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

2018

ANNUAL REPORT

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

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CORPORATE INFORMATION

DIRECTORS

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

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

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

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

COMPLIANCE OFFICER
Mr. Kwan Chun Yee Hidulf

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

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

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COMPLIANCE ADVISER
Messis Capital Limited

LEGAL ADVISER
King & Wood Mallesons

COMPANY WEBSITE
www.astrum-capital.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present to all shareholders the annual results of Astrum Financial Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2018.

In the financial year of 2018, the Hong Kong financial market has been troubled by the Sino-US trade tension and many other uncertainties such as the tightening liquidity due to US interest rate hikes, China's economy losing steam in the second half of the year, as well as worries over a synchronized global economic slowdown in the coming year. These uncertainties have affected the overall performance of the Hong Kong stock market with Hang Seng Index dropping approximately 14% by the end of 2018, being the worst performing year among the last seven years.

It was a difficult and challenging year for the Group. The Group's performance was vulnerable to various external factors, including Hong Kong's and global economic environment, and interest rate movement. For the nine months ended 30 September 2018, the Group's results remained stagnant amid the overall negative market sentiment. However, in the fourth quarter of 2018, the Group showed a strong resurgence in its profits, with revenue surpassing the total revenue for the first three quarters of the year. The significant increase in revenue for the fourth quarter of 2018 was mainly attributable to the significant increase in revenue derived from placing and underwriting services and corporate finance advisory services fee. The Group's efforts to achieve promising results were accomplished.

In 2018, the Group recorded total revenue of approximately HK$50.0 million, representing a decrease of approximately 13.9% compared to the previous financial year. Profit attributable to owners of the Company for the year ended 31 December 2018 amounted to approximately HK$22.5 million, representing a decrease of approximately 1.7% from the previous corresponding year. In 2018, the Group declared and paid interim dividends of HK$0.005 per share, respectively in each of the first, second and third quarter of its financial reporting periods.

Looking ahead to 2019 financial year, it is expected that the Group's revenue mix will be similar to that in 2018 with primary focus on placing and underwriting services and corporate finance advisory services, while brokerage services and securities and IPO financing services will continue to serve as complementary services to other business of the Group. The Group will continue to strive for sustainable income and balanced growth, and achieve sustainable gains for its shareholders. We will keep reviewing the working capital level on an on-going basis in order to achieve our objective and at the same time, be mindful of the regulatory reporting and compliance requirements. We will continue to keep abreast of the latest development of the Hong Kong financial market and the update on the regulatory requirements applicable to licensed corporations in Hong Kong. We are also committed to reaching out to the community and fulfilling social responsibilities.

On behalf of the Board, I would like to take this opportunity to thank the shareholders, customers and business partners for their trust in and continuous support to the Group over the years. We will continue to explore new business ventures in the challenging year ahead and strive for the best returns to our shareholders.

PAN CHIK
Chairman and chief executive officer

Hong Kong, 20 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

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

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

Source: Website of the Stock Exchange

BUSINESS REVIEW

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

Brokerage services

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

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

Placing and underwriting services

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

Corporate finance advisory services

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

Financing services

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

Asset management services

During the Year, the Group had been acting as the investment manager of Astrum Absolute Return China Fund (the "**Astrum China Fund**"). As at 31 December 2018, the asset under management of Astrum China Fund was approximately US$7.9 million (2017: approximately US$8.2 million) and the net asset value per share was approximately US$1,238.395 (2017: approximately US$1,287.141).

ACHIEVEMENT OF BUSINESS OBJECTIVES

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

(i) Expanding financing services including securities and IPO financing

After the Share Offer in July 2016, the Group has applied majority of the net proceeds from the Share Offer to financing services including securities and IPO financing in August 2016. With these additional capital resources and coupled with keen demand for financing services from customers, the interest income of the Group recorded a growth of approximately 92.6% to approximately HK$5.2 million in 2016 and a further growth of approximately 71.2% to approximately HK$8.9 million in 2017. Unfortunately, the demand for financing services from customers in 2018 was weak with interest income amounted to only approximately HK$2.7 million, representing a year-on-year decrease of approximately 69.7%. Such weak demand was due to the cautious and pessimistic financial market sentiment in 2018 and the inactive placing and underwriting business of the Group.

(ii) Expanding the asset management business

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

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

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

FINANCIAL REVIEW

Key financial Data

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

FINANCIAL REVIEW (Continued)

Revenue

Total revenue of the Group for the Year was approximately HK$50.0 million as compared to approximately HK$58.1 million for the year ended 31 December 2017 (the "**Corresponding Year**"), representing a decrease of approximately 13.9%. Such decrease was attributable to (i) the decrease in the securities trading transaction amount of customers; (ii) the decrease in the number of placing and underwriting engagements secured and completed by the Group; (iii) the decrease in interest income from securities and IPO financing; and (iv) the decrease in asset management fee derived from asset management services of Astrum China Fund.

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

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

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

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

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

Other income

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

FINANCIAL REVIEW (Continued)

Administrative and other operating expenses

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

Finance costs

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

Profit for the Year

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

PROSPECTS

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

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

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

USE OF PROCEEDS

In respect of the net proceeds of approximately HK$68.4 million raised from the Share Offer, up to the date of this report, (i) approximately HK$61.6 million has been deployed for the expansion of financing services; (ii) approximately HK$6.7 million has been used as general working capital for payment of rent and management fee and compliance adviser fee; and (iii) approximately HK$0.1 million is kept at bank for future use as general working capital as stated in the Prospectus.

EMPLOYEE INFORMATION

As at 31 December 2018, the Group had 23 employees (2017: 23 employees) and 4 account executives (2017: 4 account executives). Total staff costs (including directors' remuneration) were approximately HK$14.0 million (2017: approximately HK$16.1 million).

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

The Group adopted a share option scheme (the "**Scheme**"). Since its adoption, no options have been granted or agreed to be granted pursuant to the Scheme and, therefore, there were no outstanding options as at 31 December 2018 (2017: NIL).

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the Year, the Group mainly financed its operations, capital expenditure and other capital requirements by internal resources and net proceeds raised from the Share Offer and occasionally financed its financing services by IPO stagging bank loan facility.

As at 31 December 2018,

(i) the total assets of the Group amounted to approximately HK$226.6 million (2017: approximately HK$266.8 million). The decrease in total assets of the Group was mainly due to (i) the decrease in bank balances in trust accounts of approximately HK$40.9 million; (ii) the decrease in trade receivables from cash and margin clients of approximately HK$14.6 million, net of allowance for doubtful debts; and (iii) the absence of trade receivables due to the subscriptions of new shares in initial public offering in 2018 (2017: approximately HK$22.9 million). Such decrease was partially offset by the increase in bank balances in general accounts and cash of approximately HK$35.9 million;

(ii) the total equity attributable to owners of the Company amounted to approximately HK$183.5 million (2017: approximately HK$173.0 million). Such increase was mainly attributable to the contribution of the profit and total comprehensive income for the Year in the amount of approximately HK$22.5 million and offset by the payment of interim dividends in the total amount of HK$12.0 million for the first, second and third quarter financial periods in 2018;

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE (Continued)

(iii) the net current assets of the Group amounted to approximately HK$168.8 million (2017: approximately HK$157.5 million) and the current ratio of the Group, being the ratio of current assets to current liabilities, was approximately 4.9 times (2017: approximately 2.7 times). The net current assets of the Group as at 31 December 2018 and 31 December 2017 remained relatively stable. As the decreasing rate of the current liabilities (approximately 54.0%) was greater than that of the current assets (approximately 15.7%), the current ratio of the Group increased from approximately 2.7 times as at 31 December 2017 to approximately 4.9 times as at 31 December 2018;

(iv) the total bank balances and cash of the Group, which were substantially denominated in Hong Kong Dollars, amounted to approximately HK$170.6 million (2017: approximately HK$175.6 million). Such decrease was mainly due to the decrease in bank balances in trust accounts of approximately HK$40.9 million and offset by the increase in general accounts and cash of approximately HK$35.9 million; and

(v) the Group did not have any debt (2017: NIL) and therefore gearing ratio was not applicable.

CHARGES ON THE GROUP'S ASSETS

The Group did not have any charges of assets as at 31 December 2018 (2017: NIL).

FOREIGN EXCHANGE EXPOSURE

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

SIGNIFICANT INVESTMENTS

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

MATERIAL ACQUISITIONS OR DISPOSALS

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

COMMITMENTS

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

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

CONTINGENT LIABILITIES

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

Credit risk

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

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

PRINCIPAL RISKS AND UNCERTAINTIES (Continued)

Liquidity risk

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

The Directors believe that the Group's internal resources and working capital are adequate to meet its financial obligations.

EVENT AFTER THE REPORTING PERIOD

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

EXECUTIVE DIRECTORS

Mr. Pan Chik（潘稷）(**alias** Jackie Pan), aged 50, is the chairman of the Board, an executive Director and the chief executive officer of the Group. Mr. Pan was appointed as the executive Director on 13 January 2015 and is responsible for formulating corporate strategy, planning, business development as well as supervising the overall operations of the Group.

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

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

Mr. Kwan Chun Yee Hidulf（關振義）, aged 46, was appointed as an executive Director on 13 January 2015 and is responsible for business planning and development and overseeing the operations of the Group. Mr. Kwan is also the compliance officer of the Company with effect from 16 November 2017. He has over 20 years of experience in the financial services industry. Prior to joining the Group, Mr. Kwan was the Responsible Officer of Asia Investment Management Limited, Goldin Financial Limited and South West Capital Limited at the material time for the period from March 2009 to June 2012.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chun Hong（陳駿康）(**alias** Kelvin Chan), aged 44, was appointed as an independent non-executive Director on 23 June 2016. Mr. Chan specializes in business valuation and consulting and is the Chairman of Graval Consulting Limited since September 2016. From September 2015 to January 2018, Mr. Chan was an independent non-executive director of FDB Holdings Limited (stock code: 1826).

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

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. Lee Tak Cheung Vincent (李德祥), aged 56, was appointed as an independent non-executive Director on 23 June 2016. Mr. Lee has been practicing as a solicitor in Hong Kong since 1988. Since February 2015, Mr. Lee has been a consultant of the law firm, Chow, Griffiths and Chan. Mr. Lee has been advising customers on conveyancing and corporate matters.

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

Mr. Lau Hon Kee (劉漢基) (**alias** Keith Vingo Lau), aged 48, was appointed as an independent non-executive Director on 23 June 2016. Mr. Lau has over 20 years of experience in the financial reporting and accounting fields. He is an independent non-executive director of Dafeng Port Heshun Technology Company Limited (stock code: 8310).

Mr. Lau was one of the joint company secretaries of Zhejiang Tengy Environmental Technology Co., Ltd (stock code: 1527) from November 2014 to January 2018. He was also the financial controller and the company secretary of Shandong Luoxin Pharmaceutical Group Stock Co., Ltd. (stock code: 8058), a company which shares were delisted on GEM in July 2017 due to privatisation.

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

SENIOR MANAGEMENT

Mr. Fung Tat Hung Ricky (馮達雄), aged 48, head of dealing department, joined the Group on 1 March 2005. Mr. Fung has over 20 years of experience in financial market. Mr. Fung is responsible for managing day to day trading operation. Mr. Fung obtained a diploma in business Management from The Hong Kong Polytechnic University in September 1995. In October 2003, Mr. Fung obtained a master degree in engineering management from University of Technology, Sydney via distance learning.

COMPANY SECRETARY

Ms. Wong Susan Chui San (黃翠珊), aged 45, chief financial officer and company secretary, joined the Group on 19 January 2015. Ms. Wong has over 20 years of experience in auditing, accounting and taxation. She is the founder of Messrs. C.S. Wong & Co and the director of Pan-China (H.K.) CPA Limited. Ms. Wong is also an independent non-executive director of Ban Loong Holdings Limited (stock code: 30) and Loco Hong Kong Holdings Limited (stock code: 8162). From April 2012 to August 2015, Ms. Wong was the company secretary of Yin He Holdings Limited (formerly known as Zebra Strategic Holdings Limited) (stock code: 8260). From November 2014 to June 2017, Ms. Wong was also the company secretary of Grand Investment International Limited (stock code: 1160).

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

The Company is committed to achieving and maintaining high standards of corporate governance to safeguard the stakeholders' interest and to enhance their confidence and support. For the year ended 31 December 2018 (the "**Year**"), the Company has adopted and complied with the code provisions of the Corporate Governance Code ("**CG Code**") as set out in Appendix 15 to the GEM Listing Rules except the deviation from CG Code provision A.2.1. The board (the "**Board**") of Directors will review and continue to enhance the Company's corporate governance standards, as the Directors believe that sound internal controls and effective corporate governance practices are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the shareholders of the Company.

The Board is pleased to report that the Group was in compliance with the code provisions of the CG Code during the Year, except where otherwise stated.

CHAIRMAN AND CHIEF EXECUTIVE

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

THE BOARD

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

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

In accordance with article 108 of Articles and Association of the Company (the "**Articles**"), at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. At the forthcoming annual general meeting of the Company (the "**2019 AGM**"), each of Mr. Pan Chik and Mr. Lau Hon Kee will retire as Director by rotation and, being eligible, will offer themselves for re-election at the 2019 AGM.

EXECUTIVE DIRECTORS

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

Executive Directors

Mr. Pan Chik (Chairman and chief executive officer)
Mr. Kwan Chun Yee Hidulf

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Independent non-executive Directors

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

All independent non-executive Directors are professionals with well recognised experience and expertise to bring valuable advice to the Board. Mr. Chan Chun Hong and Mr. Lau Hon Kee possess the appropriate professional qualifications, or accounting and related financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules. None of the independent non-executive Directors has any business or financial interests with the Company and all independent non-executive Directors confirmed their independence to the Group as at 31 December 2018 in accordance with Rule 5.09 of the GEM Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence requirements set out in Rule 5.09 of the GEM Listing Rules.

RELATIONSHIP AMONG BOARD MEMBERS

There is no financial, business, family or other material or relevant relationship among members of the Board.

BOARD DIVERSITY POLICY

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

BOARD COMMITTEE

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

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

Remuneration Committee

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

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

Nomination Committee

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

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

BOARD COMMITTEE (Continued)

Audit Committee

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

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

The Company has complied with Rule 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting or related financial management expertise. During the Year, the Audit Committee held 4 meetings to review, assess and comment on the consolidated quarterly, interim and final results of the Group. It has also reviewed the risk management and internal control systems of the Group, the continuing connected transactions carried out by the Group and the compliance with the Deed of Non-competition in the section headed "REPORT OF THE DIRECTORS" of this report. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the Year have complied with applicable accounting standards and the requirements under the GEM Listing Rules and other applicable legal requirements and that adequate disclosures have been made. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors. The Audit Committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be nominated for re-appointment as the independent auditors of the Company at the 2019 AGM.

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

Directors/Board Committees	The Board (Notes 1 & 2)	Audit Committee (Note 1)	Remuneration Committee (Notes 1 & 2)	Nomination Committee (Notes 1 & 2)	General Meeting
Mr. Pan Chik	C (5/5)	N/A	M (3/3)	C (3/3)	(1/1)
Mr. Kwan Chun Yee Hidulf	M (5/5)	N/A	M (3/3)	M (3/3)	(1/1)
Mr. Chan Chun Hong	M (5/5)	M (5/5)	C (3/3)	M (3/3)	(1/1)
Mr. Lee Tak Cheung Vincent	M (5/5)	M (5/5)	M (3/3)	M (3/3)	(1/1)
Mr. Lau Hon Kee	M (5/5)	C (5/5)	M (3/3)	M (3/3)	(1/1)

Notes:

1. C – Chairman of the relevant Board Committee

2. M – Member of the relevant Board Committee

ACCOUNTABILITY AND AUDIT

The Directors acknowledged their responsibilities to prepare the consolidated financial statements of the Group and other financial disclosures required under the GEM Listing Rules and the management has provided such explanation and information to the Board to enable it to make an informed assessment of the financial and other Board decisions. The Directors believed that they have selected suitable accounting policies and applied them consistently, made judgements and estimates that are prudent and reasonable and ensured the consolidated financial statements are prepared on a "going concern" basis. The statement of the auditors of the Company regarding their reporting responsibilities for the consolidated financial statements of the Group is set out in the Independent Auditors' Report on pages 38 to 42 of this report.

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

DIRECTORS' TRAINING AND DEVELOPMENT

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

All Directors confirmed that they have complied with the CG Code provision A.6.5. During the Year, all Directors namely, Mr. Pan Chik, Mr. Kwan Chun Yee Hidulf, Mr. Chan Chun Hong, Mr. Lee Tak Cheung Vincent and Mr. Lau Hon Kee, have participated in continuous professional development by attending seminars, courses or conferences or read related materials to develop and refresh their knowledge and skills.

DIRECTORS' SECURITIES TRANSACTIONS

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

COMPANY SECRETARY

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

INDEPENDENT AUDITORS’ REMUNERATION

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

Services rendered	**Remuneration paid/ payable** HK$'000
Audit services	
– Statutory audit services	650
Non-audit services	
– Review of the financial information in quarterly and interim reports	370
	1,020

CONSTITUTIONAL DOCUMENTS

There are no significant change in the Company’s constitutional documents during the Year.

DIVIDENDS POLICY

The Company does not have any predetermined dividend payout ratio and may declare dividends by way of cash or by other means that the Directors consider appropriate. A decision to declare any interim dividend or recommend any final dividend would require the approval of the Board and depend upon the following factors:

(a) The Group’s financial results;

(b) The shareholders’ interests;

(c) General business conditions, strategies and future expansion needs;

(d) The Group’s capital requirements;

(e) The payment by its subsidiaries of cash dividends to the Company;

(f) Possible effects on liquidity and financial position of the Group; and

(g) Other factors as the Board may consider relevant.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

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

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

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

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

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

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

As the corporate and operation structure of the Group is not complex and a separate internal audit department may divert resources of the Group, the Company does not have an internal audit department. During the Year, the management conducted a review on the internal control system of the Group. Such review focused on revisiting certain findings, recommendations for improvements, and areas for strengthening the internal control system of the Group, as identified by an external internal control consultant, CT Partner Consultants Limited, which the Group engaged to conduct an independent internal control review for the year ended 31 December 2017. No significant control failings or weakness was identified by CT Partner Consultants Limited during their review for the year ended 31 December 2017. The management concluded that there was no significant control weakness in the Group's internal control system and that the Group has implemented the recommendations put forth by the external internal control consultant. The Board considered that the risk management and internal control system of the Group are effective and adequate.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS (Continued)

Risk management on margin financing business

In August 2017, Astrum Capital Management Limited ("**Astrum Capital**") received a letter from the SFC stating its concern on the risk management practices of its margin financing business. In view of the comments from the SFC, Astrum Capital has engaged an independent reviewer to review the system and controls relating to securities margin financing in order to enhance its internal control and risk management. During the Year, Astrum Capital submitted to the SFC various draft compliance review reports prepared by the independent reviewer. In November 2018, the SFC expressed no comments on the compliance review report. The independent reviewer has performed a follow-up review in January 2019 to ensure all recommendations suggested by them have been duly implemented and is now preparing a follow-up review report to the SFC. The Directors are of the view that as of the date of this report, the overall operations and financial performance of the Group have not been materially affected.

Handling and Dissemination of Inside Information

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

COMMUNICATION WITH AND RIGHTS OF THE SHAREHOLDERS

Communication with the Shareholders and Investor Relations

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

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

COMMUNICATION WITH AND RIGHTS OF THE SHAREHOLDERS (Continued)

Procedures for the Shareholders to Convene an Extraordinary General Meeting

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

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

Procedures for Putting Forward Proposals by Shareholders at Shareholders' Meetings

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

Enquiries of Shareholders

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

REPORT OF THE DIRECTORS

The Directors are pleased to present this report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018 (the "**Year**").

PRINCIPAL ACTIVITIES

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

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2018 are set out in Note 32 to the consolidated financial statements.

BUSINESS REVIEW

A review of the Group's business, a discussion and analysis of the Group's performance during the Year and an analysis of the prospects of the Group's business are set out in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" from pages 5 to 14.

A description of the principal risks and uncertainties facing by the Group are set out in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" on pages 13 to 14.

SEGMENTAL INFORMATION

Details of segment reporting are set out in Note 5 to the consolidated financial statements.

RESULTS AND DIVIDEND

The results of the Group for the Year and the financial position of the Group as at 31 December 2018 are set out in the consolidated financial statements from pages 43 to 103 of this report.

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

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

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

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

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years, as set out on page 104 of this report, are extracted from this report and the prospectus of the Company dated 30 June 2016 (the "**Prospectus**").

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the turnover attributable to the Group's largest customer accounted for approximately 20.2% (2017: approximately 21.7%) of the Group's total turnover and the turnover attributable to the Group's five largest customers accounted for approximately 56.7% (2017: approximately 45.8%) of the Group's total turnover.

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

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in Note 14 to the consolidated financial statements.

SHARE CAPITAL

The Company did not issue any shares during the Year. Details of movements in the share capital of the Company during the Year are set out in Note 22 to the consolidated financial statements.

DEBENTURES

The Company did not issue any debentures during the Year.

RESERVES

Details of movements in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity and in Note 31 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2018, the Company's reserves available for distribution to the shareholders are approximately HK$80.4 million (2017: approximately HK$78.8 million) as calculated in accordance with statutory provisions applicable in the Cayman Islands.

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.

PRE-EMPTIVE RIGHTS

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

EQUITY-LINKED AGREEMENTS

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

SHARE OPTION SCHEME

A share option scheme (the "**Scheme**") was adopted by the shareholders of the Company on 23 June 2016. Unless otherwise cancelled or amended, the Scheme will remain in force for a period of 10 years. Under the Scheme, the Board shall be entitled to offer to grant a share option to any eligible participant whom the Board may select at its absolute discretion. No share options have been granted under the Scheme since its effective date and up to 31 December 2018. The major terms of the Scheme are set out in Note 24 to the consolidated financial statements.

CORPORATE GOVERNANCE

The principal corporate governance practices as adopted by the Company are set out in the section headed "CORPORATE GOVERNANCE REPORT" from pages 17 to 25 of this report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

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

DISCLOSURES UNDER RULES 17.22 TO 17.24 OF THE GEM LISTING RULES

As at 31 December 2018, the Group had no circumstances which would give rise to a disclosure obligation under Rules 17.22 to 17.24 of the GEM Listing Rules.

ENVIRONMENTAL POLICIES AND PERFORMANCES

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

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

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND BUSINESS PARTNERS

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

DONATION

The Group's charitable and other donations during the Year amounted to approximately HK$16,000. No donations were made to political parties during the Year.

DIRECTORS AND THEIR SERVICE CONTRACTS

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

Executive Directors

Mr. Pan Chik (Chairman and chief executive officer)
Mr. Kwan Chun Yee Hidulf

Independent Non-executive Directors

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

The biographical details of the Directors are set out on pages 15 to 16 of this report.

DIRECTORS AND THEIR SERVICE CONTRACTS (Continued)

In accordance with article 108 of Articles, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. At the forthcoming annual general meeting of the Company (the "**2019 AGM**"), each of Mr. Pan Chik and Mr. Lau Hon Kee will retire from office as Director by rotation and, being eligible, will offer themselves for re-election at the 2019 AGM.

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

No Director proposed for re-election at the 2019 AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than the normal statutory compensation.

CONFIRMATION OF INDEPENDENCE

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out in the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" on pages 15 to 16 of this report.

EMOLUMENT POLICY

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

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

Details of the emoluments of the Directors and five highest paid individuals are set out in Notes 10 and 11 to the consolidated financial statements respectively.

Details of the remuneration of senior management by band is set out in Note 28(iii) to the consolidated financial statements.

Details of the retirement benefit scheme are set out in Note 25 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

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

COMPETING INTERESTS

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

NON-COMPETITION UNDERTAKING

Confirmation from Mr. Pan and Autumn Ocean Limited

The Company received from Mr. Pan and Autumn Ocean Limited four confirmations respectively in April, July and October 2018 and January 2019 on their compliance of the non-competition undertaking under the Deed of Non-competition ("**Pan's Undertaking**") for the respective period from 1 January 2018 to 31 March 2018, 1 April 2018 to 30 June 2018, 1 July 2018 to 30 September 2018 and 1 October 2018 to 31 December 2018. The independent non-executive Directors have reviewed the compliance of Pan's Undertaking and evaluated the effectiveness of the implementation of the Deed of Non-competition, and were satisfied that Mr. Pan and Autumn Ocean Limited have complied with Pan's Undertaking during the Year.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group are set out in Note 28 to the consolidated financial statements. Those related party transactions which constitute connected transactions/continuing connected transactions under the GEM Listing Rules are set out in the paragraph headed "CONNECTED TRANSACTIONS/CONTINUING CONNECTED TRANSACTIONS" below. These continuing connected transactions have complied with the requirements under Chapter 20 of the GEM Listing Rules.

CONNECTED TRANSACTIONS/CONTINUING CONNECTED TRANSACTIONS

One-off Connected Transactions

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

CONNECTED TRANSACTIONS/CONTINUING CONNECTED TRANSACTIONS (Continued)

Continuing Connected Transactions

During the Year, the Group conducted the following continuing connected transactions which are subject to the reporting, announcement, annual review and/or independent shareholders' approval requirements under the GEM Listing Rules:

Mr. Pan Supplemental Financing Services Agreement and Mr. Kwan Supplemental Financing Services Agreement

Date of agreement:	30 March 2017
Term:	1 January 2017 to 31 December 2019
Transaction nature:	provision of margin financing and/or IPO financing services by Astrum Capital to (i) Mr. Pan Chik and his associates (including his family members and certain private companies controlled by Mr. Pan and his family members but excluding Astrum Absolute Return China Fund ("**Astrum China Fund**") and the Group); and (ii) Mr. Kwan Chun Yee Hidulf under their respective securities trading account with Astrum Capital

Connected parties	Annual caps	Annual cap amount for the Year HK$'000	Advance from the Group/ Interest paid to the Group	Historical maximum amount/ transaction amount for the Year HK$'000 (Approximately)
Mr. Pan Chik ("**Mr. Pan**") and his associates (including his family members and certain private companies controlled by Mr. Pan and his family members but excluding Astrum China Fund and the Group) (collectively the "**Pan's Family**")	IPO Annual Cap	47,000	Advance from the Group	39,676
	Margin Annual Cap	10,000	Advance from the Group	9,983
	Interest Annual Cap	1,200 (Note)	Interest paid to the Group	785
Mr. Kwan Chun Yee Hidulf ("**Mr. Kwan**")	IPO Annual Cap	8,500	Advance from the Group	2,273
	Margin Annual Cap	1,300	Advance from the Group	512
	Interest Annual Cap	50	Interest paid to the Group	7

CONNECTED TRANSACTIONS/CONTINUING CONNECTED TRANSACTIONS (Continued)

Continuing Connected Transactions (Continued)

Mr. Pan Supplemental Financing Services Agreement and Mr. Kwan Supplemental Financing Services Agreement (Continued)

Notes:

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

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

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

– On 9 August 2018, Astrum Capital entered into the Mr. Pan Second Supplemental Financing Services Agreement with Mr. Pan to revise the Interest Annual Caps for each of the two years ending 31 December 2019 from HK$500,000 to HK$1,200,000. Details of which are disclosed in the announcement of the Company dated 9 August 2018.

Listing Rule Implications

As one of the applicable percentage ratios (as defined under Rule 19.07 of the GEM Listing Rules) in respect of the aggregate amount of the revised annual caps under the Mr. Pan Supplemental Financing Services Agreement exceeds 25% and the aggregate amount of the revised annual caps is more than HK$10 million, the Mr. Pan Supplemental Financing Services Agreement and the transactions contemplated thereunder (including the annual caps thereof) are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under the GEM Listing Rules. The resolution to approve, confirm and ratify the Mr. Pan Supplemental Financing Services Agreement and the transactions contemplated thereunder (including the annual caps thereof) was duly passed by the independent shareholders by way of poll at the extraordinary general meeting held on 26 May 2017.

As one of the applicable percentage ratios (as defined under Rule 19.07 of the GEM Listing Rules) in respect of the aggregate amount of the revised annual caps under the Mr. Kwan Supplemental Financing Services Agreement is more than 5% but less than 25% and the aggregate amount of the revised annual caps is less than HK$10 million, the Mr. Kwan Supplemental Financing Services Agreement and the transactions contemplated thereunder (including the annual caps thereof) are subject to the reporting, announcement and annual review requirements, but exempt from the independent shareholders' approval requirements under the GEM Listing Rules.

The Company confirmed that it has complied with the relevant requirements in respect of the above continuing connected transactions in accordance with Chapter 20 of the GEM Listing Rules.

CONNECTED TRANSACTIONS/CONTINUING CONNECTED TRANSACTIONS (Continued)

Auditors' Letter on Continuing Connected Transactions

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

The Company's auditors have issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 31 to 34 of this report in accordance with Rule 20.54 of the GEM Listing Rules.

Confirmation of independent non-executive Directors

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

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

As at 31 December 2018, the interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) held by the Directors and chief executives of the Company (the "**Chief Executives**") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register maintained by the Company pursuant to section 352 of the SFO, or which were notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

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

Name of Director	Capacity/Nature of interests	Number of shares interested in	Approximate percentage of shareholding (Note 2)
Mr. Pan (Note 1)	Interest in a controlled corporation	532,685,000	66.59%

Notes:

1. These 532,685,000 shares are held by Autumn Ocean Limited which is wholly owned by Mr. Pan and hence, Mr. Pan is deemed, or taken to be, interested in all the shares held by Autumn Ocean Limited for the purposes of the SFO.

2. The percentage is calculated on the basis of 800,000,000 shares in issue as at 31 December 2018.

Save as disclosed above, as at 31 December 2018, none of the Directors or Chief Executives had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or pursuant to section 352 of the SFO, which would have to be recorded in the register referred to therein, or pursuant to rules 5.46 to 5.67 of the GEM Listing Rules, which would have to be notified to the Company and the Stock Exchange.

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

So far as the Directors and the Chief Executives are aware, as at 31 December 2018, other than the Directors and Chief Executives, the following persons had or were deemed or taken to have an interest and/or short position in the shares or the underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under section 336 of the SFO, or which would be, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

Names	Capacity/Nature of interests	Number of shares held/ interested in	Approximate percentage of shareholding (Note 2)
Ms. Liu Ming Lai Lorna (Note 1)	Interest of spouse	532,685,000	66.59%
Autumn Ocean Limited	Beneficial interest	532,685,000	66.59%

Notes:

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

2. The percentage is calculated on the basis of 800,000,000 shares in issue as at 31 December 2018.

Save as disclosed above, as at 31 December 2018, the Directors were not aware of any person or corporation (other than the Directors and the Chief Executives) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO, or pursuant to section 336 of the SFO, which would have to be recorded in the register referred to therein.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save for those disclosed under the section headed "CONNECTED TRANSACTIONS/CONTINUING CONNECTED TRANSACTIONS" above and those disclosed in Note 28 to the consolidated financial statements, during the Year, there was no transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or a connected entity of that Director has or had, directly or indirectly, a material interest.

MANAGEMENT CONTRACTS

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

PUBLIC FLOAT

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

COMPLIANCE ADVISER'S INTERESTS

As at 31 December 2018, as notified by Messis Capital Limited (the "**Compliance Adviser**"), save and except for the compliance adviser's agreement entered into between the Company and the Compliance Adviser dated 4 February 2016, neither the Compliance Adviser nor its directors, employees or close associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDITORS

The consolidated financial statements of the Group for the Year were audited by HLB Hodgson Impey Cheng Limited ("**HLB**"), the independent auditors of the Company, who shall retire and, being eligible, offer itself for re-appointment at the 2019 AGM. The Board has taken the recommendation of the Audit Committee that a resolution for the re-appointment of HLB as the independent auditors of the Company will be proposed at the 2019 AGM.

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

On behalf of the Board

Pan Chik
Chairman and Chief Executive Officer

Hong Kong, 20 March 2019

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

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

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

OPINION

We have audited the consolidated financial statements of Astrum Financial Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 43 to 103, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables from margin clients arising from the business of dealing in securities	
Refer to key sources of estimation uncertainty in Note 4 and the disclosures of trade receivables in Note 17 to the consolidated financial statements. We identified the impairment of trade receivables from margin clients arising from the business of dealing in securities under the expected credit losses model as a key audit matter due to the use of estimates. Management performed assessment on the recoverability of the trade receivables from margin clients arising from the business of dealing in securities and the sufficiency of provision for impairment by taking into consideration the credit history of the customers, the quality of the securities held by each client in the trading account maintained with the Group, past collection history, repayment subsequent to reporting period and forward-looking factors require management judgement.	Our audit procedures in relation to impairment of trade receivables from margin clients mainly included: – obtaining an understanding of the credit assessment process including trading limits and trading approvals granted to clients and the monitoring procedure on margin position of margin accounts; – assessing the reasonableness of the management's assumptions on the estimated future cash flows after take into account factors, including the value of realisable collateral based on available market information, quality of the securities collateral, past collection history, creditworthiness of the clients and subsequent settlements; – testing the accuracy of information included in the impairment assessment process, including re-perform the calculation of marginable amount and leverage ratio for margin accounts with outstanding balances, fair value amount of the securities collateral and checking the subsequent settlements; and – assessing the appropriateness of the expected credit losses model, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Chan Ching Pang
Practising Certificate Number: P05746

Hong Kong, 20 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	5	49,958	58,118
Other income	6	684	2,075
Administrative and other operating expenses		(23,585)	(32,318)
Finance costs	7	(272)	(278)
Profit before tax	8	26,785	27,597
Income tax expense	9	(4,300)	(4,732)
Profit and total comprehensive income for the year attributable to owners of the Company		22,485	22,865
Earnings per share			
– Basic and diluted (HK cents)	13	2.81	2.86

Details of dividends are disclosed in Note 12 to the consolidated financial statements.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	14	823	1,705
Intangible assets	15	950	950
Other assets	16	12,834	12,806
Deferred tax assets	21	160	50
		14,767	15,511
Current assets			
Trade receivables	17	39,744	74,627
Deposits, prepayments and other receivables	18	1,508	1,049
Bank balances and cash			
– General accounts and cash	19	135,099	99,198
– Trust accounts	19	35,507	76,406
		211,858	251,280
Total assets		226,625	266,791
Current liabilities			
Trade payables	20	38,349	92,089
Other payables and accruals		937	1,375
Current tax liabilities		3,808	281
		43,094	93,745
Net current assets		168,764	157,535
Net assets		183,531	173,046
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	22	8,000	8,000
Reserves	23	175,531	165,046
Total equity		183,531	173,046

The consolidated financial statements on pages 43 to 103 were approved and authorised for issue by the board of directors on 20 March 2019 and signed on its behalf by:

Pan Chik
Director

Kwan Chun Yee Hidulf
Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company				
	Share capital HK$'000 (Note 22)	Share premium HK$'000 (Note 23)	Special reserve HK$'000 (Note 23)	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2017	8,000	77,179	38,401	34,601	158,181
Profit and total comprehensive income for the year	–	–	–	22,865	22,865
Dividends recognised as distribution during the year (Note 12)	–	–	–	(8,000)	(8,000)
Balance at 31 December 2017	8,000	77,179	38,401	49,466	173,046
Profit and total comprehensive income for the year	–	–	–	22,485	22,485
Dividends recognised as distribution during the year (Note 12)	–	–	–	(12,000)	(12,000)
Balance at 31 December 2018	8,000	77,179	38,401	59,951	183,531

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Profit before tax		26,785	27,597
Adjustments for:			
– Depreciation of property, plant and equipment		900	994
– Gain on disposal of property, plant and equipment		–	(15)
– Impairment losses recognised on trade receivables		–	1,519
– Interest expense		272	278
– Interest income		(21)	(5)
Operating cash flows before movements in working capital		27,936	30,368
Increase in other assets		(28)	(12,259)
Decrease in trade receivables		34,883	19,979
(Increase)/decrease in deposits, prepayments and other receivables		(459)	90
Decrease in trust accounts		40,899	113,028
Decrease in trade payables		(53,740)	(104,507)
Decrease in other payables and accruals		(438)	(357)
Cash generated from operations		49,053	46,342
Income tax paid		(883)	(4,754)
Interest received		19	4
Interest paid		(272)	(141)
Net cash generated from operating activities		47,917	41,451
Cash flows from investing activities			
Additions of intangible assets	15	–	(500)
Interest received		2	1
Increase in a fixed deposit with original maturity over three months	19	(2)	(1)
Proceeds from disposal of property, plant and equipment		–	350
Purchase of property, plant and equipment	14	(18)	(1,187)
Net cash used in investing activities		(18)	(1,337)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from financing activities			
Interest paid		–	(137)
Dividends paid	12	(12,000)	(8,000)
Proceeds from other borrowings		–	57,000
Repayment of other borrowings		–	(57,000)
Net cash used in financing activities		(12,000)	(8,137)
Net increase in cash and cash equivalents		35,899	31,977
Cash and cash equivalents at the beginning of year		99,095	67,118
Cash and cash equivalents at the end of year	19	134,994	99,095

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

1. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

HKFRS 9 Financial Instruments

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

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

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

Accounting policies resulting from application of HKFRS 9 are disclosed in Note 3.

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

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

HKFRS 9 Financial Instruments (Continued)

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

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

There was no material impact on the carrying amounts of the financial assets upon the initial application of the new impairment requirements.

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

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

HKFRS 15 Revenue from Contracts with Customers

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

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

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

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in Note 3.

New and amendments to HKFRSs in issue but not yet effective

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

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

1 *Effective for annual periods beginning on or after 1 January 2019*
2 *Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020*
3 *Effective for annual periods beginning on or after 1 January 2020*
4 *Effective for annual periods beginning on or after 1 January 2021*
5 *Effective for annual periods beginning on or after a date to be determined*

Except for the new HKFRS mentioned below, the directors of the Company anticipate that the application of the other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

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

HKFRS 16 Leases

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

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 below.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

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

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

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

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

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

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

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

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

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

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

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

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

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 2)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 2) (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

(a) Commission income

Commission from brokerage services of securities and futures contract dealings are recognised when the transactions have been executed.

Placing and underwriting associated with placement of securities. These placing and underwriting commissions are recognised at completion of each act (i.e. when securities are allotted or issued).

(b) Corporate finance advisory services fee

Corporate finance advisory services fee is recognised over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation.

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is the time cost incurred for work performed to date relative to the total expected time cost to the satisfaction of that performance obligation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 2) (Continued)

(c) Management fee and performance fee

Management fees are the consideration for the daily management of the fund's or clients' assets and are calculated as a percentage of the net asset values as at the respective valuation date of each fund's or clients' assets under management.

Performance fees represent consideration for asset management services when the performance of a fund's assets exceeds a specified benchmark over performance period. These fees are calculated as a percentage of any appreciation in the net asset value of the fund's assets during the performance period.

Management fees and performance fees are recognised over time. As these fees are highly susceptible to factors outside the Group's influence, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

(d) Handling fee income

Handling fees represent income from settlement, clearing and dividend collection services. These fees are recognised at a point when the relevant transactions have been arranged or the relevant services have been rendered.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (prior to 1 January 2018)

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

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

The Group as lessee

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

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

Foreign currencies

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

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

Borrowing costs

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

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

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

Retirement benefit costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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

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

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

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

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

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

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

Intangible assets

Trading rights

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

Derecognition of intangible assets

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

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible and intangible assets (Continued)

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

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

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

Provisions

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2) (Continued)

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss.

<u>Amortised cost and interest income</u>

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, other assets, deposits and other receivables and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2) (Continued)

The Group always recognises lifetime ECL for trade receivables for corporate finance advisory services and asset management services. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate grouping based on shared credit risk characteristics by reference to past due exposure.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2) (Continued)

(i) Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2) (Continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower; or

(b) a breach of contract, such as a default or past due event; or

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2) (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

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

<u>Loans and receivables</u>

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

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

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018)

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

Objective evidence of impairment could include:

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

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the respective credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018) (Continued)

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

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

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

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

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

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

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

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

or

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

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

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

Cash and cash equivalents

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Impairment of trade receivables

Before application of HKFRS 9 on 1 January 2018, the Group makes impairment loss for doubtful debts based on an assessment of the recoverability of trade receivables. Provisions are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates based on the credit history of the clients, the quality of the securities held by each client in the trading account maintained with the Group, current creditworthiness, past collection history of each client and repayment subsequent to reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and doubtful debt expenses in the period in which such estimate has been changed.

Upon application of HKFRS 9 on 1 January 2018, the Group estimates the amount of impairment loss for trade receivables by assessing the ECLs. ECLs are based on the Group's past due status, collateral values, historical credit loss experience and the assessment of a significant increase in credit risk at the end of the reporting period. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive (including sale of collateral held), with the consideration of forward-looking information. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise accordingly.

5. 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.

5. REVENUE AND SEGMENT INFORMATION (Continued)

The CODM reviews the overall results and financial position of the Group as a whole based on the same accounting policies set out in Note 3 and no further analysis for segment information is presented.

Revenue from major services

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

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

(i) Revenue recognised at a point in time
(ii) Revenue recognised over time

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

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

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

5. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

The Company is domiciled in the Cayman Islands with the Group's major operations located in Hong Kong. All of the Group's revenue from external customers during the years ended 31 December 2018 and 2017 are derived from Hong Kong, the place of domicile of the Group's operating subsidiary. All the non-current assets of the Group are located in Hong Kong.

Information about major customers

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

	2018 **HK$'000**	2017 HK$'000
Customer A	**10,080**	N/A[1]
Customer B	**8,188**	N/A[1]
Customer C	**N/A[1]**	12,618
Customer D	**N/A[1]**	6,408

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

6. OTHER INCOME

	2018 **HK$'000**	2017 HK$'000
Interest income from		
– banks	**14**	4
– others	**7**	1
Administrative services income	**35**	655
Management fee income	**33**	36
Handling fee income	**595**	1,379
	684	2,075

7. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest expense on		
– bank overdrafts and borrowings	272	141
– other borrowings	–	137
	272	278

8. PROFIT BEFORE TAX

	2018 HK$'000	2017 HK$'000
Profit before tax has been arrived at after charging/(crediting):		
Auditors' remuneration	650	700
Commission expenses	352	4,613
Depreciation of property, plant and equipment	900	994
Gain on disposal of property, plant and equipment	–	(15)
Impairment losses recognised on trade receivables	–	1,519
Net foreign exchange loss	28	–
Operating lease payments in respect of rented premises	2,039	2,039
Employee benefits expense:		
Salaries and other benefits	13,265	14,650
Commission to accounts executives	448	1,108
Contributions to retirement benefit scheme	313	325
Total employee benefits expense, including directors' emoluments (Note 10)	14,026	16,083

9. INCOME TAX EXPENSE

	2018 HK$'000	2017 HK$'000
Hong Kong Profits Tax:		
– Current year	4,464	4,721
– (Over)/under-provision in prior years	(54)	19
	4,410	4,740
Deferred taxation (Note 21):	(110)	(8)
	4,300	4,732

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

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

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

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

	2018 HK$'000	2017 HK$'000
Profit before tax	26,785	27,597
Tax at Hong Kong Profits Tax rate of 16.5% (2017: 16.5%)	4,420	4,554
Tax effect of income not taxable for tax purpose	(2)	(1)
Tax effect of expenses not deductible for tax purpose	24	3
Tax effect of tax losses not recognised	73	152
(Over)/under-provision in prior years	(54)	19
Others	4	5
Income tax at concessionary rate	(165)	–
Income tax expense for the year	4,300	4,732

10. DIRECTORS' EMOLUMENTS

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

	Fees HK$'000	Salaries and other benefits in kind HK$'000	Discretionary bonuses HK$'000	Contributions to retirement benefit scheme HK$'000	Total HK$'000
For the year ended 31 December 2018					
Executive directors					
Mr. Pan	–	2,220	75	18	2,313
Mr. Kwan Chun Yee Hidulf ("**Mr. Kwan**")	–	1,740	130	18	1,888
Independent non-executive directors					
Mr. Chan Chun Hong ("**Mr. Chan**")	132	–	–	–	132
Mr. Lee Tak Cheung Vincent ("**Mr. Lee**")	132	–	–	–	132
Mr. Lau Hon Kee ("**Mr. Lau**")	132	–	–	–	132
	396	3,960	205	36	4,597

	Fees HK$'000	Salaries and other benefits in kind HK$'000	Discretionary bonuses HK$'000	Contributions to retirement benefit scheme HK$'000	Total HK$'000
For the year ended 31 December 2017					
Executive directors					
Mr. Pan	–	1,800	400	18	2,218
Mr. Kwan	–	1,416	206	18	1,640
Mr. Cheung Hon Fai Bosco (Note (i))	–	630	291	–	921
Independent non-executive directors					
Mr. Chan	120	–	–	–	120
Mr. Lee	120	–	–	–	120
Mr. Lau	120	–	–	–	120
	360	3,846	897	36	5,139

10. DIRECTORS' EMOLUMENTS (Continued)

Note:

(i) Mr. Cheung Hon Fai Bosco resigned as executive director with effect from 16 November 2017.

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

The discretionary bonuses are determined with reference to the Group's performance for both years.

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

Neither the chief executive officer nor any of the directors waived or agreed to waive any emoluments during the year ended 31 December 2018 (2017: NIL).

11. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments, two (2017: three) of them are directors of the Company whose emoluments are set out in Note 10 above. Details of the emoluments in respect of the remaining three (2017: two) highest paid individuals are as follows:

	2018 HK$'000	2017 HK$'000
Salaries and other benefits in kind	2,316	2,003
Discretionary bonuses	282	128
Contributions to retirement benefit scheme	54	28
	2,652	2,159

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

	Number of individuals 2018	2017
Nil to HK$1,000,000	3	1
HK$1,000,001 to HK$1,500,000	–	1
	3	2

During the year ended 31 December 2018, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office (2017:NIL).

12. DIVIDENDS

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

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

13. EARNINGS PER SHARE

	2018 HK$'000	2017 HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	22,485	22,865

	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	800,000,000	800,000,000

The diluted earnings per share is equal to the basic earnings per share as there is no dilutive potential ordinary share in issue during years ended 31 December 2018 and 2017.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Computer and equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
Cost					
At 1 January 2017	1,840	160	396	580	2,976
Additions	–	15	172	1,000	1,187
Disposals	–	–	–	(580)	(580)
At 31 December 2017	1,840	175	568	1,000	3,583
Additions	–	–	18	–	18
At 31 December 2018	1,840	175	586	1,000	3,601
Accumulated depreciation					
At 1 January 2017	767	49	144	169	1,129
Depreciation expense	613	42	117	222	994
Eliminated on disposals	–	–	–	(245)	(245)
At 31 December 2017	1,380	91	261	146	1,878
Depreciation expense	460	44	146	250	900
At 31 December 2018	1,840	135	407	396	2,778
Carrying amounts					
At 31 December 2018	–	40	179	604	823
At 31 December 2017	460	84	307	854	1,705

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

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

15. INTANGIBLE ASSETS

	Trading rights HK$'000
Cost and carrying amounts	
Balance at 1 January 2017	450
Additions	500
Balance at 31 December 2017 and 31 December 2018	950

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

Stock Exchange trading rights

Stock Exchange trading rights are allocated to the businesses of securities dealing and brokerage services, placing and underwriting services and financing services as one cash generating unit. The recoverable amount of this cash generating unit is determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by the management covering a period of 2 years and pre-tax discount rate of 16.3% (2017: 16.6%) for the year ended 31 December 2018. The discount rates used reflects specific risks relating to the relevant businesses. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue and operating costs which are determined from past performance and management's expected market development. The directors are of the opinion that based on value-in-use calculation, no impairment was required on the Stock Exchange trading rights as at 31 December 2018 (2017: NIL), and any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the cash generating unit to exceed its recoverable amount.

Futures Exchange trading rights

For the purpose of impairment testing on Futures Exchange trading rights, the recoverable amount has been determined based on replacement cost valuation method, classified as Level 2 of the fair value hierarchy, and no impairment was made as at 31 December 2018 (2017: NIL).

16. OTHER ASSETS

	2018 HK$'000	2017 HK$'000
Deposits with the Stock Exchange		
– Compensation fund	50	50
– Fidelity fund	50	50
– Stamp duty deposit	30	75
Contribution of guarantee fund paid to Hong Kong Securities Clearing Company Limited ("**HKSCC**")	50	50
Admission fee paid to HKSCC	50	50
Mainland security deposit and collateral paid to HKSCC	11,104	11,022
Statutory deposits and deposits with HKFE Clearing Corporation Limited	1,500	1,509
	12,834	12,806

17. TRADE RECEIVABLES

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

17. TRADE RECEIVABLES (Continued)

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

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

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

Margin clients are required to pledge securities collateral to the Group in order to obtain the margin facilities for securities trading. As at 31 December 2018, loans to margin clients are secured by clients' securities pledged as collateral with market value of approximately HK$132,993,000 (2017: HK$110,537,000). Management has assessed the market value of the pledged securities of each individual client who has margin shortfall at the end of each reporting period. The margin loans are repayable on demand and bear variable interest at commercial rates. No aged analysis of margin loans and subscriptions of new shares in initial public offering is disclosed as, in the opinion of the directors, the aged analysis does not give additional value in view of the nature of this business.

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

	2018 **HK$'000**	2017 HK$'000
0 – 30 days	**3,249**	10,735

The above receivables represent unsettled trades transacted on the last two days prior to the end of the reporting period and it also relates to a wide range of independent clients whom had no recent history of default. These receivables are neither past due nor impaired.

17. TRADE RECEIVABLES (Continued)

Movement in the impairment allowance in respect of the trade receivables from dealing in securities are as follows:

	2017 HK$'000
Balance at the beginning of the year	–
Impairment losses recognised during the year	1,519
Balance at the end of the year	1,519

As at 31 December 2017, the individually impaired trade receivables relate to a margin client that has been in default in payments and has financial difficulty in repaying its outstanding balance. No further impairment allowance is considered necessary for the remaining margin loans based on the quality of the securities held by these clients, current creditworthiness and past collection history of these clients.

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

	2018 HK$'000	2017 HK$'000
0 – 30 days	**4,202**	765
31 – 60 days	**175**	–
Total	**4,377**	765

As at 31 December 2017, trade receivables arising from corporate finance advisory services and asset management services of approximately HK$405,000 are current and approximately HK$360,000 are past due less than one month.

As at 31 December 2017, trade receivables arising from corporate finance advisory services and asset management services which have not yet been settled by clients after the Group's credit period are considered not to be impaired as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Details of impairment assessment of trade receivables for the year ended 31 December 2018 are set out in Note 30.

18. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Deposits	356	356
Prepayments	637	691
Other receivables	515	2
	1,508	1,049

19. BANK BALANCES AND CASH

	2018 HK$'000	2017 HK$'000
Bank balances and cash:		
(i) General accounts and cash	135,099	99,198
(ii) Trust accounts	35,507	76,406
	170,606	175,604
Analysis of balances of cash and cash equivalents:		
General accounts and cash	135,099	99,198
Less: fixed deposit with original maturity over three months	(105)	(103)
Cash and cash equivalents in the consolidated statement of cash flows	134,994	99,095

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

The general accounts and cash comprise cash held by the Group, bank balances bear interest at commercial rates and a fixed deposit of approximately HK$105,000 (2017: HK$103,000) with an original maturity of over three months bearing interest ranging from 1.20% to 1.95% (2017: 1.20%) per annum.

20. TRADE PAYABLES

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

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 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.

As at 31 December 2018, the trade payables amounting to approximately HK$35,507,000 (2017: HK$76,406,000) was payable to clients in respect of the trust and segregated bank balances received which were 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.

21. DEFERRED TAXATION

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

	Decelerated tax depreciation HK$'000
At 1 January 2017	42
Credited to profit or loss (Note 9)	8
At 31 December 2017	50
Credited to profit or loss (Note 9)	110
At 31 December 2018	160

As at 31 December 2018, the Group has unused tax losses of approximately HK$2,126,000 (2017: HK$1,683,000), subject to agreement by the Inland Revenue Department, that are available for offset against future profits that may be carried forward indefinitely. No deferred tax assets has been recognised in relation to tax losses due to the unpredictability of future profit streams. The unused tax losses may be carried forward indefinitely.

22. SHARE CAPITAL

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

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

23. RESERVES

Share premium

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

Special reserve

Special reserve represents the reserve arose pursuant to the reorganisation for the purpose of listing the shares of the Company on 14 July 2016.

24. SHARE OPTION SCHEME

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

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

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

24. SHARE OPTION SCHEME (Continued)

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

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

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

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

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

There was no share option granted to eligible participants during the year ended 31 December 2018 (2017: NIL). There was no outstanding share options as at 31 December 2018 (2017: NIL).

25. RETIREMENT BENEFIT SCHEME

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

The Group contributes, on a monthly basis, 5% of relevant employee's payroll to the MPF Scheme (subject to a maximum of HK$1,500) and the relevant employee also contributes the same amount to the MPF Scheme.

The only obligation of the Group with respect of the MPF Scheme is to make the specified contributions. The total expenses recognised in the consolidated statement of profit or loss and other comprehensive income amounted to approximately HK$313,000 (2017: HK$325,000) for the year ended 31 December 2018 and represent contributions paid or payable to the MPF Scheme by the Group at rates specified in the rules of the scheme.

26. BANKING/LOAN FACILITIES

During the year ended 31 December 2018, the Group did not renew the revolving loan facility of HK$70,000,000 from a licensed money lender which was expired in January 2018.

During the year ended 31 December 2017, the Group obtained the following facilities:

(i) a revolving loan facility of HK$70,000,000 from a licensed money lender for a period of 12 months commencing from 3 January 2017. The revolving loan facility was unsecured and bear interest at 8.0% per annum; and

(ii) an overdraft facility to the extent of HK$8,000,000 from a bank and secured by securities collateral of the Group's margin clients pledged to the bank. The bank overdraft bear interest at 5.0% per annum. The overdraft facility was terminated in December 2017.

27. COMMITMENTS

Operating lease commitments as lessee

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

	2018	2017
	HK$'000	HK$'000
Within one year	–	1,908
In the second to fifth years inclusive	–	131
	–	2,039

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

28. SIGNIFICANT RELATED PARTY TRANSACTIONS

(i) Transactions with related parties

During the years ended 31 December 2018 and 2017, the Group entered into the following significant transactions with related parties:

Related party	Nature of transaction	Notes	2018 HK$'000	2017 HK$'000
Mr. Pan	Commission income	(a) (e)	86	61
	Interest income	(b) (f)	74	37
Close family members of Mr. Pan	Commission income	(a) (e)	135	199
	Interest income	(b) (f)	707	222
Shine Clear Investments Limited, a company wholly-owned by a close family member of Mr. Pan	Commission income	(a) (e)	37	20
	Interest income	(b) (f)	4	21
Autumn Ocean Limited, ultimate holding company	Commission income	(a) (e)	–	5
Astrum Absolute Return China Fund (Note (d))	Fund management and performance fee	(c) (e)	–	2,709
	Commission income	(a) (e)	–	637
Mr. Kwan	Commission income	(a) (e)	4	5
	Interest income	(b) (f)	7	4

Notes:

(a) The commission income from brokerage services for (i) dealing in securities was calculated at rates which ranged from 0.08% to 0.20% (subject to minimum charge of HK$50 or HK$80) and (ii) dealing in futures contracts was based on the rates which substantially in line with those normally received by the Group from third parties.

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

(c) The fund management and performance fee were based on terms stipulated on the agreement entered between the contracting parties.

(d) The management shares of Astrum Absolute Return China Fund were held by Astrum Asset Management Limited, and Astrum Asset Management Limited was indirectly wholly-owned by Mr. Pan, whom was also a director of Astrum Absolute Return China Fund. In December 2017, Mr. Pan disposed his indirect interest in Astrum Asset Management Limited to an independent third party and ceased to be a director of Astrum Asset Management Limited and Astrum Absolute Return China Fund.

(e) These transactions were continuing connected transactions which fell under the de minimis provision set forth in Rule 20.74 of the GEM Listing Rules and were fully exempted from reporting, announcement and shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

(f) These transactions were disclosable continuing connected transactions (as defined under Chapter 20 of the GEM Listing Rules) of the Company. Details of which have been set out in the paragraph headed "Connected Transactions/Continuing Connected Transactions" of the Report of the Directors.

28. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(ii) Outstanding balances with related parties

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

Related party	Nature of account	2018 HK$'000	2017 HK$'000
Mr. Pan	Margin account (Note (a))	462	(146)
	Cash account (Note (e))	(9)	–
	Futures account	(177)	(266)
Mr. Kwan	Margin account (Note (b))	35	(4)
Close family members of Mr. Pan	Margin account (Note (c))	9,124	6,195
	Cash account (Note (e))	(1)	–
Shine Clear Investments Limited, a company wholly-owned by a close family member of Mr. Pan	Margin account (Note (d))	(5)	355
Mr. Fung Tat Hung Ricky, a member of the key management personnel	Margin account	(23)	(188)
	Futures account	(10)	(30)

28. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(ii) Outstanding balances with related parties (Continued)

Notes:

(a) The maximum outstanding balance during the year ended 31 December 2018 was approximately HK$1,003,000.

(b) The maximum outstanding balance during the year ended 31 December 2018 was approximately HK$512,000.

(c) The maximum outstanding balance during the year ended 31 December 2018 was approximately HK$9,809,000 (2017: HK$7,932,000).

(d) The maximum outstanding balance during the year ended 31 December 2018 was approximately HK$418,000 (2017: HK$1,104,000)

(e) The outstanding balance of cash account represents the net balance of the account at the end of the reporting period.

(iii) Compensation of key management personnel

Key management includes executive directors and senior management of the Group. The remuneration of key management during the years ended 31 December 2018 and 2017 are as follows:

	2018 HK$'000	2017 HK$'000
Salaries and other benefits in kind	**5,039**	5,663
Contributions to retirement benefit scheme	**72**	72
	5,111	5,735

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

	Number of individuals	
	2018	2017
Nil to HK$1,000,000	**2**	2

29. CAPITAL RISK MANAGEMENT

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

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

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

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

30. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018 **HK$'000**	2017 HK$'000
Financial assets		
Loans and receivables	–	263,395
Financial assets at amortised cost	224,055	–
Financial liabilities		
Financial liabilities at amortised cost	39,286	93,464

30. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

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

Market risk

(i) Foreign currency risk management

The majority of the Group's transactions and balances as at and for the years ended 31 December 2018 and 2017 were denominated in Hong Kong dollars. The directors consider that the currency risk is not significant and the Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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

(ii) Interest rate risk management

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

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

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

30. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade receivables, other receivables and bank balances.

In respect of cash deposited at banks, the credit risk is considered to be low as the counterparties are reputable banks with high credit rating. There has been no recent history of default in relation to these banks and thus the risk of default is regard as low.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of trading limits, trading approvals and other monitoring procedures to ensure that follow-up action is taken to recover outstanding balances. In addition, the Group reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. Margin calls are made when the outstanding balances due from clients exceed their respective limits with consideration of the quality, liquidity and price volatility of individual stock, and the transaction history and credibility of the clients. Failure to meet margin calls may result in the prohibition of further purchase of securities or liquidation of the client's positions on a case-by-case basis. When cash clients failed to settle the outstanding balances on the settlement date, the Group has the right to sell the purchased securities of the respective transaction. The Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model) on trade receivables based on provision matrix or 12m ECL. In this regard, the management considers that the Group's credit risk is significantly reduced.

As at 31 December 2018, the Group's concentration of credit risk on the margin receivables from top five clients accounted for approximately 68% (2017: 41%) of the total trade receivables. The Group has closely monitored the recoverability of the advances to these clients, ensured adequate collateral is received from these clients and taken effective measures to ensure timely collection of outstanding balances.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

30. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories.

Category	Group definition of category	Basis for recognition of ECL
Performing	The counterparty has a low risk of default and does not have any past due amounts	12-month ECL
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit impaired
Default	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of the lifetime ECL for trade receivables for corporate finance services and asset management services. To measure the expected credit losses, these trade receivables have been based on past due status, historical credit loss experience based on the past default experience of the Group and are adjusted with forward-looking information. On that basis, the Group assessed that there is no loss allowance recognised in accordance with HKFRS 9 as at 31 December 2018.

For the purpose of impairment assessment for other trade receivables and other receivables, the management considered that the credit risk of these financial assets have not significantly increased since initial recognition. The Group has assessed and concluded that the expected credit loss rate for these receivables is immaterial under 12m ECL method after taken into account the historical default experience, historical settlement records, collateral values as well as the loss upon default in each case and are adjusted with forward-looking information.

30. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

The following table shows reconciliation of loss allowances that has been recognised for trade receivables of margin clients:

	Lifetime ECL HK$'000
As at 31 December 2017 under HKAS 39	1,519
Adjustment upon application of HKFRS 9	–
As at 1 January 2018 under HKFRS 9	1,519
Write-off	(1,519)
As at 31 December 2018	–

Liquidity risk management

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

At 31 December 2018, the Group had available unutilised revolving loan facility of Nil (2017: HK$70,000,000).

Liquidity tables

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

	On demand or within one year HK$'000	**Over one year** HK$'000	**Total undiscounted cash flows** HK$'000	**Total carrying amount** HK$'000
Non-derivative financial liabilities				
As at 31 December 2018				
Trade payables	38,349	–	38,349	38,349
Other payables and accruals	937	–	937	937
	39,286	–	39,286	39,286
As at 31 December 2017				
Trade payables	92,089	–	92,089	92,089
Other payables and accruals	1,375	–	1,375	1,375
	93,464	–	93,464	93,464

30. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments

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

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

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

Fair value measurements recognised in the consolidated statement of financial position

During the years ended 31 December 2018 and 2017, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

As at 31 December 2018 and 2017, the Group did not have any assets and liabilities that were measured at the fair value measurements hierarchy.

(d) Financial assets and financial liabilities offsetting

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

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

As at 31 December 2018

				Related amounts not set off in the consolidated statement of financial position		
	Gross amounts of recognised financial assets/(liabilities) HK$'000	Gross amounts of recognised financial assets/(liabilities) set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets/(liabilities) presented in the consolidated statement of financial position HK$'000	Financial instruments HK$'000	Collateral received HK$'000	Net amount HK$'000
Financial assets						
Trade receivables – Clearing house	2,213	(1,256)	957	–	–	957
Financial liabilities						
Trade payables – Clearing house	(2,909)	1,256	(1,653)	–	–	(1,653)

30. FINANCIAL INSTRUMENTS (Continued)

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

As at 31 December 2017

	Gross amounts of recognised financial assets/(liabilities) HK$'000	Gross amounts of recognised financial assets/(liabilities) set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets/ (liabilities) presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position: Collateral received HK$'000	Net amount HK$'000
Financial assets						
Trade receivables – Clearing house	15,366	(13,660)	1,706	–	–	1,706
Financial liabilities						
Trade payables – Clearing house	(13,660)	13,660	–	–	–	–

The "net amounts of financial assets/(liabilities) presented in the consolidated statement of financial position", as set out above, represented "trade receivables and trade payables arising from dealing in securities – clearing house" in Notes 17 and 20 respectively.

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018 HK$'000	2017 HK$'000
Non-current assets		
Investment in a subsidiary	70,425	70,425
Current assets		
Prepayments	369	388
Amounts due from subsidiaries	70,017	62,017
Bank balances	11,591	18,089
	81,977	80,494
Total assets	152,402	150,919
Current liabilities		
Accruals	210	290
	210	290
Net current assets	81,767	80,204
Net assets	152,192	150,629
Capital and reserves		
Equity attributable to owners of the Company		
Share capital	8,000	8,000
Reserves (Note)	144,192	142,629
Total equity	152,192	150,629

The Company's statement of financial position was approved and authorised for issue by the board of directors on 20 March 2019 and signed on its behalf by:

Pan Chik
Director

Kwan Chun Yee Hidulf
Director

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

Note:

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

	Share premium HK$'000	Special reserve HK$'000	(Accumulated losses)/ retained profits HK$'000	Total HK$'000
Balance at 1 January 2017	77,179	63,825	(11,443)	129,561
Profit and total comprehensive income for the year	–	–	21,068	21,068
Dividends recognised as distribution during the year	–	–	(8,000)	(8,000)
Balance at 31 December 2017	77,179	63,825	1,625	142,629
Profit and total comprehensive income for the year	–	–	13,563	13,563
Dividends recognised as distribution during the year	–	–	(12,000)	(12,000)
Balance at 31 December 2018	77,179	63,825	3,188	144,192

Special reserve

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

32. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries at 31 December 2018 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Equity interests attributable to the Group	Principal activities
Major Harvest Investments Limited	BVI	US$200	100% (direct)	Investment holding
Astrum Capital Management Limited	Hong Kong	HK$80,000,000	100% (indirect)	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

FINANCIAL SUMMARY

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

RESULTS

	For the year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**49,958**	58,118	58,089	91,799	40,434
Profit before tax	**26,785**	27,597	21,244	47,045	21,692
Income tax expense	**(4,300)**	(4,732)	(4,326)	(8,708)	(1,500)
Profit for the year	**22,485**	22,865	16,918	38,337	20,192

ASSETS AND LIABILITIES

	As at 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**226,625**	266,791	356,804	271,201	102,559
Total liabilities	**(43,094)**	(93,745)	(198,623)	(208,517)	(50,772)
Total equity	**183,531**	173,046	158,181	62,684	51,787