



SOMERLEY CAPITAL HOLDINGS LIMITED

Somerley Capital Holdings Limited

新百利融資控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8439)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

FINANCIAL HIGHLIGHTS

- Revenue from corporate finance activities increased to approximately HK\$89.1 million for the year ended 31 March 2019 (the “Year”) from approximately HK\$72.0 million for the year ended 31 March 2018.
- Revenue generated from acting as financial adviser and as independent financial adviser for the Year amounted to approximately HK\$69.0 million (2018: approximately HK\$53.5 million), accounting for approximately 77.4% of the Group’s total revenue (2018: approximately 74.3%).
- Revenue generated from acting as compliance adviser for the Year amounted to approximately HK\$11.9 million (2018: approximately HK\$7.4 million), accounting for approximately 13.4% of the Group’s total revenue (2018: approximately 10.3%).
- Revenue generated from acting as sponsor and underwriter for the Year amounted to approximately HK\$4.2 million (2018: approximately HK\$10.6 million), accounting for approximately 4.7% of the Group’s total revenue (2018: approximately 14.7%).
- Other revenue, mainly arising from the provision of asset management services, litigation support services, pitch support services and merger & acquisition advisory services during the Year, amounted to approximately HK\$4.0 million (2018: approximately HK\$0.4 million).
- For the Year, the Group made a profit before tax of approximately HK\$11.7 million (2018: approximately HK\$6.9 million), representing an increase of approximately 69.6% and after-tax profit was approximately HK\$9.5 million (2018: approximately HK\$5.9 million), representing an increase of approximately 61.0%. The increases were primarily due to the combination of positive and negative effects of (i) approximately HK\$17.1 million increase in revenue; (ii) approximately HK\$7.4 million increase in employee benefits costs; (iii) the increase in depreciation for property and equipment and other operating expenses; and (iv) the recognition of fair value loss on financial asset at fair value through profit or loss.
- Net assets increased to approximately HK\$114.5 million as at 31 March 2019 from approximately HK\$104.1 million as at 31 March 2018 mainly due to the profit for the Year of approximately HK\$9.5 million.
- The board of Directors (the “Board”) has recommended the payment of a final dividend of HK5.0 cents per share for the Year (2018: HK3.5 cents), subject to the approval of the shareholders at the forthcoming annual general meeting. Such proposed dividend will be payable on or around 26 September 2019 to the shareholders whose names appear on the register of members of the Company at close of business on 18 September 2019. The final dividend for the Year will absorb approximately HK\$7.0 million as at the date of this announcement (2018: approximately HK\$4.9 million).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in providing (i) corporate finance services in Hong Kong and through its subsidiaries in Hong Kong and Beijing; and (ii) asset management services through a newly acquired subsidiary in Hong Kong, as detailed below.

The corporate finance advisory services of the Group mainly include (i) acting as financial adviser to Hong Kong public listed companies, major shareholders and investors of these companies and parties seeking to control or invest in listed companies in Hong Kong, mostly in transactions which involve the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), the GEM Listing Rules and/or the Codes on Takeovers and Mergers and Share Buy-backs (the “Takeovers Code”); (ii) acting as independent financial adviser to independent board committees and/or independent shareholders of listed companies in Hong Kong; (iii) acting as compliance adviser, mostly for newly listed companies in Hong Kong; and (iv) acting as sponsor to initial public offerings and listings of shares of companies on the Stock Exchange in Hong Kong (the “IPO”) and advising on secondary equity issues in Hong Kong.

During the Year, the Group completed a marquee financial advisory transaction with revenue of approximately HK\$9.2 million and a substantial financial advisory transaction with revenue of approximately HK\$7.5 million. Together with a steady performance from the rest of corporate finance advisory business, the Group recorded total revenue of approximately HK\$89.1 million for the Year, representing an increase of approximately 23.8% as compared with the total revenue of approximately HK\$72.0 million last year.

In addition, the acquisition of a 74.8% equity interest in Environmental Investment Services Asia Limited (“EISAL”) was completed in December 2018. EISAL is a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities. EISAL is a founding member of the Hong Kong Green Finance Association, an initiative to position Hong Kong as a leading international green finance hub. EISAL, in collaboration with WWF Hong Kong, is presently working towards the launch of an innovative climate impact fund focused on low carbon listed equity investments in the Asian region. The acquisition of EISAL will extend our activities and should complement the Group’s efforts in participating in initial public offerings and developing an equity capital markets capability.

In respect of expenses, as a result of the increases in salaries and bonuses, an expansion in office area and increased number of staff, including the new Beijing subsidiary and EISAL, operating expenses (excluding a fair value loss on a financial asset through profit or loss of approximately HK\$0.8 million) increased to approximately HK\$78.2 million, representing an increase of approximately 18.3% as compared with approximately HK\$66.1 million last year.

Profit after tax for the Year increased to approximately HK\$9.5 million from approximately HK\$5.9 million for the year ended 31 March 2018, primarily due to the increase in revenue and an improvement in operating margins as a considerable portion of the Group's expenses are fixed.

FINANCIAL REVIEW

Revenue

The Group's total revenue increased by approximately 23.8% to approximately HK\$89.1 million for the Year from approximately HK\$72.0 million for the year ended 31 March 2018.

Revenue generated from acting as financial adviser ("FA") and as independent financial adviser ("IFA") for the Year amounted to approximately HK\$69.0 million (2018: approximately HK\$53.5 million), accounting for approximately 77.4% of the Group's total revenue (2018: approximately 74.3%). The increase was largely due to the completion of a marquee financial advisory transaction with revenue of approximately HK\$9.2 million and a substantial financial advisory transaction with revenue of approximately HK\$7.5 million during the Year. FA and IFA activities are expected to remain the major source of the Group's revenue in the immediate future.

Revenue generated from acting as compliance adviser for the Year amounted to approximately HK\$11.9 million (2018: approximately HK\$7.4 million), accounting for approximately 13.4% of the Group's total revenue (2018: approximately 10.3%). Based on Report on Initial Public Offering Applications, Delisting and Suspensions as at 31 December 2018 published by Hong Kong Exchanges and Clearing Limited, the number of newly listed companies in Hong Kong (excluding transfer from GEM to Main Board) was 224 in 2018 (2017: 184). All these newly listed companies are required to appoint a compliance adviser. The Group has been successful in securing additional compliance advisory mandates which led to the increase in revenue from acting as compliance advisor for the Year.

Revenue generated from acting as sponsor and underwriter for the Year amounted to approximately HK\$4.2 million (2018: approximately HK\$10.6 million), accounting for approximately 4.7% of the Group's total revenue (2018: approximately 14.7%). The decrease was due to one major assignment being completed for the year ended 31 March 2018, which was not replicated during the Year. As at 31 March 2019, the Group is working on 2 sponsorship engagements (2018: 1).

Other revenue, mainly arising from the provision of asset management services, litigation support services, pitch support services and merger & acquisition advisory services during the Year, amounted to approximately HK\$4.0 million (2018: approximately HK\$0.4 million).

Other Income

Other income mainly represented bank interest income, reimbursement of out-of-pocket expenses from customers, management service fee income from Somerley Group Limited (“SGL”), rental income and reimbursement of other premise expenses from SGL. Other income increased to approximately HK\$1.6 million for the Year from approximately HK\$0.4 million for the year ended 31 March 2018, primarily due to (i) increase in interest income from bank as a result of increases in interest rates; and (ii) office sharing income and reimbursement of other premises expenses from SGL starting from 1 July 2018.

Employee Benefits Costs

The Group’s employee benefits costs primarily consist of salaries, bonuses, share-based payments and allowances as well as contributions to the mandatory provident fund for the Directors and employees of the Group.

	For the year ended 31 March	
	2019	2018
	<i>HK\$’000</i>	<i>HK\$’000</i>
Salaries, allowances and other benefits	45,197	40,881
Discretionary bonuses	10,394	7,365
Share-based payments	490	719
Retirement benefits scheme contributions	943	652
	<u>57,024</u>	<u>49,617</u>

Employee benefits costs increased by approximately 14.9% to approximately HK\$57.0 million for the Year from approximately HK\$49.6 million for the year ended 31 March 2018, primarily due to the combined effects of (i) the increments in basic salaries and additional executives hired during the Year; (ii) an increase in bonuses due to increased profitability; and (iii) increase in headcount as a result of establishment of a new subsidiary in Beijing and acquisition of EISAL.

Other Operating Expenses

Other operating expenses were mainly rental expenses, recurring GEM listing expenses, travelling expenses, professional fees and other expenses, including utility expenses, building management fees, telecommunication expenses, information technology related expenses, data intelligence service subscription fees and insurance expenses.

	For the year ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
Rental expenses and other premises expenses	10,609	8,211
Travelling expenses	883	722
Written off in respect of trade receivables	—	180
Impairment loss recognised in respect of trade receivables	63	—
Recurring GEM listing expenses (excluding remuneration of independent non-executive directors)	2,318	2,147
Acquisition costs	341	—
Others	4,820	3,692
	<u>19,034</u>	<u>14,952</u>

The Group's other operating expenses increased by approximately 26.7% to approximately HK\$19.0 million for the Year from approximately HK\$15.0 million for the year ended 31 March 2018. The increase was mainly due to (i) the increase in rental expenses as a result of (a) the office expansion and the execution of new lease in Hong Kong and (b) a new office in Beijing; (ii) the recognition of business continuity plan expenses; (iii) the increase in legal and professional expenses due to specific needs of certain advisory engagements; and (iv) the increase in general operating expenses as a result of establishment of a new subsidiary in Beijing and acquisition of EISAL.

Income Tax Expenses

The Group's income tax expenses primarily included provision for Hong Kong current and deferred income tax expenses. The effective tax rate for the Year was approximately 18.9% (2018: approximately 14.6%) and was higher than the Hong Kong profits tax rate of 16.5% mainly because of the fair value loss on financial asset at fair value at profit or loss, share-based payments and certain professional fees incurred for acquisition of EISAL not being deductible for tax purpose in Hong Kong.

Profit for the Year

For the Year, the Group made a profit before tax of approximately HK\$11.7 million (2018: approximately HK\$6.9 million), representing an increase of approximately 69.6% and after-tax profit was approximately HK\$9.5 million (2018: approximately HK\$5.9 million), representing an increase of approximately 61.0%. The increases were primarily due to the combined effects of (i) approximately HK\$17.1 million increase in revenue; (ii) approximately HK\$7.4 million increase in employee benefits costs; (iii) the increase in depreciation for property and equipment and other operating expenses; and (iv) the recognition of fair value loss on financial asset at fair value through profit or loss.

Liquidity, Financial Resources and Capital Structure

The Group's working capital and other capital requirements were principally satisfied by cash generated from the Group's operations.

As at 31 March 2019, the Group's net current assets amounted to approximately HK\$101.4 million (2018: approximately HK\$101.9 million), and its liquidity as represented by current ratio was approximately 13.4 times (2018: approximately 19.5 times). The cash and cash equivalents amounted to approximately HK\$102.0 million as at 31 March 2019 (2018: approximately HK\$95.5 million). The functional currency of the Group is Hong Kong dollars. As at 31 March 2019, approximately HK\$6.0 million of the Group's cash and cash equivalents was denominated in the other currencies (2018: approximately HK\$1.0 million), including Renminbi, United States Dollars, Euro, Great Britain Pounds, Thai Baht and Malaysia Ringgit.

The Group's equity consists of ordinary shares of the Company (the "Shares"). The Group had neither banking facilities nor borrowings as at 31 March 2018 and 2019.

The Directors are of the view that the Group's financial resources are fully sufficient to support its business and operations.

Foreign Exchange Exposure

The majority of the Group's revenue is denominated in Hong Kong dollars and the Group's accounts are prepared in Hong Kong dollars. Consequently, exposure to the risk of foreign exchange rate fluctuations for the Group is not material.

Future Plans for Material Investments or Capital Assets

The Group had capital commitments of approximately HK\$0.2 million as at 31 March 2019 (2018: nil), in respect of information technology enhancement for its Hong Kong office. Save for the business plan disclosed in the prospectus of the Company dated 15 March 2017 (the "Prospectus"), announcement of, among others, change in use of proceeds published on 22 June 2018 or as otherwise disclosed in this announcement, the Group did not have plans for making material investments or acquiring capital assets as at 31 March 2019.

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

Save as disclosed in this announcement, there were no material acquisitions and disposals of subsidiaries, associates or joint ventures by the Group during the Year.

Significant Investments

During the Year, the Company and EISAL agreed terms and conditions (the “Agreements”) for the Company to become the majority shareholder in EISAL. EISAL is a Hong Kong-based investment management company specialising in the Asian low carbon environmental sector. EISAL is a licensed corporation under the SFO to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities. EISAL is a founding member of the Hong Kong Green Finance Association.

The Agreements are structured through: (i) the cash subscriptions of 1,140,000 new ordinary shares in EISAL (“EISAL Shares”) at an issue price of US\$0.60 per EISAL Share; and (ii) the acquisition of 1,333,334 existing EISAL Shares from certain existing shareholders at a consideration of US\$0.60 per EISAL Share settled in US\$0.30 cash and 1.14 new Shares issued by the Company.

Immediately prior to the entering into of the Agreements, EISAL was held as to approximately 32.7% by Mr. HIGGS Jeremy James (“Mr. Higgs”) and the remaining was held by six independent third parties as at the date of the transaction. Mr. Higgs was an independent non-executive Director at the time of entering into the Agreements and consequently the transactions contemplated under the Agreements constituted connected transactions for the Company pursuant to Chapter 20 of the GEM Listing Rules.

On 10 July 2018, the first subscription of 240,000 new EISAL Shares was completed. On 14 December 2018, the second subscription of 900,000 new EISAL Shares and the acquisition of 1,333,334 existing EISAL Shares were completed. Following the completion, the Company issued and allotted an aggregate of 1,516,000 new ordinary Shares for the acquisition of EISAL and the Company holds 2,473,334 EISAL Shares, representing 74.8% of the share capital of EISAL as enlarged by the completion of the first subscription and the second subscription.

Except for investments in subsidiaries and the investment in EISAL as stated above, the Company did not hold any significant investments during the Year (2018: nil).

Charge on Assets & Contingent Liabilities

As at 31 March 2019, the Group did not have any charges on its assets (2018: nil) or material contingent liabilities (2018: nil).

Gearing Ratio

As at 31 March 2019, the Group did not have any borrowings (2018: nil) and hence gearing ratio was not applicable.

Dividend

The Board has recommended the payment of a final dividend of HK5.0 cents per Share for the Year (2018: HK3.5 cents per Share), subject to the approval of the shareholders at the forthcoming annual general meeting.

Record Dates

In order to be eligible to attend and vote at the forthcoming annual general meeting, all transfers of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Thursday, 5 September 2019.

In order to qualify for the final dividend, all transfer forms accompanied by relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 18 September 2019.

Treasury Policies

The credit risk facing the Group is primarily attributable to bank balances and trade receivables. Bank balances are held with leading licensed banks in Hong Kong. The management of the Group regularly reviews the recoverable amount of each individual trade receivable to monitor prompt recovery and if necessary to make adequate impairment losses for irrecoverable amounts.

Employees and Remuneration Policies

As at 31 March 2019, the Group employed 48 employees (2018: 42).

For the Year, employee benefits costs of the Group (including the Directors' emoluments) were approximately HK\$57.0 million (2018: approximately HK\$49.6 million). Remuneration is determined with reference to market terms, the financial results of the Group and the performance, qualifications and experience of employees. Apart

from basic remuneration, share options may be granted under the share option scheme of the Company to eligible employees by reference to the Group's performance as well as the individual's contribution. The Directors believe that the compensation packages offered by the Group to its staff are competitive in comparison with market standards and practices.

Comparison between Business Objectives and Actual Business Progress

A comparison of the business objectives as stated in the Prospectus and the announcement of, among others, change in use of proceeds published on 22 June 2018 with our Group's actual business progress up to 31 March 2019 is set out below:

Business objectives up to 31 March 2019

Actual business progress up to 31 March 2019

Expansion of the corporate finance advisory business

The expansion of corporate finance advisory teams was completed

Development of the equity capital market operations

A IPO execution team was established and the Group had 2 work-in-progress sponsorship engagements as at 31 March 2019

Enhancement of the information technology systems of the Group

The enhancement of the Group's information technology ("IT") infrastructure and the implementation of the business continuity plan are almost completed, but further upgrading and updating of IT is a continuing requirement

Expansion of office

Renovation of office was completed

Exploration of new investment opportunities

During the Year, the Company acquired 74.8% equity interest in EISAL and established a subsidiary in Beijing to enter into the asset management business and enhance its presence in China.

Use of net proceeds

The net proceeds from the Group's listing on GEM of the Stock Exchange on 28 March 2017 (the "Listing") were approximately HK\$55.9 million. The Group adjusted the use of net proceeds in the same manner as stated in the Prospectus and approximately HK\$27.7 million were utilised as at 31 March 2018.

The Group announced the change in use of net proceeds of approximately HK\$28.2 million on 22 June 2018 and the details of application for the Year are as follows:

	Adjusted use of proceeds for the Year <i>HK\$'million</i>	Actual use of proceeds for the Year <i>HK\$'million</i>
Expansion of corporate finance advisory business	4.5	4.5
Development of the equity capital markets operation	6.9	6.9
Enhancement of the information technology systems of the Group (<i>note</i>)	3.0	0.7
Expansion of office	1.8	1.8
Exploration of new investment opportunities	12.0	12.0
	<u>28.2</u>	<u>25.9</u>

Note: The remaining proceeds will be used for further upgrading and updating IT for the year ending 31 March 2020.

As disclosed in the Prospectus, to the extent that the net proceeds from the Listing were not immediately required for the above purposes, they have been placed on short-term interest bearing deposits with authorised financial institutions in Hong Kong. In the event that any part of the business plans of the Group does not materialise or proceed as planned, the Directors will carefully evaluate the situation and may reallocate the intended funding to other business plans and/or to new projects of the Group and/or hold the funds as short-term interest bearing deposits so long as the Directors consider it to be in the best interests of the Company and the shareholders.

Principal Risks and Uncertainties

The key risks and uncertainties to which the Group is subject are summarised as follows:

- (i) The main operating subsidiary of the Group at present is Somerley Capital Limited (“Somerley Capital”) and any material disruptions to the business of Somerley Capital would adversely affect the business, results of operations and financial position of the Group;
- (ii) The revenue of the Group is difficult to predict and may be volatile in any given reporting period owing to market conditions affecting the pipeline of transactions and the timing of transaction completions and hence recognition of revenue;

- (iii) Profit margins may be squeezed;
- (iv) Delays or terminations of transactions or defaults or delays in payments by clients may have an adverse impact on the Group's financial performance;
- (v) Somerley Capital is reliant on key management personnel to conduct its business. Failure to retain and motivate them or to attract suitable replacements would have an adverse impact on operations;
- (vi) The Group may be exposed to risks from equity capital markets business in cases where the securities underwritten by the Group are undersubscribed or the placing exercises fail to complete. No underwriting obligations are currently outstanding;
- (vii) The trademark used by Somerley Capital is subject to the trademark usage agreement and such non-exclusive trademark may be adversely affected by acts of SGL;
- (viii) Potential employee misconduct could damage the Group's reputation, financial position and current and future business relationships with clients;
- (ix) Potential exposure to professional liability and litigation;
- (x) Future business plans may or may not materialise or may not materialise in full;
- (xi) The Group's internal control system may be subject to failures and limitations;
- (xii) The Group may experience failure in or disruption to its computer systems and data storage;
- (xiii) The Group is operating in a strictly regulated business environment, and any non-compliance with rules and regulations may have material and adverse impact and consequences;
- (xiv) The corporate finance industry in Hong Kong has a significant number of existing participants and potential new entrants, and is in general highly competitive; and
- (xv) EISAL's asset management fees may decrease if the investments EISAL manages perform poorly, or EISAL's clients withdraw assets under EISAL's management.

For further elaboration of the risks and uncertainties facing the Group, please refer to the section headed "Risk Factors" in the Prospectus.

OUTLOOK AND PROSPECTS

The Group delivered a 61.0% growth in profit for the Year and the goals previously set, including the expansion into asset management through investment in EISAL and the launch of the Beijing subsidiary and establishment of an executive team in Beijing, were largely achieved. The performance of the Hong Kong and China stock markets tends to affect the Group's level of business with a lag. After a strong performance for the first three quarters of the Year, the Group experienced some slow down in deal flow and delays in project completion during the last quarter of the Year. The Group continued to explore opportunities in IPO sponsorship and underwriting business during the Year but the slowdown in financial markets during the second half of 2018 and growing international trade tensions have hindered the progress of IPO-related projects.

The economic climate for the year ending 31 March 2020 is challenging. The Directors are taking a pragmatic approach in response to the uncertain market environment by focusing on our existing pipeline and the delivery of quality and innovative corporate finance advisory services to our clients. Revenue from acting as compliance adviser, a relatively stable source of income for the Group, increased by approximately 60.8% to HK\$11.9 million during the Year. The increase in more stable revenue tends to alleviate the fluctuation in income from corporate finance projects which are less predictable by nature.

The Group's professional teams remain hard working and committed and the Group's position in the market remains robust. The Group has been able to adapt to various financial cycles in the past and the Directors believe the Group's business can continue to achieve value for shareholders.

THE FINANCIAL STATEMENTS

ANNUAL RESULTS

The Board announces that the audited consolidated results of the Group for the Year, together with the comparative audited figures for the previous corresponding period in 2018, are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue	4	89,069	71,995
Other income	5	1,571	397
		90,640	72,392
Employee benefits costs		(57,024)	(49,617)
Fair value (loss) gains on financial asset at fair value through profit or loss		(791)	565
Depreciation for property and equipment		(1,592)	(721)
Introduction expenses		(511)	(776)
Other operating expenses		(19,034)	(14,952)
Profit before tax	6	11,688	6,891
Income tax expense	7	(2,207)	(1,003)
Profit for the year		9,481	5,888
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		4	—
Total comprehensive income for the year		9,485	5,888

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit for the year attributable to:			
Owners of the Company		9,616	5,888
Non-controlling interests		(135)	—
		<u>9,481</u>	<u>5,888</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		9,620	5,888
Non-controlling interests		(135)	—
		<u>9,485</u>	<u>5,888</u>
Earnings per share			
— basic (HK cents)	<i>9</i>	<u>6.88</u>	<u>4.27</u>
— diluted (HK cents)	<i>9</i>	<u>6.85</u>	<u>4.21</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	<i>Notes</i>	2019	2018
		<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property and equipment		4,659	2,737
Goodwill		1,123	—
Intangible asset	<i>10</i>	9,000	—
Rental deposits		2,577	—
Deferred tax asset		17	—
		<hr/> 17,376	<hr/> 2,737
Current assets			
Trade receivables	<i>11</i>	5,810	9,679
Prepayments, deposits and other receivables	<i>11</i>	1,796	995
Amount due from ultimate holding company		10	78
Financial asset at fair value through profit or loss		—	955
Tax recoverable		—	210
Cash and cash equivalents		101,961	95,472
		<hr/> 109,577	<hr/> 107,389
Current liabilities			
Contract liability		210	—
Other payables and accruals		6,438	5,494
Tax payable		1,543	—
		<hr/> 8,191	<hr/> 5,494
Net current assets		<hr/> 101,386	<hr/> 101,895
Total assets less current liabilities		<hr/> 118,762	<hr/> 104,632
Non-current liabilities			
Provision for long service payment		267	305
Provision for reinstatement cost		2,300	—
Deferred tax liabilities		1,688	249
		<hr/> 4,255	<hr/> 554
Net assets		<hr/> 114,507	<hr/> 104,078

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Capital and reserves			
Share capital	<i>12</i>	1,410	1,386
Reserves		110,077	102,692
		<hr/>	<hr/>
Equity attributable to owners of the Company		111,487	104,078
Non-controlling interests		3,020	—
		<hr/>	<hr/>
Total equity		114,507	104,078
		<hr/> <hr/>	<hr/> <hr/>

NOTES

1. GENERAL

The Company was incorporated on 21 April 2016 in the Cayman Islands as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and 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 Somerley Group Limited (“SGL”), a company incorporated in Hong Kong with limited liabilities. The addresses of the registered office and the principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company is principally engaged in investment holding. The Group’s operating subsidiaries are mainly engaged in the provision of corporate finance advisory services and asset management services.

These consolidated financial statements are presented in Hong Kong dollars (“HK\$”) which is the same as the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and related Amendments
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 HKAS 28	As part of Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration

The impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers have been summarised below. The application of other new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 superseded HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised. The Group has elected to adopt the modified retrospective approach for contracts with customers that are not completed as the date of initial application (i.e. 1 April 2018) with the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings and comparative information is not restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue.

The impact of adoption of HKFRS 15 was insignificant on the retained earnings and each financial statement line item of the consolidated statement of financial position at 1 April 2018.

The adoption of HKFRS 15 did not have material impact on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2019, by comparing the amounts reported under HKAS 18 and related interpretations that were in effect before the change. The adoption of HKFRS 15 did not have material impact on the Group's operating, investing and financing cash flows. If HKFRS 15 had not been adopted, the receipt in advance of HK\$210,000 as at 31 March 2019, currently classified as contract liability, would not be disclosed on the consolidated statement of financial position as a separate line item.

HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group has applied HKFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 April 2018) in accordance with the transition provisions under HKFRS 9, and chosen not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities on initial application are recognised in retained earnings as at 1 April 2018.

(i) Classification and measurement of financial instruments

The directors of the Company reviewed and assessed the Group's existing financial assets and liabilities as at 1 April 2018 based on the facts and circumstances that existed at that date and concluded that all recognised financial assets and financial liabilities that are within the scope of HKFRS 9 are continued to measure as the same basis as were previously measured under HKAS 39.

(ii) Loss allowance for ECL

The adoption of HKFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss model with a forward-looking ECL model. As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement HKFRS 9.

As at 1 April 2018, an additional allowance on the Group's trade receivables of approximately HK\$49,000 have been recognised, thereby reducing the opening retained earnings by approximately HK\$41,000, net of their related deferred tax impact of approximately HK\$8,000.

(iii) Summary of effects arising from initial application of HKFRS 9

The table below summarises the impact of transition to HKFRS 9 on retained earnings at 1 April 2018.

	Retained earnings HK\$'000
Balance at 31 March 2018 as originally stated	19,506
Recognition of additional expected credit losses	(49)
Related tax impact	8
	<hr/>
Total change as a result of adoption of HKFRS 9 on 1 April 2018	41
	<hr/>
Balance at 1 April 2018 as restated	<u>19,465</u>

New and revised HKFRSs issued but not yet effective

The Group had not early applied the following new and amendments to HKFRSs and interpretations 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 ³
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 ²
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 annual periods beginning on or after 1 January 2020.

³ 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.

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.

3. SEGMENT INFORMATION

Information reported to the management of the Group, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of services provided. The directors of the Company have chosen to organise the Group around differences in services. During the year ended 31 March 2018, the Group focused on corporate finance advisory service business and all the assets and major revenue were located in and derived from Hong Kong. Accordingly, no segment analysis was prepared. During the year ended 31 March 2019, the directors of the Company have organised the Group into different segments by types of services provided, of which the “Asset management service” was a new segment identified after EISAL was acquired as a subsidiary.

Specifically, the Group’s reportable segments are as follows:

1. Corporate finance advisory service
2. Asset management service

The following is an analysis of the Group’s revenue and results from continuing operations by reportable and operating segment.

For the year ended 31 March 2019

	Corporate finance advisory service HK\$’000	Asset management service HK\$’000	Total HK\$’000
Segment revenue	88,813	256	89,069
Segment profit (loss)	16,104	(538)	15,566
Interest income			645
Corporate and other unallocated expenses			(4,523)
Profit before tax			11,688

Segment profit represents the profit earned from each segment without allocation of interest income and central administration costs. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

	Corporate finance advisory service <i>HK\$'000</i>	Asset management service <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	67,708	14,668	82,376
Elimination of intersegment receivables			(45)
Corporate and other unallocated assets			<u>44,622</u>
Total assets			<u><u>126,953</u></u>
Segment liabilities	9,089	1,562	10,651
Elimination of intersegment liabilities			(1,015)
Corporate and other unallocated liabilities			<u>2,810</u>
Total liabilities			<u><u>12,446</u></u>

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than certain of property and equipment, cash and cash equivalents, prepayment and other receivables; and
- all liabilities are allocated to operating segments other than provision for reinstatement cost, certain of other payables and accruals and tax payable.

Other segment information

	Corporate finance advisory service <i>HK\$'000</i>	Asset management service <i>HK\$'000</i>	Corporate <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to intangible asset	—	9,000	—	9,000
Additions to property and equipment	641	—	2,873	3,514
Depreciation of property and equipment	899	—	693	1,592
Impairment loss recognised in respect of trade receivables	<u>63</u>	<u>—</u>	<u>—</u>	<u>63</u>

Geographical information

No geographical segment analysis on revenue and assets are provided as substantially all of the Group's revenue is derived from Hong Kong and non-current assets are located in Hong Kong.

Information about major customers

Revenue of approximately HK\$10,185,000 from one major customer (from corporate finance advisory service segment) accounted for 10% or more of the Group's revenue for the year ended 31 March 2019. No customer accounted for 10% or more of the Group's revenue for the year ended 31 March 2018.

4. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2019 <i>HK\$'000</i>	2018* <i>HK\$'000</i>
Fee income from acting as financial adviser	34,687	18,895
Fee income from acting as independent financial adviser	34,342	34,604
Fee income from acting as compliance adviser	11,852	7,427
Fee income from acting as sponsor and underwriter	4,200	10,634
Asset management fee income	256	—
Others	3,732	435
	<u>89,069</u>	<u>71,995</u>

* The amounts for the year ended 31 March 2018 were recognised under HKAS 18.

Disaggregation of revenue by timing of recognition:

	2019 <i>HK\$'000</i>
Timing of revenue recognition	
Over time	72,324
At a point in time (fee income from acting as financial adviser)	<u>16,745</u>
	<u>89,069</u>

Transaction price allocated to the remaining performance obligations

As at 31 March 2019, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially satisfied) is approximately HK\$28,404,000. The amount represents revenue expected to be recognised in the future from corporate finance advisory service. The Group will recognise this revenue as the service is provided, which is expected to occur over the next 37 months.

The above amounts do not include variable consideration which is constrained.

5. OTHER INCOME

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Bank interest income	645	206
Exchange gain, net	—	74
Management fee income from ultimate holding company	100	117
Office sharing income and reimbursement of other premises expenses from ultimate holding company	518	—
Others	308	—
	<u>1,571</u>	<u>397</u>

6. PROFIT BEFORE TAX

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments	11,108	10,970
Other employees' emoluments		
Salaries, allowances and benefits in kinds	34,441	30,270
Discretionary bonuses	10,394	7,365
Share-based payments	212	441
Contributions to retirement benefits scheme	907	616
Reversal of provision for long service payment	(38)	(45)
	<u>57,024</u>	<u>49,617</u>
Total employee benefits costs		
Auditor's remuneration	606	554
Exchange loss, net	17	—
Written off expenses in respect of trade receivables	—	180
Impairment loss recognised in respect of trade receivables	63	—
Operating lease rental payments for rented premises	8,802	6,558
	<u>8,802</u>	<u>6,558</u>

7. INCOME TAX EXPENSE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current tax:		
Hong Kong	2,284	735
Over provision in prior years:		
Hong Kong	(22)	(19)
Deferred taxation	(55)	287
	<u>2,207</u>	<u>1,003</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. For the year ended 31 March 2019, Hong Kong profits tax of the qualified entity of the group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%. For the year ended 31 March 2018, Hong Kong profits tax was calculated at a flat rate of 16.5% of the estimated assessable profits.

Under the Law of the People’s Republic of China (“PRC”) on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25%.

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

	2019 <i>HK\$’000</i>	2018 <i>HK\$’000</i>
Profit before tax	11,688	6,891
Tax at domestic income tax rate of 16.5% (2018: 16.5%)	1,929	1,137
Tax effect of expenses not deductible	392	3
Tax effect of income not taxable for tax purpose	(106)	(132)
Over provision in respect of prior years	(22)	(19)
Tax effect of tax loss not recognised	224	14
Tax effect of different tax rates of a subsidiary operating in other jurisdiction	(45)	—
Tax effect of two tier profits tax rates regime	(165)	—
Income tax expense	2,207	1,003

At the end of the reporting period, the Group has estimated tax losses arising in Hong Kong of approximately HK\$13,675,000 (2018: HK\$85,000) that are available indefinitely for offsetting against future taxable profits of the company in which the losses arose. The Group also has estimated tax losses arising in the PRC of approximately HK\$537,000 (2018: nil) that will expire in one to five years for offsetting against future taxable profits. Deferred tax asset has not been recognised due to the unpredictability of future profit streams.

8. DIVIDENDS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2019 Interim — nil (2018: 2018 interim dividend — nil) per share	—	—
2018 Final — HK3.5 cents (2018: 2017 final dividend — nil) per share	<u>4,882</u>	<u>—</u>
	<u><u>4,882</u></u>	<u><u>—</u></u>

Subsequent to the end of the reporting period, a final dividend of HK5.0 cents per share in respect of the year ended 31 March 2019 has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation:	<u>9,616</u>	<u>5,888</u>
	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares during the year used in the basic earnings per share calculation (<i>'000</i>)	139,748	137,945
Effect of dilutive potential ordinary shares:		
— Share options (<i>'000</i>)	<u>554</u>	<u>1,799</u>
Weighted average number of ordinary shares during the year used in the diluted earnings per share calculation (<i>'000</i>)	<u><u>140,302</u></u>	<u><u>139,744</u></u>

10. INTANGIBLE ASSET

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Arising on acquisition of a subsidiary (<i>note 13</i>) and at the end of the year	<u>9,000</u>	<u>—</u>

The intangible assets represent for the acquisition of licences for regulated activities issued by the SFC (“Licences”). The intangible assets are stated at cost less any impairment losses.

The Licences are considered by the directors of the Company as having indefinite useful lives because it is expected that the Licences will continue to be valid and will contribute net cash inflows for the Group in the foreseeable future. The Licences will not be amortised until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired.

The recoverable amounts of Licences have been determined based on fair value less costs of disposal and is classified under Level 3 in the fair value measurement hierarchy. During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3. In the opinion of the directors, the valuation of the fair value of intangible assets was determined using a market approach.

11. TRADE RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 March 2019 <i>HK\$'000</i>	1 April 2018 <i>HK\$'000</i>	31 March 2018 <i>HK\$'000</i>
Trade receivables from			
— Corporate finance advisory service (<i>note i</i>)	5,847	9,679	9,679
— Asset management service (<i>note ii</i>)	<u>75</u>	<u>—</u>	<u>—</u>
	5,922	9,679	9,679
Less: Impairment allowance on trade receivables from corporate finance advisory service (<i>note i</i>)	<u>(112)</u>	<u>(49)</u>	<u>—</u>
	<u>5,810</u>	<u>9,630</u>	<u>9,679</u>

At as 31 March 2019, the gross amount of trade receivable arising from contracts with customers amounted to HK\$5,922,000 (1 April 2018: HK\$9,679,000).

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Prepayments, deposits and other receivables		
— non-current assets (rental deposits)	2,577	—
— current assets	<u>1,796</u>	<u>995</u>
	<u>4,373</u>	<u>995</u>

Note i: Trade receivables — Corporate finance advisory service

The trade receivables are, in general, due upon the issuance of invoices. The Group does not hold any collateral over these balances. The following is an ageing analysis of trade receivables net of allowance for impairment of trade receivables presented based on the invoice date.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 90 days	5,232	8,782
91–180 days	384	897
Over 180 days	119	—
	<hr/>	<hr/>
Total	5,735	9,679
	<hr/> <hr/>	<hr/> <hr/>

As at 31 March 2018, trade receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Starting from 1 April 2018, the Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

	Weighted average expected loss rate %	Gross carrying amount <i>HK\$'000</i>	Loss allowance <i>HK\$'000</i>
Less than 31 days past due	0.27	3,327	9
31–60 days past due	0.27	938	3
61–90 days past due	0.27	982	3
91–180 days past due	4.06	400	16
More than 180 days past due	40.70	200	81
		<hr/>	<hr/>
		5,847	112
		<hr/> <hr/>	<hr/> <hr/>

During the year ended 31 March 2018, trade receivables amounted to approximately HK\$180,000 were written off directly to profit or loss.

The movement in the allowance for impairment of trade receivables is set out below:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
At the beginning of the year	—	—
Effect on adoption of HKFRS 9	49	—
Impairment losses recognised on trade receivables	63	—
	<u>112</u>	<u>—</u>
At the end of the year	<u>112</u>	<u>—</u>

Note ii: Trade receivables — Asset management service

Trade receivables related to one independent customer. No impairment loss allowance has been provided for trade receivables as the related allowances were considered immaterial and there was no credit default history. The trade receivables are aged within 90 days based on the invoice date.

12. SHARE CAPITAL

Details of the share capital of the Company are as follows:

	Number of shares <i>'000</i>	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2017, 31 March 2018, 1 April 2018 and 31 March 2019	<u>200,000</u>	<u>2,000</u>
Issued and fully paid:		
At 1 April 2017	135,000	1,350
Exercise of share options (<i>note i</i>)	3,632	36
At 31 March 2018	138,632	1,386
Exercise of share options (<i>note ii</i>)	841	8
Issued in consideration for the acquisition a subsidiary (<i>note iii</i>) (<i>note 13</i>)	1,516	16
At 31 March 2019	<u>140,989</u>	<u>1,410</u>

Notes:

- (i) During the year ended 31 March 2018, share options were exercised at subscription prices HK\$0.28 per ordinary share, resulting in the issue of 3,631,888 ordinary shares for proceeds of approximately HK\$1,016,000. An amount of approximately HK\$1,110,000 was transferred from share option reserve to the share premium account upon exercise of the share options.

- (ii) During the year ended 31 March 2019, share options were exercised at subscription prices HK\$0.28 per ordinary share, resulting in the issue of 840,667 ordinary shares for proceeds of approximately HK\$235,000. An amount of approximately HK\$261,000 was transferred from share option reserve to the share premium account upon exercise of the share options.
- (iii) On 14 December 2018, the Company allotted and issued 1,516,200 ordinary shares for settlement of the consideration of the acquisition of EISAL amounted to approximately HK\$1,987,000.

13. ACQUISITION OF A SUBSIDIARY

On 10 July 2018, subscription of 240,000 new ordinary shares in EISAL by the Group was completed, with consideration of approximately HK\$1,133,000 and accounted for as financial asset at FVTOCI as it is not held for trading. On 14 December 2018, the second subscription of 900,000 new ordinary shares in EISAL and the acquisition of 1,333,334 existing EISAL ordinary shares from its shareholders were completed with total consideration of approximately HK\$9,355,000, of which approximately HK\$7,368,000 and HK\$1,987,000 was satisfied by cash and equity respectively. Following the completion, the Company holds 2,473,334 EISAL shares, representing 74.8% of the entire share capital of EISAL. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was approximately HK\$1,123,000. EISAL is a Hong Kong-based investment management company specialising in the Asian low carbon environmental sector.

Consideration transferred:

	<i>HK\$'000</i>
Cash	7,368
Fair value of previously held equity interest	1,133
Equity instruments issued	1,987
	10,488

As part of the consideration for the acquisition of EISAL, 1,516,000 ordinary shares of the Company with par value of HK\$0.01 each were issued. The fair value of the ordinary shares of the Company with HK\$1.31 each, determined using the published price available at the date of the acquisition, amounted to approximately HK\$1,987,000.

Acquisition-related costs amounting to approximately HK\$341,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the other operating expenses in the consolidated statement of profit or loss and other comprehensive income.

Fair value of assets acquired and liabilities recognised at the date of acquisition are as follows:

	<i>HK\$'000</i>
Intangible asset	9,000
Bank balances and cash	4,952
Trade receivables	37
Other receivables	117
Other payable	(101)
Deferred tax liability	(1,485)
	<u>12,520</u>

Goodwill arising on acquisition:

	<i>HK\$'000</i>
Consideration transferred	10,488
Plus: non-controlling interests (25.2% in EISAL)	3,155
Less: net assets acquired	(12,520)
	<u>1,123</u>

The non-controlling interests (25.2%) in EISAL recognised at the acquisition date was measured by reference to the fair value of the non-controlling interests and amounted to approximately HK\$3,155,000.

Net cash outflow on acquisition of EISAL:

	<i>HK\$'000</i>
Cash	7,368
Less: cash and cash equivalent balances acquired	(4,952)
	<u>2,416</u>

Included in the profit for the year are losses of approximately HK\$538,000 attributable to the additional business generated by EISAL. Revenue for the year includes approximately HK\$256,000 generated from EISAL.

Had the acquisition been completed on 1 April 2018, total revenue of the Group for the year would have been approximately HK\$89,746,000 and profit for the year would have been approximately HK\$8,324,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2018, nor is it intended to be a projection of future results.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Practices

The Board is committed to achieving good corporate governance practices and procedures. The Directors believe that good corporate governance practices are essential to enhance stakeholders' confidence and support. During the Year, the Company has complied with the code provisions prescribed in the establishment and implementation of the corporate governance guidelines containing principles and code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules except as regards the following:

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive of the Company should be separate and should not be performed by the same individual. During the Year, the role of the chairman of the Company (the "Chairman") was performed by Mr. SABINE Martin Nevil. The office of the chief executive of the Company was not filled; Mr. CHOW Wai Hung Kenneth performed the role of managing director of the Company's operating subsidiary in Hong Kong, Somerley Capital, and the chairman of the Company's operating subsidiary in China, Somerley Capital (Beijing) Limited. Within the Company, decisions are made collectively by the executive Directors and are discussed with senior management from time to time. The Board believes that this arrangement enables the Company to make decisions and implement follow up actions quickly and helps achieve the Company's objectives efficiently and effectively in response to the changing environment. The Board also believes that the Company has a strong corporate governance structure in place to ensure effective oversight of management. The Board will review the current structure of the Board from time to time.

Following the resignation of Mr. Higgs on 14 December 2018, the Board no longer comprised three independent non-executive Directors, the audit committee of the Company (the "Audit Committee") no longer comprised three members and the nomination committee of the Company no longer comprised three members with a majority of independent non-executive Directors, which deviated from rules 5.05(1) and 5.28 of the GEM Listing Rules and the code provision A.5.1 of the CG Code respectively. On 15 February 2019, the Company appointed Mr. LAW Cheuk Kin Stephen as an independent non-executive Director to fill the casual vacancy due to the resignation of Mr. Higgs, complying with the requirements in GEM Listing Rules as the appointment was made within three months from the date of Mr. Higgs ceasing to be an independent non-executive Director.

Audit Committee

The Company has established the Audit Committee with specific written terms of reference formulated in accordance with the requirements of rules 5.28 to 5.29 of the GEM Listing Rules. During the Year and up to the date of this announcement, the members of the Audit Committee have been and are:

Mr. CHENG Yuk Wo (*Chairman*)

Mr. HIGGS Jeremy James (*resigned on 14 December 2018*)

Mr. YUEN Kam Tim Francis

Mr. LAW Cheuk Kin Stephen (*appointed on 15 February 2019*)

The primary duties of the Audit Committee are reviewing the annual reports and accounts, half-year reports and quarterly reports of the Group, making recommendations to the Board on the appointment and dismissal of external auditors, providing advice in respect of financial reporting, supervising risk management and internal control systems of the Group, reviewing the effectiveness of the internal audit function and monitoring any continuing connected transaction.

During the Year, the Audit Committee held 4 meetings. The Audit Committee reviewed, assessed and commented on the audited consolidated financial statements for the year ended 31 March 2018, the unaudited consolidated financial statements for the three months ended 30 June 2018, six months ended 30 September 2018 and nine months ended 31 December 2018, respectively. It has also reviewed the effectiveness of the risk management and internal control systems and internal audit functions of the Group, the continuing connected transactions and the policy on anti-money laundering and counter-terrorist financing. The preparation of the consolidated results is in compliance with applicable accounting principles and practices adopted by the Company and the requirements of the Stock Exchange, and adequate disclosure has been made.

The Group's unaudited consolidated quarterly, interim results and audited consolidated annual results for the Year have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

SCOPE OF WORK OF SHINEWING (HK) CPA LIMITED

The figures in respect of the Group's consolidated financial statements and the related notes thereto for the Year as set out in this announcement have been agreed by the Group's auditor, SHINEWING (HK) CPA Limited, as to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements

issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on this announcement.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors (the "Required Standard of Dealing").

Following specific enquiries to all the Directors, each of them has confirmed that they have complied with the Required Standard of Dealings throughout the Year.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the listed Shares during the Year.

EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or by the Group after 31 March 2019 and up to the date of this announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkgem.com) and the Company (www.somerleycapital.com). The annual report of the Company for the year ended 31 March 2019 containing all the information required by the GEM Listing Rules will be dispatched to the Company's shareholders and published on the above websites in due course.

By order of the Board
Somerley Capital Holdings Limited
SABINE Martin Nevil
Chairman

Hong Kong, 21 June 2019

As at the date of this announcement, the executive Directors are Mr. SABINE Martin Nevil, Mr. CHEUNG Tei Sing Jamie and Mr. CHOW Wai Hung Kenneth; the independent non-executive Directors are Mr. CHENG Yuk Wo, Mr. YUEN Kam Tim Francis and Mr. LAW Cheuk Kin Stephen.

This announcement 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 will also be published on the Company's website at www.somerleycapital.com.