



Astrum Financial Holdings Limited

阿仕特朗金融控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8333

INTERIM REPORT 2016

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

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

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

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This report, for which the directors (the “Directors”) of Astrum Financial Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material aspects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this report misleading.

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

SUMMARY

- Revenue for the six months ended 30 June 2016 amounted to approximately HK\$30.7 million while revenue for the six months ended 30 June 2015 amounted to approximately HK\$41.8 million.
- Profit attributable to owners of the Company for the six months ended 30 June 2016 amounted to approximately HK\$10.4 million while profit attributable to owners of the Company for the six months ended 30 June 2015 amounted to approximately HK\$18.5 million.
- Basic earnings per share for the six months ended 30 June 2016 amounted to approximately HK1.58 cents while basic earnings per share for the six months ended 30 June 2015 amounted to HK2.81 cents.

UNAUDITED INTERIM RESULTS

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2016

| | Notes | Three months ended 30 June | | Six months ended 30 June | |
|---|-------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | | 2016 HK\$'000 (Unaudited) | 2015 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) | 2015 HK\$'000 (Unaudited) |
| Revenue | 3 | 20,349 | 34,793 | 30,655 | 41,774 |
| Other income | 4 | 205 | 962 | 471 | 1,217 |
| Administrative and other operating expenses | | (10,758) | (10,734) | (18,601) | (19,650) |
| Finance costs | | (28) | (186) | (58) | (202) |
| Profit before tax | 5 | 9,768 | 24,835 | 12,467 | 23,139 |
| Income tax expense | 6 | (1,850) | (4,600) | (2,050) | (4,600) |
| Profit and total comprehensive income for the period attributable to owners of the Company | | 7,918 | 20,235 | 10,417 | 18,539 |
| Earnings per share | | HK cents | HK cents | HK cents | HK cents |
| – Basic and diluted | 8 | 1.20 | 3.07 | 1.58 | 2.81 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

| | Notes | As at 30 June 2016 HK\$'000 (Unaudited) | As at 31 December 2015 HK\$'000 (Audited) |
|--|-------|---|---|
| Non-current assets | | | |
| Property, plant and equipment | 9 | 2,288 | 2,706 |
| Intangible asset | | 450 | 450 |
| Other assets | | 538 | 1,004 |
| | | <u>3,276</u> | <u>4,160</u> |
| Current assets | | | |
| Trade receivables | 10 | 58,831 | 80,113 |
| Deposits, prepayments and other receivables | | 2,067 | 1,329 |
| Amount due from a related company | | – | 20 |
| Bank balances and cash | | | |
| – General accounts and cash | | 25,533 | 10,784 |
| – Trust accounts | | 72,848 | 174,795 |
| | | <u>159,279</u> | <u>267,041</u> |
| Total assets | | <u>162,555</u> | <u>271,201</u> |
| Current liabilities | | | |
| Trade payables | 11 | 82,042 | 202,158 |
| Other payables and accruals | | 312 | 1,309 |
| Current tax liabilities | | 7,031 | 4,981 |
| | | <u>89,385</u> | <u>208,448</u> |
| Net current assets | | <u>69,894</u> | <u>58,593</u> |
| Total assets less current liabilities | | <u>73,170</u> | <u>62,753</u> |
| Non-current liabilities | | | |
| Deferred tax liabilities | | 69 | 69 |
| Net assets | | <u>73,101</u> | <u>62,684</u> |
| Capital and reserves | | | |
| Share capital | 12 | 6,600 | 2 |
| Reserves | | 66,501 | 62,682 |
| Total equity | | <u>73,101</u> | <u>62,684</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

| | Share capital HK\$'000 (Note 12) | Special reserve HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 |
|--|---|--------------------------------|---------------------------------|-------------------|
| Balance at 1 January 2015 (Audited) | 45,001 | – | 6,786 | 51,787 |
| Profit and total comprehensive income for the period | – | – | 18,539 | 18,539 |
| Reorganisation | (44,999) | 44,999 | – | – |
| Dividends recognised as distribution during the period (Note 7) | – | – | (4,950) | (4,950) |
| Balance at 30 June 2015 (Unaudited) | <u>2</u> | <u>44,999</u> | <u>20,375</u> | <u>65,376</u> |
| Balance at 1 January 2016 (Audited) | <u>2</u> | <u>44,999</u> | <u>17,683</u> | <u>62,684</u> |
| Profit and total comprehensive income for the period | – | – | 10,417 | 10,417 |
| Reorganisation | 6,598 | (6,598) | – | – |
| Balance at 30 June 2016 (Unaudited) | <u>6,600</u> | <u>38,401</u> | <u>28,100</u> | <u>73,101</u> |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

| | Six months ended 30 June | |
|---|--------------------------|-------------|
| | 2016 | 2015 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Net cash generated from operating activities | 14,777 | 21,808 |
| Net cash used in investing activities | (28) | (206) |
| Net cash used in financing activities | – | (4,950) |
| Net increase in cash and cash equivalents | 14,749 | 16,652 |
| Cash and cash equivalents at the beginning of period | 10,784 | 24,958 |
| Cash and cash equivalents at the end of period | 25,533 | 41,610 |
| Analysis of the balances of cash and cash equivalents | | |
| Bank balances and cash, excluding trust accounts | 25,533 | 41,610 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. GENERAL INFORMATION

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

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

The Company is an investment holding company. The Group is principally engaged in the provision of securities dealing and brokerage services, placing and underwriting services, corporate finance advisory services, financing services and asset management services.

In the opinion of the Directors, the parent and ultimate holding company of the Company is Autumn Ocean Limited, a company incorporated in the British Virgin Islands.

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

2. BASIS OF PREPARATION

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). These unaudited condensed consolidated financial statements also comply with the applicable disclosure requirements of Chapter 18 to the GEM Listing Rules and the Hong Kong Companies Ordinance. This unaudited condensed consolidated financial statements should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2015.

Prior to the corporate reorganisation undertaken in preparation for the listing of the Company's shares on the GEM of the Stock Exchange (the "Reorganisation"), the group entities were under the control of Mr. Pan Chik ("Mr. Pan"). Details of the Reorganisation are set out in the section headed "History, reorganisation and corporate structure" in the prospectus of the Company dated 30 June 2016 (the "Prospectus"). Through the Reorganisation, the Company became the holding company of the companies now comprising the Group on 23 June 2016. Accordingly, for the purpose of the preparation of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2016, the Company has been considered as the holding company of the companies now comprising the Group throughout the periods presented. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of Mr. Pan prior to and after the Reorganisation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

2. BASIS OF PREPARATION (Continued)

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

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 2016 are consistent with those adopted in the Group’s annual financial statements for the year ended 31 December 2015, except in relation to the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (collectively “New and Revised HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting beginning on 1 January 2016. The effect of the adoption of these New and Revised HKFRSs in the current period has had no material impact on the Group’s financial performance and position for the current and prior periods and/or disclosure set out in these unaudited condensed consolidated financial statements.

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

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

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

The unaudited condensed consolidated financial statements are unaudited, but have been reviewed by the Audit Committee of the Company. The unaudited condensed consolidated financial statements were approved for issue on 8 August 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

3. REVENUE AND SEGMENT INFORMATION

Based on the information reported to the Directors, being the chief operating decision maker, for the purpose of resources allocation and performance assessment, the Group has determined that it only has one operating segment which is the provision of securities dealing and brokerage services, placing and underwriting services, corporate finance advisory services, financing services and asset management services. Since this is the only operating segment of the Group, no further analysis for segment information is presented.

Revenue from major services

The Group's revenue for the three months and six months ended 30 June 2016 and 2015 are as follows:

| | Three months ended 30 June | | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | 2016 HK\$'000 (Unaudited) | 2015 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) | 2015 HK\$'000 (Unaudited) |
| Commission from securities dealing and brokerage services | 2,795 | 7,808 | 5,771 | 10,676 |
| Placing and underwriting commission | 15,628 | 23,075 | 21,256 | 26,130 |
| Corporate finance advisory services fee | 640 | 1,050 | 1,200 | 1,500 |
| Interest income from securities and initial public offering financing | 1,052 | 656 | 1,958 | 1,264 |
| Asset management services – Fund management and performance fee | 234 | 2,204 | 470 | 2,204 |
| | <u>20,349</u> | <u>34,793</u> | <u>30,655</u> | <u>41,774</u> |

4. OTHER INCOME

| | Three months ended 30 June | | Six months ended 30 June | |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | 2016 HK\$'000 (Unaudited) | 2015 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) | 2015 HK\$'000 (Unaudited) |
| Interest income from – authorised financial institutions | 1 | 1 | 1 | 1 |
| – others | 1 | – | 2 | – |
| Administrative income | 3 | 135 | 137 | 259 |
| Management fee income | 8 | 43 | 12 | 67 |
| Handling fee income | 192 | 783 | 319 | 890 |
| | <u>205</u> | <u>962</u> | <u>471</u> | <u>1,217</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

5. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

| | Three months ended 30 June | | Six months ended 30 June | |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | 2016 HK\$'000 (Unaudited) | 2015 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) | 2015 HK\$'000 (Unaudited) |
| Auditors' remuneration | 50 | 50 | 100 | 100 |
| Commission expenses | 5,194 | 3,298 | 7,896 | 4,533 |
| Depreciation of property, plant and equipment | 224 | 35 | 446 | 66 |
| Interest expense on bank overdrafts and borrowing | 28 | 186 | 58 | 202 |
| Net foreign exchange losses | – | – | – | 1 |
| Operating lease payments in respect of rented premises | 510 | 263 | 1,020 | 526 |
| Listing expenses | 371 | 191 | 803 | 4,669 |
| Employee benefits expense: | | | | |
| Salaries and other benefits in kind | 2,460 | 4,234 | 5,329 | 6,213 |
| Commission to accounts executives | 197 | 1,041 | 316 | 1,236 |
| Contributions to retirement benefit scheme | 61 | 63 | 125 | 114 |
| Total employee benefits expense, including directors' emoluments | 2,718 | 5,338 | 5,770 | 7,563 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

6. INCOME TAX EXPENSE

| | Three months ended 30 June | | Six months ended 30 June | |
|-------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | 2016 HK\$'000 (Unaudited) | 2015 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) | 2015 HK\$'000 (Unaudited) |
| Current tax: | | | | |
| – Hong Kong Profits Tax | <u>1,850</u> | <u>4,600</u> | <u>2,050</u> | <u>4,600</u> |

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

7. DIVIDENDS

| | Three months ended 30 June | | Six months ended 30 June | |
|--------------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | 2016 HK\$'000 (Unaudited) | 2015 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) | 2015 HK\$'000 (Unaudited) |
| Dividends recognised as distribution | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,950</u> |

The Board did not recommend a payment of interim dividend for the six months ended 30 June 2016.

The dividends of HK\$4,950,000 declared and paid for the six months ended 30 June 2015 represented the dividends paid by a subsidiary of the Company to its then equity owners prior to the Reorganisation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

10. TRADE RECEIVABLES

| | As at 30 June 2016 HK\$'000 (Unaudited) | As at 31 December 2015 HK\$'000 (Audited) |
|---|---|---|
| Trade receivables arising from the ordinary course of business of: | | |
| Dealing in securities: | | |
| Clients – cash | 9,596 | 22,791 |
| Clients – margin | 41,715 | 36,032 |
| Clearing house | 7,443 | 20,920 |
| | <u>58,754</u> | <u>79,743</u> |
| Corporate finance advisory services: | – | 300 |
| Asset management services: | 77 | 70 |
| | <u>58,831</u> | <u>80,113</u> |

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

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

Margin clients are required to pledge securities collateral to the Group in order to obtain the margin facilities for securities trading. At 30 June 2016, loans to margin clients are secured by clients' securities pledged as collateral with market value of approximately HK\$149.6 million (31 December 2015: approximately HK\$151.0 million). Management has assessed the market value of the pledged securities of each individual client who has margin shortfall at the end of each reporting period and considered that no impairment allowance is necessary due to credit history of the clients. The margin loans are repayable on demand and bear variable interest at commercial rates. No aged analysis is disclosed as, in the opinion of the Directors, the aged analysis does not give additional value in view of the nature of securities margin business.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

10. TRADE RECEIVABLES (Continued)

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

| | As at 30 June 2016 HK\$'000 (Unaudited) | As at 31 December 2015 HK\$'000 (Audited) |
|-------------------------------|---|---|
| Neither past due nor impaired | 9,285 | 38,908 |
| Past due but not impaired: | | |
| Less than 1 month | 7,577 | 1,411 |
| 1 to 3 months | 18 | 3,392 |
| Over 3 months | 159 | – |
| Total | <u>17,039</u> | <u>43,711</u> |

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

| | As at 30 June 2016 HK\$'000 (Unaudited) | As at 31 December 2015 HK\$'000 (Audited) |
|-------------------------------|---|---|
| Neither past due nor impaired | 77 | 70 |
| Past due but not impaired: | | |
| Less than 1 month | – | 300 |
| Total | <u>77</u> | <u>370</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

11. TRADE PAYABLES

| | As at 30 June 2016 HK\$'000 (Unaudited) | As at 31 December 2015 HK\$'000 (Audited) |
|--|---|---|
| Trade payables arising from the ordinary course of business of dealing in securities: | | |
| Clients – cash | 73,766 | 176,823 |
| Clients – margin | 6,910 | 25,335 |
| Clearing house | 1,366 | – |
| | <u>82,042</u> | <u>202,158</u> |

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

Trade payables to cash and margin clients bear variable interest at commercial rates, and are repayable on demand subsequent to settlement date. No aged analysis is disclosed as, in the opinion of the Directors, the aged analysis does not give additional value in view of the nature of business.

At 30 June 2016, the trade payables amounting to approximately HK\$72.8 million (31 December 2015: approximately HK\$174.8 million) were payable to clients in respect of the trust and segregated bank balances received which are held for clients in the course of conducting the regulated activities. However, the Group currently does not have an enforceable right to offset these payables with the deposits placed.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

12. SHARE CAPITAL

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

The movements in the Company's authorised and issued ordinary share capital are as follows:

| | Number of ordinary shares | Share capital HK\$'000 |
|---|------------------------------|---------------------------|
| Ordinary shares of HK\$0.01 each | | |
| Authorised: | | |
| At 13 January 2015 (date of incorporation) (Note (i)) and 31 December 2015 | 38,000,000 | 380 |
| Increase in authorised share capital (Note (ii)) | 1,962,000,000 | 19,620 |
| | <u>2,000,000,000</u> | <u>20,000</u> |
| At 30 June 2016 | <u>2,000,000,000</u> | <u>20,000</u> |
| Issued and fully paid: | | |
| At 13 January 2015 (date of incorporation) (Note (i)) and 31 December 2015 | 100 | – |
| Issue of shares pursuant to Reorganisation (Note (iii)) | 659,999,900 | 6,600 |
| | <u>660,000,000</u> | <u>6,600</u> |
| As at 30 June 2016 | <u>660,000,000</u> | <u>6,600</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

12. SHARE CAPITAL (Continued)

Notes:

- (i) The Company was incorporated in the Cayman Islands under the Companies Law of the Cayman Island as an exempted company with limited liability on 13 January 2015 with an initial authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. 1 share was allotted and issued nil-paid to the subscriber on 13 January 2015, and was subsequently transferred to Autumn Ocean Limited on the same day; and 79 shares and 20 shares were allotted and issued nil-paid to Autumn Ocean Limited and Ample Honesty Limited respectively on the same day.
- (ii) Pursuant to the written resolution of the shareholders of the Company passed on 23 June 2016, the authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of an additional of 1,962,000,000 shares of HK\$0.01 each, each ranking pari passu with the shares then in issue in all respects.
- (iii) Pursuant to the Reorganisation and as consideration for the acquisition by the Company of the entire issued share capital of Major Harvest Limited from Autumn Ocean Limited and Ample Honesty Limited, on 23 June 2016, 80 nil-paid shares held by Autumn Ocean Limited and 20 nil-paid shares held by Ample Honesty Limited were credited as fully paid and 527,999,920 shares and 131,999,980 shares were allotted and issued to Autumn Ocean Limited and Ample Honesty Limited respectively all credited as fully paid.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

13. RELATED PARTY DISCLOSURES

(i) Transactions with related parties

During the six months ended 30 June 2016 and 2015, the Group entered into the following transactions with related parties:

| Related party | Nature of transaction | Notes | Six months ended 30 June 2016 HK\$'000 (Unaudited) | Six months ended 30 June 2015 HK\$'000 (Unaudited) |
|--|--|-------|--|--|
| Mr. Pan | Commission income | (a) | 5 | 15 |
| | Interest income received from securities and initial public offering financing | (b) | 7 | 9 |
| Close family members of Mr. Pan | Commission income | (a) | 20 | 52 |
| | Interest income received from securities and initial public offering financing | (b) | 13 | 61 |
| Returns Best Investments Limited, a company wholly- owned by a close family member of Mr. Pan | Commission income | (a) | – | 8 |
| | Interest income received from securities and initial public offering financing | (b) | – | 15 |
| | Management fee income | (c) | – | 3 |
| Shine Clear Investments Limited, a company wholly- owned by a close family member of Mr. Pan | Commission income | (a) | 5 | 52 |
| | Interest income received from securities and initial public offering financing | (b) | 12 | 10 |
| Astrum Absolute Return China Fund (the “Astrum China Fund”) | Fund management and performance fee | (d) | 470 | 2,204 |
| | Commission income | (a) | 249 | 151 |
| Mr. Cheung Hon Fai, Bosco (“Mr. Cheung”) | Commission income | (a) | 1 | 1 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

13. RELATED PARTY DISCLOSURES (Continued)

(i) Transactions with related parties (Continued)

| Related party | Nature of transaction | Notes | Six months | Six months |
|--|--|-------|--|--|
| | | | ended 30 June 2016 HK\$'000 (Unaudited) | ended 30 June 2015 HK\$'000 (Unaudited) |
| Mr. Kwan Chun Yee, Hidulf ("Mr. Kwan") | Commission income | (a) | 3 | 2 |
| | Interest income received from securities and initial public offering financing | (b) | 2 | 1 |
| Mr. Ng Yau Sing, a shareholder of the Company | Commission income | (a) | – | 1 |
| | Interest income received from securities and initial public offering financing | (b) | – | 2 |
| Mr. Fung Tat Hung, Ricky, a member of the key management personnel | Commission income | (a) | 6 | 7 |
| | Interest income received from securities and initial public offering financing | (b) | 2 | 3 |
| Ms. Truong To Linh, a member of the key management personnel | Commission income | (a) | 3 | 5 |
| | Interest income received from securities and initial public offering financing | (b) | 1 | 1 |

Notes:

- (a) The commission income was calculated at rates which ranged from 0.08% to 0.20% (subject to minimum charge of HK\$50 or HK\$80).
- (b) The interest income received from securities and initial public offering financing was based on the rates which substantially in line with those normally received by the Group from third parties.
- (c) The management fee income was based on terms stipulated in the agreement entered between the contracting parties.
- (d) The fund management and performance fee were based on terms stipulated on the agreement entered between the contracting parties. The management shares of Astrum China Fund are held by Astrum Asset Management Limited and Astrum Asset Management Limited are indirectly wholly-owned by Mr. Pan, whom is also a director of Astrum China Fund.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

13. RELATED PARTY DISCLOSURES (Continued)

(ii) Outstanding balances with related parties

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

| Related party | Nature of account | As at | As at |
|---|-------------------|--|--|
| | | 30 June 2016 HK\$'000 (Unaudited) | 31 December 2015 HK\$'000 (Audited) |
| Mr. Pan | Margin account | (69) | (5) |
| Mr. Cheung | Margin account | – | (716) |
| Mr. Kwan | Margin account | (141) | (110) |
| Close family members of Mr. Pan | Margin account | 77 | 930 |
| Shine Clear Investments Limited, a company wholly-owned by a close family member of Mr. Pan | Margin account | 496 | 88 |
| Astrum China Fund | Cash account | 196 | 1,983 |
| Mr. Fung Tat Hung, Ricky, a member of the key management personnel | Margin account | (46) | (1,927) |
| Ms. Truong To Linh, a member of the key management personnel | Margin account | (21) | (1) |

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

Included in trade receivables arising from the ordinary course of business of asset management services as at 30 June 2016 of approximately HK\$77,000 (31 December 2015: approximately HK\$70,000) are amount due from Astrum China Fund. The amount due is unsecured, interest-free and repayable within 30 days.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

13. RELATED PARTY DISCLOSURES (Continued)

(iii) Guarantees provided by related parties

Mr. Pan had provided personal guarantees for unlimited amount and HK\$9.0 million to banks in connection with the bank overdraft facility and revolving loan facility respectively to the extent of HK\$17.0 million granted to the Group.

(iv) Compensation of key management personnel

The remuneration of Directors and other members of key management during the six months ended 30 June 2016 and 2015 was as follows:

| | Six months ended 30 June 2016 HK\$'000 (Unaudited) | Six months ended 30 June 2015 HK\$'000 (Unaudited) |
|------------------------------|---|---|
| Short-term employee benefits | 2,271 | 2,787 |
| Post-employment benefits | 39 | 43 |
| | <u>2,310</u> | <u>2,830</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the provision of securities dealing and brokerage services, placing and underwriting services, corporate finance advisory services, financing services 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.

It has been a challenging first half of 2016. With amid bouts of uncertainty surrounding China, the Hong Kong market had since been volatile. The unsettling instability in China has dampened the overall sentiment and confidence in investors, and has placed a negative impact on the Hong Kong stock market. The deceleration in the market has been reflected in the substantial decrease in the Group’s turnover and commission income from its brokerage services.

PROSPECTS

In spite of the slowdown in China and the unpredictable long term effects surrounding the referendum outcome of the British exit (“Brexit”) from the European Union, the Group and the Directors shall continue to strive and achieve the business objectives as stated in the Prospectus.

FINANCIAL REVIEW

Revenue

Total revenue of the Group for the six months ended 30 June 2016 (the “Current Period”) was approximately HK\$30.7 million as compared to approximately HK\$41.8 million for the six months ended 30 June 2015 (the “Corresponding Period”), representing a decrease of approximately 26.6%. 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 financial advisory projects charged and undertaken by the Group; and (iv) the decrease in asset management fee derived from asset management of Astrum China Fund.

Commission from securities dealing and brokerage services decreased from approximately HK\$10.7 million for the Corresponding Period to approximately HK\$5.8 million for the Current Period, representing a decrease of approximately 45.9%. Such decrease was in line with the decrease in average daily turnover of Hong Kong securities market. According to HKEx Monthly Market Highlights – June 2016, the average daily turnover of Hong Kong securities market for the Current Period dropped approximately 46.1% to approximately HK\$67.5 billion when compared with the Corresponding Period.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Revenue (Continued)

Revenue derived from placing and underwriting services decreased from approximately HK\$26.1 million for the Corresponding Period to approximately HK\$21.3 million for the Current Period, representing an decrease of approximately 18.7%. Such decrease was mainly due to the decrease in the number of placing and underwriting transactions completed by the Group from 13 for the Corresponding Period to 8 for the Current Period.

Corporate finance advisory services fee decreased from approximately HK\$1.5 million for the Corresponding Period to approximately HK\$1.2 million for the Current Period, representing a decrease of approximately 20.0%. Such decrease was mainly due to the decrease in financial advisory projects charged and undertaken by the Group from 9 for the Corresponding Period to 6 for the Current Period.

Interest income from securities and initial public offering financing increased from approximately HK\$1.3 million for the Corresponding Period to approximately HK\$2.0 million for the Current Period, representing an increase of approximately 54.9%. Such increase was due to the keen demand of margin financing from customers.

Asset management fee decreased from approximately HK\$2.2 million for the Corresponding Period to approximately HK\$0.5 million for the Current Period, representing a decrease of approximately 78.7%. Astrum China Fund was launched on 1 April 2015 with an initial asset under management of USD6 million. For the Corresponding Period, a management fee and a performance fee of approximately HK\$0.3 million and HK\$1.9 million were recognised. For the Current Period, the Group only recognised a management fee of HK\$0.5 million and no performance fee was charged as the net asset value of Astrum China Fund did not surpass the high water mark achieved in 2015.

Other income

Other income decreased from approximately HK\$1.2 million for the Corresponding Period to approximately HK\$0.5 million for the Current Period, representing a decrease of approximately HK\$0.7 million. Such decrease was mainly due to the decrease in the securities trading transaction amount of customers which in turn leading to the decrease in handling fees income such as CCASS charges and scrip fees received from customers.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Administrative and other operating expenses

Administrative and other operating expenses decreased from approximately HK\$19.7 million for the Corresponding Period to approximately HK\$18.6 million for the Current Period, representing a decrease of approximately 5.3% due to the decrease in the listing expense from approximately HK\$4.7 million for the Corresponding Period to approximately HK\$0.8 million for the Current Period.

Finance costs

The decrease in the finance costs from approximately HK\$202,000 for the Corresponding Period to approximately HK\$58,000 for the Current Period was mainly due to the decrease in initial public offering financing which in turn leading to the decrease in utilisation of initial public offering loan borrowed from an authorised institution.

PROFIT FOR THE PERIOD

As a result of the foregoing, profit decreased by approximately HK\$8.1 million, or approximately 43.8% from approximately HK\$18.5 million for the Corresponding Period to approximately HK\$10.4 million for the Current Period.

LIQUIDITY AND FINANCIAL RESOURCES

During the Current Period, the Group financed its operations by cash flow from operating activities. As at 30 June 2016, the Group had net current assets of approximately HK\$69.9 million (31 December 2015: HK\$58.6 million) including bank balances and cash of approximately HK\$98.4 million (31 December 2015: HK\$185.6 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.8 times as at 30 June 2016 (31 December 2015: 1.3 times). The increase in the current ratio was mainly due to the lower balances of trade payables as at 30 June 2016 compared to 31 December 2015. The decrease in trade payables was mainly due to significant decrease in money deposited by clients.

The Group's operations were financed principally by revenues generated from business operations and available bank balances. The Group did not have any debt as at 30 June 2016 (31 December 2015: NIL).

The capital of the Group comprises only ordinary shares. Total equity attributable to owners of the Company amounted to approximately HK\$73.1 million as at 30 June 2016 (31 December 2015: HK\$62.7 million).

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEE INFORMATION

Total remuneration for the Current Period (including directors' emoluments and commission paid to staff and directors excluding mandatory provident fund contributions) was approximately HK\$5.6 million (Corresponding Period: HK\$7.4 million). Such decrease was mainly due to decrease in salaries paid to a staff of approximately HK\$1.4 million, whose remuneration was in proportion to the performance fee received by Astrum Capital Management Limited from Astrum China Fund and decrease in commission to accounts executives of approximately HK\$0.9 million. The Group's remuneration policies are formulated on the basis of performance, qualifications and experience of individual employee and make reference to the prevailing market conditions.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There was no material acquisition or disposal of subsidiaries and affiliated companies during the Current Period.

CHARGES ON THE GROUP'S ASSETS

The Group did not arrange any charge of assets with any financial institution in Hong Kong as at 30 June 2016 (31 December 2015: NIL).

FOREIGN EXCHANGE EXPOSURE

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

MANAGEMENT DISCUSSION AND ANALYSIS

COMMITMENTS

At 30 June 2016, the Group entered into underwriting agreement with an independent third party in relation to placing of shares listed in Hong Kong and had a gross commitment of approximately HK\$40.0 million. The Group has offered sub-underwriters for the participation of aforesaid transaction and the sub-underwriters have accepted the offer with an aggregated commitment of approximately HK\$40.0 million.

At 31 December 2015, the Group entered into underwriting agreement with an independent third party in relation to rights issue of shares listed in Hong Kong and had a gross commitment of approximately HK\$200.0 million. The Group has offered sub-underwriters for the participation of aforesaid transaction and the sub-underwriters have accepted the offer with an aggregate commitment of approximately HK\$141.8 million. The commitment has been released in March 2016.

CONTINGENT LIABILITIES

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

EVENT AFTER THE REPORTING PERIOD

The Company was successfully listed on the GEM of the Stock Exchange by way of Share Offer on 14 July 2016. Pursuant to the Share Offer, new shares including public offer of 60,000,000 new shares and placing of 80,000,000 new shares have been issued on 14 July 2016 at the offer price of HK\$0.6 per share.

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

USE OF PROCEEDS

The net proceeds from the Share Offer are estimated to be approximately HK\$68.4 million. The Company intends to apply (i) approximately 90% of the net proceeds, or approximately HK\$61.6 million, for enhancing the capital resources for the Group's financing services of the Group including securities and initial public offering financing; and (ii) the balance of approximately 10% of the net proceeds, or approximately HK\$6.8 million, for using as general working capital of the Group.

Up to the date of this announcement, approximately HK\$61.6 million has been deployed for the expansion of margin financing service of the Group.

OTHER INFORMATION

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

As at 30 June 2016, the shares of the Company were not listed on the Stock Exchange. The respective Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”), Section 352 of the SFO and Rules 5.46 to 5.67 of the GEM Listing Rules were not applicable.

As of the date of this announcement, the interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) held by the Directors and chief executives of the Company (the “Chief Executives”) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules are as follows:

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

| Name of Directors | Capacity/Nature of interests | Number of share held | Percentage of shareholding (Note 2) |
|-------------------|--------------------------------------|----------------------|-------------------------------------|
| Mr. Pan (Note 1) | Interest of a controlled corporation | 528,000,000 | 66.00% |

Notes:

1. These 528,000,000 shares are held by Autumn Ocean Limited which is wholly owned by Mr. Pan and hence, Mr. Pan is deemed, or taken to be, interested in all the Shares held by Autumn Ocean Limited for the purposes of the SFO.
2. The percentage is calculated on the basis of 800,000,000 shares in issue as at the date of this announcement.

Save as disclosed above, as at the date of this announcement, none of the Directors or Chief Executive had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

OTHER INFORMATION

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

As at 30 June 2016, the shares of the Company were not listed on the Stock Exchange. The respective Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO were not applicable.

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

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

Notes:

1. Ms. Liu Ming Lai Lorna is the spouse of Mr. Pan. She is deemed, or taken to be, interested in all shares in which Mr. Pan is interested in for the purposes of the SFO.
2. These 72,000,000 shares are held by Ample Honesty Limited which is wholly owned by Mr. Ng Yau Sing and hence, Mr. Ng Yau Sing is deemed, or taken to be, interested in all the shares held by Ample Honesty Limited for the purposes of the SFO.
3. Ms. Leung Yuet Kwan Belinda is the spouse of Mr. Ng Yau Sing. She is deemed, or taken to be, interested in all shares in which Mr. Ng Yau Sing is interested in for the purposes of the SFO.
4. The percentage is calculated on the basis of 800,000,000 shares in issue as at the date of this announcement.

Save as disclosed above, as at the date of this announcement, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person or corporation (other than the Directors and the Chief Executives) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO.

OTHER INFORMATION

SHARE OPTION SCHEME

A share option scheme (the “Share Option Scheme”) was adopted by the shareholders of the Company and was effective on 23 June 2016. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years from the date of its adoption. During the period from 23 June 2016 to the date of this announcement, no share options were granted by the Company.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraphs headed “INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION” and “SHARE OPTION SCHEME” in this announcement, at no time during the six months ended 30 June 2016 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

COMPETING INTERESTS

As at the date of this announcement, none of the Directors, the substantial shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

COMPLIANCE ADVISER’S INTERESTS

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

DIRECTORS’ SECURITIES TRANSACTIONS

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

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF SHARES

The issued shares of the Company were listed on GEM on 14 July 2016. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities after listing and up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

Throughout the six months ended 30 June 2016, to the best knowledge of the Board, the Company had complied with the code provisions in the CG Code, save for the deviation from the code provisions A.2.1 as explained below:

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

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

AUDIT COMMITTEE

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

OTHER INFORMATION

AUDIT COMMITTEE (Continued)

The Audit Committee had reviewed the unaudited consolidated results of the Group for the six months ended 30 June 2016 and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

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

Hong Kong, 8 August 2016

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

Executive Directors

Mr. Pan Chik (*Chairman and Chief Executive Officer*)
Mr. Kwan Chun Yee Hidulf
Mr. Cheung Hon Fai Bosco (*Compliance Officer*)

Independent Non-executive Directors

Mr. Chan Chun Hong
Mr. Lee Tak Cheung Vincent
Mr. Lau Hon Kee