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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 2019

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 the 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 2019 (the “**Year**”) together with the comparative audited figures for the year ended 31 December 2018 (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 2019

		2019	2018
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	45,431	49,958
Other income		881	684
Administrative and other operating expenses		(31,918)	(23,585)
Finance costs		(251)	(272)
Profit before tax	5	14,143	26,785
Income tax expense	6	(2,131)	(4,300)
Profit and total comprehensive income for the year		12,012	22,485
Profit and total comprehensive income for the year attributable to:			
– Owners of the Company		12,030	22,485
– Non-controlling interests		(18)	–
		12,012	22,485
Earnings per share			
– Basic and diluted (HK cents)	8	1.50	2.81

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		640	823
Right-of-use assets		3,747	–
Intangible assets		950	950
Other assets		2,038	12,834
Deferred tax assets		204	160
		<u>7,579</u>	<u>14,767</u>
Current assets			
Trade receivables	9	45,473	39,744
Deposits, prepayments and other receivables		1,207	1,508
Bank balances and cash			
– General accounts and cash		143,411	135,099
– Trust accounts		66,293	35,507
		<u>256,384</u>	<u>211,858</u>
Total assets		<u>263,963</u>	<u>226,625</u>
Current liabilities			
Trade payables	10	69,655	38,349
Other payables and accruals		1,003	937
Current tax liabilities		5,983	3,808
Lease liabilities		2,822	–
		<u>79,463</u>	<u>43,094</u>
Net current assets		<u>176,921</u>	<u>168,764</u>
Total assets less current liabilities		<u>184,500</u>	<u>183,531</u>
Non-current liabilities			
Lease liabilities		956	–
Net assets		<u>183,544</u>	<u>183,531</u>
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	11	8,000	8,000
Reserves		175,544	175,531
Total equity		<u>183,544</u>	<u>183,531</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 (“**HKICPA**”) for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

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 positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* (“**HKAS 17**”), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application as an adjustment to the opening retained profits and comparative information has not been restated.

The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (“**short-term leases**”), and lease contracts for which the underlying asset is of low value (“**low-value assets**”).

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The right-of-use assets were recognised at amount equal to the related lease liabilities adjusted by any prepaid or accrued lease payments.

There is no impact of transition to HKFRS 16 on the assets, liabilities and retained profits at the date of initial application.

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 17	Insurance Contracts ³
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹

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

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 2021*

⁴ *Effective for annual periods beginning on or after a date to be determined*

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the *Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of all these new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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 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:

	2019 <i>HK\$’000</i>	2018 <i>HK\$’000</i>
Revenue from contracts with customers		
Commission from brokerage services	3,717	7,232
Placing and underwriting commission	31,643	27,217
Corporate finance advisory services fee	4,930	10,785
Asset management services		
– Fund management and performance fee	1,289	1,990
	41,579	47,224
Revenue from other sources		
Interest income from securities and initial public offering financing	3,852	2,734
Total revenue	45,431	49,958

Disaggregation of revenue from contracts with customers

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Timing of revenue recognition from contracts with customers		
– At a point in time	35,360	34,449
– Over time	6,219	12,775
	<u>41,579</u>	<u>47,224</u>

Transaction price allocated to the remaining performance obligation 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 2019 and 2018 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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Customer A	10,416	N/A ¹
Customer B	10,000	N/A ¹
Customer C	N/A ¹	10,080
Customer D	N/A ¹	8,188

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

5. PROFIT BEFORE TAX

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit before tax has been arrived at after charging:		
Auditors' remuneration	630	650
Commission expenses	6,562	352
Depreciation of property, plant and equipment	454	900
Depreciation of right-of-use assets	1,874	–
Write-off of trade receivables	268	–
Net foreign exchange loss	37	28
Operating lease payments in respect of rented premises previously classified as operating leases under HKAS 17	–	2,039
Expense relating to short-term leases not included in the measurement of lease liabilities	<u>733</u>	<u>–</u>
Employee benefits expense:		
Salaries and other benefits	14,713	13,265
Commission to accounts executives	791	448
Contributions to retirement benefit scheme	<u>363</u>	<u>313</u>
Total employee benefits expense, including directors' emoluments	<u>15,867</u>	<u>14,026</u>

6. INCOME TAX EXPENSE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong Profits Tax		
– Current year	2,200	4,464
– Over-provision in prior years	<u>(25)</u>	<u>(54)</u>
	2,175	4,410
Deferred taxation	<u>(44)</u>	<u>(110)</u>
	<u>2,131</u>	<u>4,300</u>

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, the Hong Kong Profits Tax of the qualifying group entity 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.

7. DIVIDENDS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Dividends recognised as distribution during the year		
First interim dividend paid of HK\$0.005 (2018: HK\$0.005) per ordinary share	4,000	4,000
Second interim dividend paid of HK\$0.005 (2018: HK\$0.005) per ordinary share	4,000	4,000
Third interim dividend paid of HK\$0.005 (2018: HK\$0.005) per ordinary share	4,000	4,000
	<u>12,000</u>	<u>12,000</u>

No final dividend was proposed by the directors of the Company for the year ended 31 December 2019 (2018: NIL).

8. EARNINGS PER SHARE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	<u>12,030</u>	<u>22,485</u>
	2019	2018
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 2019 and 2018.

9. TRADE RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables arising from the ordinary course of business of:		
Dealing in securities		
Clients – cash	1,692	2,292
Clients – margin	41,474	32,118
Clearing house	1,705	957
	<u>44,871</u>	<u>35,367</u>
Dealing in futures contracts		
Clearing house	87	–
Corporate finance advisory services	300	4,275
Asset management services	215	102
	<u>45,473</u>	<u>39,744</u>

The settlement terms of trade receivables arising from the ordinary course of business of (i) dealing in securities from cash clients and clearing house 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 and clearing houses presented based on the trade date is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 – 30 days	<u>3,484</u>	<u>3,249</u>

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 – 30 days	408	4,202
31 – 60 days	107	175
Total	<u>515</u>	<u>4,377</u>

10. TRADE PAYABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade payables arising from the ordinary course of business of:		
Dealing in securities		
Clients – cash	28,919	19,851
Clients – margin	39,210	15,670
Clearing house	753	1,653
	68,882	37,174
Dealing in futures contracts		
Clients	773	1,175
	69,655	38,349

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.

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 ageing analysis is disclosed as, in the opinion of the directors, the ageing 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 2018, 31 December 2018 and 31 December 2019	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
At 1 January 2018, 31 December 2018 and 31 December 2019	<u>800,000,000</u>	<u>8,000</u>

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The Hong Kong securities market was volatile in 2019. The Hang Seng Index well performed in the early months of the year. It pulled back sharply in May as expectations over the US-China trade negotiations failed to materialize. In the second half of year, due to the continuing social unrest, retail sales and inbound tourism have been adversely affected. The Hong Kong economy entered recession in the third quarter. These uncertainties have also affected the overall performance of the Hong Kong stock market with the Hang Seng Index fluctuating between 25,000 and 30,200 during 2019. Despite the recent fluctuating financial market, Hong Kong retained as the world's largest initial public offering market in terms of funds raised in 2019. In 2019, the number of new listed companies decreased by 16.1% to 183 but the fund raising size surged by 9.1% to HK\$314.2 billion. The following sets out the market statistics relation to the business of the Group:

	2018	2019	Change
Average daily turnover of Hong Kong securities market	HK\$107.4 billion	HK\$87.2 billion	-18.8%
Hang Seng Index	25,846	28,190	+9.1%
Initial public offering (“ IPO ”) – Number of newly listed companies (including the number of transfer of listing from GEM to Main Board)	218	183	-16.1%
– Total fund raised	HK\$288.0 billion	HK\$314.2 billion	+9.1%
Placing – Number of transactions	235	180	-23.4%
– Total fund raised	HK\$140.3 billion	HK\$98.9 billion	-29.5%
Rights issue and open offers – Number of transactions	29	23	-20.7%
– Total fund raised	HK\$32.5 billion	HK\$5.0 billion	-84.6%

Source: the 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.

Brokerage services

For the year ended 31 December 2019 (the “**Year**”), the Group fully extended its brokerage services to eligible stocks listed on the Stock Exchange, the Shanghai Stock Exchange and the Shenzhen Stock Exchange, the Hang Seng Index Futures & Options and the Hang Seng China Enterprises Index Futures & Options. As at 31 December 2019, the Group had 231 active customers (2018: 188), among which, the ten largest active customers contributed to approximately 42.2% (2018: approximately 72.3%) of the commission income from brokerage services.

Placing and underwriting services

During the Year, the Group completed 11 placing and underwriting engagements (2018: 11 engagements). Revenue derived from underwriting services amounted to approximately HK\$30.5 million during the Year (2018: approximately HK\$27.2 million) while revenue derived from placing services in respect of placing of existing shares amounted to approximately HK\$1.1 million during the Year (2018: Nil).

Corporate finance advisory services

The Group was engaged in 13 corporate finance advisory engagements during the Year (2018: 23 engagements), among which, 5 financial advisory engagements contributed to a total revenue of approximately HK\$2.4 million and 8 independent financial advisory engagements contributed to a total revenue of approximately HK\$2.5 million.

Financing services

During the Year, the demand for financing services from customers rebounded with interest income amounted to only approximately HK\$3.9 million, representing a year-on-year increase of approximately 44.4%. Such rebound demand was due the active IPO market. As the Group had sufficient internal financial resources for financing services, the Group only maintained staggings 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 2019, the asset under management of the Astrum China Fund was approximately US\$8.3 million (2018: approximately US\$7.9 million) and the net asset value per share was approximately US\$1,307.188 (2018: approximately US\$1,238.395).

FINANCIAL REVIEW

Key financial data

	For the year ended/ As at 31 December 2018 <i>HK\$'000</i>	For the year ended/ As at 31 December 2019 <i>HK\$'000</i>	Approximate percentage change
Results of operation			
Revenue	49,958	45,431	-9.1%
Profit before tax	26,785	14,143	-47.2%
Profit and total comprehensive income for the year attributable to owners of the Company	22,485	12,030	-46.5%
Financial position			
Current assets	211,858	256,384	+21.0%
Current liabilities	43,094	79,463	+84.4%
Net current assets	168,764	176,921	+4.8%
Total equity	183,531	183,544	+0.1%
Key financial ratios			
Net profit margin	45.0%	26.5%	
Current ratio	4.9	3.2	
Gearing ratio	—	—	
Net debt to equity ratio	Net cash position	Net cash position	
Return on assets	9.9%	4.6%	
Return on equity	12.3%	6.6%	

Revenue

Total revenue of the Group for the Year was approximately HK\$45.4 million as compared to approximately HK\$50.0 million for the year ended 31 December 2018 (the “**Corresponding Year**”), representing a decrease of approximately 9.2%. Such decrease was mainly attributable to (i) the decrease in the securities trading transaction amount of customers; and (ii) the decrease in corporate finance advisory fee, which was partially offset by the increase in placing and underwriting commission.

Commission from brokerage services decreased significantly from approximately HK\$7.2 million for the Corresponding Year to approximately HK\$3.7 million for the Year, representing a decrease of approximately 48.6%. Such decrease was due to the relatively negative investment atmosphere in the local stock market during the Year.

Revenue derived from placing and underwriting services increased from approximately HK\$27.2 million for the Corresponding Year to approximately HK\$31.6 million for the Year, representing an increase of approximately 16.2%. During the Year, the Group completed 11 placing and underwriting engagements as compared to 11 placing and underwriting engagements in the Corresponding Year. The Group acted as the sole bookrunner and sole lead manager for two newly listed companies during the Year which resulted in the significant increase in placing and underwriting commission.

Corporate finance advisory services fee decreased significantly from approximately HK\$10.8 million for the Corresponding Year to approximately HK\$4.9 million for the Year, representing a decrease of approximately 54.6%. Such decrease was mainly due to the decrease in the number of corporate finance advisory engagements charged by the Group from 23 for the Corresponding Year to 13 for the Year.

Interest income from securities and IPO financing increased from approximately HK\$2.7 million for the Corresponding Year to approximately HK\$3.9 million for the Year, representing an increase of approximately 44.4%. Such increase was attributable to the rebound demand for margin financing service from customers.

Asset management fee decreased from approximately HK\$2.0 million for the Corresponding Year to approximately HK\$1.3 million for the Year, representing a decrease of approximately 35.0%. For the Year, the Group recognised a management fee of approximately HK\$1.3 million (Corresponding Year: approximately HK\$1.3 million) and no performance fee (Corresponding Year: approximately HK\$0.7 million) was charged as the net asset value per share of Astrum China Fund did not surpass the high water mark achieved in 2018.

Other income

Other income increased from approximately HK\$0.7 million for the Corresponding Year to approximately HK\$0.9 million for the Year, representing an increase of approximately 28.6%. Such increase was mainly due to the increase in bank interest income.

Administrative and other operating expenses

Administrative and other operating expenses increased from approximately HK\$23.6 million for the Corresponding Year to approximately HK\$31.9 million for the Year, representing an increase of approximately 35.2%. Such increase was mainly due to (i) the increase in commission expenses from approximately HK\$0.4 million for the Corresponding Year to approximately HK\$6.6 million for the Year; and (ii) the increase in the total employee benefits expense from approximately HK\$14.0 million for the Corresponding Year to approximately HK\$15.9 million for the Year.

Finance costs

During the Year, the finance costs of the Group decreased from approximately HK\$272,000 for the Corresponding Year to approximately HK\$251,000 for the Year, representing a decrease of approximately 7.7%. The finance costs for the Year was 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\$10.5 million, or approximately 46.7%, from approximately HK\$22.5 million for the Corresponding Year to approximately HK\$12.0 million for the Year.

PROSPECTS

Entering 2020, the rapid spread of the Coronavirus disease 2019 (the “**COVID-19**”) has dealt a severe blow to economic activities and sentiment in Hong Kong. It will also affect production and transportation in China and Asia as well as the global supply chain operation. This will deal a further blow to the global economy. The International Monetary Fund has therefore lowered China’s and global economic growth forecasts for 2020 and 2021 recently.

The development of US-China trade relations is the most significant uncertain factor facing the global economy. Moreover, the geopolitical risks in the Middle East and uncertainties surrounding the Brexit negotiations could possibly send shocks to the global financial market and slow down economic recovery while the growth of the China's economy also decelerated recently. Nonetheless, economic fundamentals of China are solid and there are adequate policy tools to maintain macro-economic stability. Once the epidemic is over, the growth of the China's economy is expected to continue to outpace that of other major economies.

The uncertain global economic outlook this year casts a shadow on the Hong Kong stock market. The performance of the Group in 2020 would inevitably be affected. The Group would review and adjust business strategies on regular basis with a prudent and balanced risk management approach, with an aim of striving for sustained income and balanced growth.

Subsequent to 31 December 2019 and up to the date of this announcement, the Group completed 5 placing and underwriting engagements and 1 corporate finance advisory engagement.

EMPLOYEE INFORMATION

As at 31 December 2019, the Group had 26 employees (2018: 23 employees) and 3 account executives (2018: 4 account executives). Total staff costs (including directors' remuneration) were approximately HK\$15.9 million (2018: approximately HK\$14.0 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 2019 (2018: NIL).

Majority of the employees are licensed with the Securities and Futures Commission of Hong Kong 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 2019,

- (i) the total assets of the Group amounted to approximately HK\$264.0 million (2018: approximately HK\$226.6 million). The increase in total assets of the Group was mainly due to (i) the increase in bank balances in trust accounts of approximately HK\$30.8 million; (ii) the increase in trade receivables from cash and margin clients of approximately HK\$8.8 million; and (iii) the increase in bank balances in general accounts and cash of approximately HK\$8.3 million;
- (ii) the total equity attributable to owners of the Company amounted to approximately HK\$183.5 million (2018: approximately HK\$183.5 million), which had no material change due to the contribution of the profit and total comprehensive income for the Year in the amount of approximately HK\$12.0 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 2019;
- (iii) the net current assets of the Group amounted to approximately HK\$176.9 million (2018: approximately HK\$168.8 million) and the current ratio of the Group, being the ratio of current assets to current liabilities, was approximately 3.2 times (2018: approximately 4.9 times). The net current assets of the Group as at 31 December 2019 and 31 December 2018 remained relatively stable. As the increasing rate of the current liabilities (approximately 84.4%) was greater than that of the current assets (approximately 21.0%), the current ratio of the Group decreased from approximately 4.9 times as at 31 December 2018 to approximately 3.2 times as at 31 December 2019;
- (iv) the total bank balances and cash of the Group, which were substantially denominated in Hong Kong Dollars, amounted to approximately HK\$209.7 million (2018: approximately HK\$170.6 million). Such increase was due to the increase in bank balances in trust accounts of approximately HK\$30.8 million and increase in general accounts and cash of approximately HK\$8.3 million; and
- (v) the Group did not have any debt (2018: 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 2019 (2018: 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.

COMMITMENTS

As at 31 December 2019, the Group had gross commitment of HK\$62.1 million (2018: NIL) in respect of underwriting with independent third parties in relation to rights issue of listed shares and initial public offering of shares to be listed in Hong Kong. The Group had offered a sub-underwriter for the participation of the aforesaid rights issue transaction and the sub-underwriter had accepted the offer with an aggregated commitment of approximately HK\$12.3 million (2018: NIL). Such commitments was subsequently released in February 2020.

Save as disclosed above, the Group did not have any capital commitments as at 31 December 2019 (2018: NIL).

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.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2019 (2018: NIL).

EVENTS AFTER THE REPORTING PERIOD

Following the outbreak of the COVID-19 in early 2020, the global stock markets (including Hong Kong stock market) have fallen sharply due to the pessimistic sentiments of investors about the adverse impact brought by the pandemic on the global economy. In particular, Hang Seng Index dropped from 28,189 as at 31 December 2019 to 22,805 as at the date of this announcement, representing a significant decrease of approximately 19.1%. The Board expects that the COVID-19 pandemic will inevitably bring negative effect on the Group's business. However, due to the dynamic nature of the COVID-19 pandemic, it is difficult for the Board to estimate the extent of its impact on the Group's business and financial position in 2020. The Board is closely monitoring the development of, and the disruptions to the global economy caused by, the COVID-19 pandemic and will timely assess and react actively to its impact on the operation and financial performance of the Group. The Group will issue announcements to make relevant disclosures as and when appropriate and necessary.

Save as disclosed above, there was no other 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 (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules except the deviation from the CG Code provision 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 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

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 2019.

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 2019 and January 2020 on their compliance of the non-competition undertaking under the Deed of Non-competition ("**Pan's Undertaking**") for the respective period from 1 January 2019 to 31 March 2019, 1 April 2019 to 30 June 2019, 1 July 2019 to 30 September 2019 and 1 October 2019 to 31 December 2019. 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 2019, the Board declared an interim dividend (“**Q1 Dividend**”) of HK\$0.005 per share for the three months ended 31 March 2019 (three months ended 31 March 2018: HK\$0.005 per share), amounting to HK\$4.0 million (three months ended 31 March 2018: 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 2019.

At a board meeting of the Company held on 6 August 2019, the Board declared an interim dividend (“**Q2 Dividend**”) of HK\$0.005 per share for the three months ended 30 June 2019 (three months ended 30 June 2018: HK\$0.005 per share), amounting to HK\$4.0 million (three months ended 30 June 2018: HK\$4.0 million). Such declared Q2 Dividend in the total amount of HK\$4.0 million was paid to the shareholders of the Company on 9 September 2019.

At a board meeting of the Company held on 6 November 2019, the Board declared an interim dividend (“**Q3 Dividend**”) of HK\$0.005 per share for the three months ended 30 September 2019 (three months ended 30 September 2018: HK\$0.005 per share), amounting to HK\$4.0 million (three months ended 30 September 2018: 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 2019.

At a board meeting of the Company held on 20 March 2020, the Board did not recommend the payment of final dividend for the Year (2018: 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 Friday, 19 June 2020. 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 16 June 2020 (Tuesday) to 19 June 2020 (Friday), 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 15 June 2020 (Monday).

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 applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements and that adequate disclosures have 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 2019 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. 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 2019 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 2020

As at the date of this announcement, the Directors 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 Listed Company Information” page of the website of the Stock Exchange (www.hkexnews.hk) for at least 7 days from the date of its publication and on the website of the Company (www.astrum-capital.com).