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 Year.

CORPORATE GOVERNANCE PRACTICES

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. For the Year, 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 provisions A.2.1. The Board 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.

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.

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 Year. The Company has not been notified of any incident of non-compliance during 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 2018.

NON-COMPETITION UNDERTAKING

Confirmation from Mr. Pan and Autumn Ocean Limited

The Company received from Mr. Pan and Autumn Ocean Limited four confirmations respectively in April, July and October 2018 and January 2019 on their compliance of the non-competition undertaking under the Deed of Non-competition (“**Pan's Undertaking**”) for the respective period from 1 January 2018 to 31 March 2018, 1 April 2018 to 30 June 2018, 1 July 2018 to 30 September 2018 and 1 October 2018 to 31 December 2018. 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.

DIVIDEND

At a board meeting of the Company held on 7 May 2018, the Board declared an interim dividend (“**Q1 Dividend**”) of HK\$0.005 per share (three months ended 31 March 2017: HK\$0.005 per share) for the three months ended 31 March 2018, amounting to HK\$4.0 million (three months ended 31 March 2017: HK\$4.0 million). Such declared Q1 Dividend in the total amount of HK\$4.0 million was paid to the shareholders of the Company on 13 June 2018.

At a board meeting of the Company held on 2 August 2018, the Board declared an interim dividend (“**Q2 Dividend**”) of HK\$0.005 per share (three months ended 30 June 2017: NIL) for the three months ended 30 June 2018, amounting to HK\$4.0 million (three months ended 30 June 2017: NIL). Such declared Q2 Dividend in the total amount of HK\$4.0 million was paid to the shareholders of the Company on 10 September 2018.

At a board meeting of the Company held on 6 November 2018, the Board declared an interim dividend (“**Q3 Dividend**”) of HK\$0.005 per share (three months ended 30 September 2017: HK\$0.005 per share) for the three months ended 30 September 2018, amounting to HK\$4.0 million (three months ended 30 September 2017: HK\$4.0 million). Such declared Q3 Dividend in the total amount of HK\$4.0 million was paid to the shareholders of the Company on 13 December 2018.

At a board meeting of the Company held on 20 March 2019, the Board did not recommend the payment of final dividend for the Year (2017: NIL).

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold, redeemed or cancelled any of the Company's redeemable or listed securities during the Year.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the “**AGM**”) will be held on Thursday, 20 June 2019. A formal notice of the AGM will be published and despatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The transfer books and register of members of the Company will be closed from 17 June 2019 (Monday) to 20 June 2019 (Thursday), both days inclusive. During such period, no share transfers will be effected. In order to qualify for attending the AGM, all transfer documents,

accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 14 June 2019 (Friday).

AUDIT COMMITTEE

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 Audit Committee had reviewed the annual results of the Group for the Year 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.

SCOPE OF WORK OF AUDITORS

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in this announcement have been agreed by the Group's auditors, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the Year and the amounts were found to be in agreement. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on this announcement.

ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2018 will be despatched to its shareholders and published on the websites of GEM (www.hkgem.hk) and the Company (www.astrum-capital.com) as soon as practicable.

By order of the Board
ASTRUM FINANCIAL HOLDINGS LIMITED
Pan Chik
Chairman and chief executive officer

Hong Kong, 20 March 2019

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

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. This announcement will also be published on the website of the Company (www.astrum-capital.com).