



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 2020

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

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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

- Total revenue decreased to approximately HK\$75.8 million for the year ended 31 March 2020 (the “Year”) from approximately HK\$89.1 million for the year ended 31 March 2019.
- Revenue generated from acting as financial adviser and as independent financial adviser for the Year amounted to approximately HK\$53.4 million (2019: approximately HK\$70.5 million), accounting for approximately 70.4% of the Group’s total revenue (2019: approximately 79.1%).
- Revenue generated from acting as compliance adviser for the Year amounted to approximately HK\$17.9 million (2019: approximately HK\$11.9 million), accounting for approximately 23.6% of the Group’s total revenue (2019: approximately 13.4%).
- Revenue generated from acting as sponsor and underwriter for the Year amounted to approximately HK\$4.3 million (2019: approximately HK\$4.2 million), accounting for approximately 5.7% of the Group’s total revenue (2019: approximately 4.7%).
- Other revenue, mainly arising from the provision of asset management services, litigation support services and pitch support services during the Year, amounted to approximately HK\$0.2 million (2019: approximately HK\$2.5 million).
- For the Year, the Group made a loss before tax of approximately HK\$7.5 million (2019: profit before tax of approximately HK\$11.7 million) and after-tax loss was approximately HK\$7.2 million (2019: profit after tax of approximately HK\$9.5 million). The loss was primarily due to the combined effects of (i) approximately HK\$13.3 million decrease in revenue; (ii) approximately HK\$2.9 million decrease in employee benefits costs; (iii) approximately HK\$2.3 million increase in depreciation and other operating expenses; (iv) the fair value loss on financial asset at fair value through profit or loss of approximately HK\$4.0 million; and (v) the impairment losses recognised in respect of intangible asset of HK\$3.0 million.
- As at 31 March 2020, the Group held 28,000 units of The Climate Impact Asia Fund (“CIAF”), representing approximately 26.6% interest in CIAF and amounted to approximately 14.7% of the Group’s total assets. The fair value amounted to approximately HK\$17.7 million and unrealised fair value loss of approximately HK\$4.0 million was recognised for the Year.
- Net assets decreased to approximately HK\$100.5 million as at 31 March 2020 from approximately HK\$114.5 million as at 31 March 2019 mainly due to the loss for the Year of approximately HK\$7.2 million and distribution of 2018-2019 final dividend of approximately HK\$7.1 million.
- The board of Directors (the “Board”) has recommended the payment of a final dividend of HK2.5 cents per share for the Year (2019: HK5.0 cents), subject to the approval of the shareholders at the forthcoming annual general meeting. Such proposed dividend will be payable on or around 24 September 2020 to the shareholders whose names appear on the register of members of the Company at close of business on 14 September 2020. The final dividend for the Year will absorb approximately HK\$3.5 million as at the date of this announcement (2019: approximately HK\$7.1 million).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in providing (i) corporate finance advisory services in Hong Kong through its subsidiaries in Hong Kong and Beijing; and (ii) asset management services through its subsidiary in Hong Kong.

The corporate finance advisory business operated by Somerley Capital Limited (“Somerley Capital”) and Somerley Capital (Beijing) Limited is the Group’s core business segment. The Group’s corporate finance advisory services 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 GEM Listing Rules and/or the Codes on Takeovers and Mergers and Share Buy-backs; (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; (iv) acting as sponsor to initial public offerings and listings of shares of companies on the Stock Exchange in Hong Kong and advising on secondary equity issues in Hong Kong; and (vi) acting as advisor to the cross-border mergers and acquisitions.

The acquisition of Environmental Investment Services Asia Limited (“EISAL”) in 2018 extended the Group’s activities to the segment of asset management business. EISAL is a corporation licensed 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 and is a founding member of the Hong Kong Green Finance Association, an initiative to position Hong Kong as a leading international green finance hub. During the Year, EISAL, Milltrust International LLP, a global investment firm providing investment management and advisory services, and WWF Hong Kong, the renowned independent conservation organisation, finalised preparation for the launch of CIAF, an innovative climate impact fund focused on low carbon listed equity investments in the Asian region. On 28 November 2019, EISAL was appointed as the investment manager of CIAF. On 27 December 2019, the Group subscribed for and was allotted Class A shares of CIAF at a consideration of US\$2.8 million, equivalent to approximately HK\$21.8 million. Details of the Group’s subscription of shares in CIAF were set out in the announcement dated 27 December 2019. CIAF was formally launched successfully on 3 January 2020.

The Group made a profit after tax in the second and third quarters of the Year which offset the loss after tax noted in the first quarter of the Year. In the fourth quarter of the Year, the outbreak of the COVID-19 and the worsening relationship between China and the United States of America affected confidence. The Group recorded a loss after tax of approximately HK\$7.2 million for the Year (2019: profit after tax of approximately HK\$9.5 million).

The corporate finance advisory business recorded revenue of approximately HK\$75.6 million (2019: approximately HK\$88.8 million) and segment profit before tax of approximately HK\$5.3 million (2019: approximately HK\$16.1 million). The decrease in profit was mainly due to (i) the absence of a marquee financial advisory transaction with revenue of approximately HK\$9.2 million which was completed last financial year; and (ii) the overall increase in total operating expenses as a result of establishment of Somerley Capital (Beijing) Limited since September 2018.

The asset management business recorded a segment loss before tax of approximately HK\$5.9 million (2019: approximately HK\$0.5 million) as EISAL goes among the early stage of launching CIAF in unhelpful market conditions.

Reflecting adverse stock market conditions, the fair value of our shares in CIAF decreased to approximately HK\$17.7 million as at 31 March 2020 from approximately HK\$21.8 million at the date of the Group's subscription. There has subsequently been some recovery.

In addition, the Group recorded an impairment loss in respect of intangible asset of HK\$3.0 million for the Year (2019: nil), mainly related to the impairment loss on the asset management operation (the "Impaired Operation") carried on by EISAL. Despite the efforts spent by the management and the operation team on developing the business, the economic uncertainties have adversely impacted on the forecasted asset under management, resulting in an impairment loss being recognised for the Year.

During the Year, the Group recorded a loss after tax of approximately HK\$7.2 million (2019: profit after tax of approximately HK\$9.5 million). The loss was mainly due to the combined effects of (i) the decrease in revenue primarily due to the absence of a marquee financial advisory transaction; (ii) the net decrease in employee benefits costs; (iii) the fair value loss in the investment in the shares in CIAF; (iv) the increase in depreciation and other operating expenses as a result of the Group's expansion; and (v) the impairment loss in respect of the asset held by the Impaired Operation.

FINANCIAL REVIEW

Revenue

The Group's total revenue decreased by approximately 14.9% to approximately HK\$75.8 million for the Year from approximately HK\$89.1 million for the year ended 31 March 2019.

Revenue generated from acting as financial adviser ("FA") and as independent financial adviser ("IFA") for the Year amounted to approximately HK\$53.4 million (2019: approximately HK\$70.5 million), accounting for approximately 70.4% of the Group's total revenue (2019: approximately 79.1%). The decrease is mainly attributable to, among other factors, the absence of a marquee financial advisory transaction with revenue of approximately HK\$9.2 million which was completed last financial 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\$17.9 million (2019: approximately HK\$11.9 million), accounting for approximately 23.6% of the Group's total revenue (2019: approximately 13.4%). The Group has been successful in securing additional compliance advisory mandates in first half of the Year 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\$4.3 million (2019: approximately HK\$4.2 million), accounting for approximately 5.7% of the Group's total revenue (2019: approximately 4.7%).

Other revenue, mainly arising from the provision of asset management services, litigation support services and pitch support services during the Year, amounted to approximately HK\$0.2 million (2019: approximately HK\$2.5 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 amounted to approximately HK\$1.7 million for the Year (2019: approximately HK\$1.6 million).

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 retirement benefits scheme for the Directors and employees of the Group.

	For the year ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
Salaries, allowances and other benefits	48,665	45,197
Discretionary bonuses	3,998	10,394
Share-based payments	381	490
Contributions to the retirement benefits scheme	1,035	943
	<u>54,079</u>	<u>57,024</u>
Analysed as:		
— corporate holding	1,101	1,168
— corporate finance advisory (Hong Kong)	48,406	54,192
— corporate finance advisory (Beijing)	2,463	1,076
— asset management	2,109	588
	<u>54,079</u>	<u>57,024</u>

Employee benefits costs decreased by approximately 5.1% to approximately HK\$54.1 million for the Year from approximately HK\$57.0 million for the year ended 31 March 2019, primarily due to the combined effects of (i) the increments in basic salaries and increase in headcount; and (ii) the decrease in accrued bonuses.

Depreciation and Other Operating Expenses

During the Year, the Group has adopted HKFRS 16 and all non-cancellable operating leases, except for short-term leases and leases for low-value assets, entered by the Group are recorded as right-of-use assets whose costs will be depreciated over the lease terms. Therefore, the rental expenses are included as depreciation of right-of-use assets under HKFRS 16 for the Year.

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	
	2020	2019
	HK\$'000	HK\$'000
Depreciation of property and equipment	1,041	1,592
Depreciation of right-of-use assets	9,269	—
	10,310	1,592
Rental expenses and other premises expenses	2,916	10,609
Travelling expenses	290	883
Impairment loss recognised in respect of trade receivables	536	63
Recurring GEM listing expenses (excluding remuneration of independent non-executive directors)	2,159	2,318
Acquisition costs	—	341
Others	6,716	4,820
	22,927	20,626
Analysed as:		
— corporate holding	2,884	3,178
— corporate finance advisory (Hong Kong)	16,801	16,327
— corporate finance advisory (Beijing)	2,185	916
— asset management	1,057	205
	22,927	20,626

The Group's depreciation and other operating expenses increased by approximately 11.2% to approximately HK\$22.9 million for the Year from approximately HK\$20.6 million for the year ended 31 March 2019. The increase was mainly due to an increase in rental and other operating expenses as a result of the Group's expansion.

Loss for the Year

For the Year, the Group made a loss before tax of approximately HK\$7.5 million (2019: profit before tax of approximately HK\$11.7 million) and after-tax loss was approximately HK\$7.2 million (2019: profit after tax of approximately HK\$9.5 million). The loss was primarily due to the combined effects of (i) approximately HK\$13.3 million decrease in revenue; (ii) approximately HK\$2.9 million decrease in employee benefits costs; (iii) approximately HK\$2.3 million increase in depreciation and other operating expenses; (iv) the fair value loss on financial asset at fair value through profit or loss of approximately HK\$4.0 million; and (v) the impairment loss recognised in respect of intangible asset of HK\$3.0 million.

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 2020, the Group's net current assets amounted to approximately HK\$82.0 million (2019: approximately HK\$101.4 million), and its liquidity as represented by current ratio was approximately 7.6 times (2019: approximately 13.4 times). The cash and cash equivalents amounted to approximately HK\$67.2 million as at 31 March 2020 (2019: approximately HK\$102.0 million). The functional currency of the Group is Hong Kong dollars. As at 31 March 2020, approximately HK\$5.8 million of the Group's cash and cash equivalents was denominated in the other currencies (2019: approximately HK\$6.0 million), including Renminbi, United States Dollars, Euro, Great Britain Pounds, Thai Baht, Malaysia Ringgit and New Taiwan Dollars.

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 2019 and 2020.

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\$0.3 million as at 31 March 2020 (2019: HK\$0.2 million), 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 2020.

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

On 27 December 2019, the Group subscribed for and was allotted Class A shares of CIAF at a consideration of US\$2.8 million, approximately HK\$21.8 million. The subscription was settled by the internal resources of the Group in December 2019. Details of the subscription were set out in the announcement dated 27 December 2019. Except for investments in subsidiaries and the subscription of shares in CIAF, the Group did not hold any significant investments during the Year (2019: nil).

As at 31 March 2020, the Group held 28,000 units of CIAF, representing approximately 26.6% interest in CIAF and amounted to approximately 14.7% of the Group’s total assets. The fair value amounted to approximately HK\$17.7 million and unrealised fair value loss of approximately HK\$4.0 million was recognised for the Year.

The Group committed these funds as part of the launch capital for CIAF for its long term development. CIAF is an open-end fund with no fixed maturity. The timing of the launch was not ideal as CIAF invested the capital shortly before the January high of the Hong Kong stock market. Mark-to-market losses were subsequently incurred but these were unrealised and values have since recovered to a considerable extent. We are confident that in the longer term this investment will yield a satisfactory return in itself and also serve its purpose in underpinning the development of CIAF.

Charge on Assets & Contingent Liabilities

As at 31 March 2020, the Group did not have any charges on its assets (2019: nil) or material contingent liabilities (2019: nil).

Gearing Ratio

As at 31 March 2020, the Group did not have any borrowings (2019: nil) and hence gearing ratio was not applicable.

Dividend

The Board has recommended the payment of a final dividend of HK2.5 cents per Share for the Year (2019: HK5.0 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 Tuesday, 1 September 2020.

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 Monday, 14 September 2020.

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 2020, the Group employed 51 employees (2019: 48).

For the Year, employee benefits costs of the Group (including the Directors' emoluments) were approximately HK\$54.1 million (2019: approximately HK\$57.0 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.

Update of Business Progress and Use of Proceeds

Majority 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 were accomplished as at 31 March 2019 except for the enhancement of the Group's information technology systems. As at 31 March 2020, 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.

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 for the year ended 31 March 2018. On 22 June 2018, the Group announced the change in use of net proceeds of approximately HK\$28.2 million and approximately HK\$25.9 million were utilised for the year ended 31 March 2019.

As at 31 March 2020, the remaining proceeds of approximately HK\$2.3 million were unutilised and will be used for further upgrading and updating IT for the year ending 31 March 2021.

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 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 not achieve a satisfactory level if the investments EISAL manages do not increase, perform poorly or EISAL's clients withdraw assets under EISAL's management.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Company itself is an investment holding company listed on GEM of the Stock Exchange. The Group's operations are carried out by its operating subsidiaries, Somerley Capital and EISAL in Hong Kong, and Somerley Capital (Beijing) Limited in Beijing. Somerley Capital and EISAL are licensed by the Securities and Futures Commission in Hong Kong, and are subject to applicable laws, regulations and codes of relevant regulatory authorities in Hong Kong, such as the SFO and Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong). During the Year and up to the date of this announcement, the Group has complied with all the relevant laws and regulations in Hong Kong and China in all material respects in respect of the business operations of the Group.

OUTLOOK AND PROSPECTS

Corporate finance

Revenue from corporate finance declined by 15% this Year but this level of revenue was largely the same as the average of the published revenues for the three financial years ended 31 March 2019 since our listing in March 2017. The corporate finance business continues to be resilient to a difficult operating environment and achieved a segment profit of HK\$5.3 million despite the local economy being struck by the outbreak of COVID-19 and the worsening relationship between China and the United States of America during the Year. During the Year, the operations of Beijing subsidiary integrated encouragingly with our core corporate finance business.

The outlook of the market is difficult to predict in the midst of the development of COVID-19 pandemic. However, we see some positive signs on certain transactions such as privatisations where we are frequently selected as the advisers. We also see some pick-up in various corporate finance activities after the end of this Year. Revenue from acting as compliance adviser, a relatively stable source of revenue, continues to grow this Year and we will endeavor to maintain this trend to complement the more fluctuating corporate finance advisory income.

Asset management

CIAF was launched during this Year. The Group made a commitment of US\$2.8 million as part of this US\$10 million launch capital of CIAF. The timing of such commitment was not ideal and resulted in an unrealised loss of HK\$4.0 million during the Year, part of which has since being recovered. The gradual easing of border controls and social-distancing restrictions would be helpful for deploying CIAF fund raising initiatives in the coming year.

The Directors will continue to respond to the uncertain market environment. With our stable professional teams who remain hardworking and committed to delivering high quality corporate finance advisory services, we believe the Group will navigate through this tough period of time and continue to deliver value for our 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 2019, are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	NOTES	2020 HK\$'000	2019 HK\$'000
Revenue	4	75,841	89,069
Other income	5	1,666	1,571
		<u>77,507</u>	<u>90,640</u>
Employee benefits costs		(54,079)	(57,024)
Fair value loss on financial assets at fair value through profit or loss		(4,042)	(791)
Depreciation		(10,310)	(1,592)
Introduction expenses		(576)	(511)
Finance cost on lease liabilities		(401)	—
Impairment loss recognised in respect of intangible asset	11	(3,000)	—
Other operating expenses		<u>(12,617)</u>	<u>(19,034)</u>
(Loss) profit before tax	6	(7,518)	11,688
Income tax credit (expense)	7	329	(2,207)
(Loss) profit for the year		(7,189)	9,481
<i>Other comprehensive (expense) income</i>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		<u>(44)</u>	<u>4</u>
Total comprehensive (expense) income for the year		<u><u>(7,233)</u></u>	<u><u>9,485</u></u>

	<i>NOTE</i>	2020 <i>HK\$'000</i>	2019 HK\$'000
(Loss) profit for the year attributable to:			
Owners of the Company		(5,816)	9,616
Non-controlling interests		(1,373)	(135)
		<u>(7,189)</u>	<u>9,481</u>
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		(5,860)	9,620
Non-controlling interests		(1,373)	(135)
		<u>(7,233)</u>	<u>9,485</u>
(Loss) earnings per share			
— basic (HK cents)	9	<u>(4.12)</u>	<u>6.88</u>
— diluted (HK cents)	9	<u>(4.12)</u>	<u>6.85</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	<i>NOTES</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
Non-current assets			
Property and equipment		2,249	4,659
Right-of-use assets	<i>10</i>	13,911	—
Goodwill		1,123	1,123
Intangible asset	<i>11</i>	6,000	9,000
Rental deposit	<i>12</i>	2,594	2,577
Deferred tax asset		47	17
		<hr/> 25,924	<hr/> 17,376
Current assets			
Trade receivables	<i>12</i>	6,854	5,810
Prepayments, deposits and other receivables	<i>12</i>	1,820	1,796
Amount due from ultimate holding company		—	10
Financial assets at fair value through profit or loss	<i>13</i>	17,674	—
Tax recoverable		827	—
Cash and cash equivalents		67,235	101,961
		<hr/> 94,410	<hr/> 109,577
Current liabilities			
Contract liability		334	210
Other payables and accruals		2,500	6,438
Lease liabilities	<i>10</i>	9,499	—
Tax payable		62	1,543
		<hr/> 12,395	<hr/> 8,191
Net current assets		<hr/> 82,015	<hr/> 101,386
Total assets less current liabilities		<hr/> 107,939	<hr/> 118,762

	<i>NOTES</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current liabilities			
Lease liabilities	<i>10</i>	3,721	—
Provision for long service payment		303	267
Provision for reinstatement cost		2,300	2,300
Deferred tax liabilities		1,102	1,688
		<u>7,426</u>	<u>4,255</u>
Net assets		<u>100,513</u>	<u>114,507</u>
Capital and reserves			
Share capital	<i>14</i>	1,413	1,410
Reserves		97,453	110,077
Equity attributable to owners of the Company		98,866	111,487
Non-controlling interests		1,647	3,020
Total equity		<u>100,513</u>	<u>114,507</u>

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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Company has applied the following new and amendments to HKFRSs, which include HKFRSs, Hong Kong Accounting Standards (“HKAS(s)”), amendments and Interpretations (“Int(s)”), issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

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

The impact of the adoption of HKFRS 16 has 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.

Impacts on adoption of HKFRS 16 Leases

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The Group has applied HKFRS 16 Leases retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 April 2019. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 17 Leases.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

The Group as lessee

On adoption of HKFRS 16, the Group recognised lease liability in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17 Leases (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 April 2019. The lessee’s incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 2.44%.

The Group recognises right-of-use asset and measures them at their carrying amount as if HKFRS 16 had been applied since the commencement date, discounted using the lessee’s incremental borrowing rate at the date of initial application.

The following table summarises the impact on transition to HKFRS 16 as at 1 April 2019:

	Carrying amount previously reported at 31 March 2019 <i>HK\$'000</i>	Impact on adoption of HKFRS 16 <i>HK\$'000</i>	Carrying amount as restated at 1 April 2019 <i>HK\$'000</i>
Right-of-use asset	—	20,216	20,216
Property and equipment	4,659	(1,724)	2,935
Lease liability	—	18,662	18,662
Retained earnings	29,118	(170)	28,948

Note: As at 1 April 2019, right-of-use asset was measured at the carrying amount of approximately HK\$18,492,000 as if HKFRS 16 had been applied since the commencement date. The amount of approximately HK\$170,000 represents the difference between the right-of-use asset and the lease liability was recognised as an adjustment to the opening balance of retained earnings. Leasehold improvement (included in property and equipment) which represents the reinstatement cost of leased properties of approximately HK\$1,724,000 as at 31 March 2019 was reclassified to right-of-use asset. Accordingly, the carrying amount of right-of-use asset was approximately HK\$20,216,000 as at 1 April 2019.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 has resulted in a significant change in presentation of cash flows within the consolidated statement of cash flows.

The following table gives an indication of the estimated impact of the adoption of HKFRS 16 on the cash flows for the year ended 31 March 2020, by adjusting the amounts reported under HKFRS 16 in consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2020 instead of HKFRS 16, and by comparing these hypothetical amounts for 2020 with the actual 2019 corresponding amounts which were prepared under HKAS 17.

Line items in the consolidated statement of cash flows for year ended 31 March 2020 impacted by the adoption of HKFRS 16:	2020			2019
	Amounts reported under HKFRS 16	Estimated amounts related to operating leases as if under HKAS 17	Hypothetical amounts as if under HKAS 17	Amounts reported under HKAS17
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash generated from (used in) operations	4,738	(8,801)	(4,063)	15,776
Net cash from (used in) operation activities	2,143	(8,801)	(6,658)	15,267
Repayment of principal of lease liabilities	(8,400)	8,400	—	—
Interest paid in respect of lease liabilities	(401)	401	—	—
Net cash used in financing activities	<u>(15,773)</u>	<u>8,801</u>	<u>(6,972)</u>	<u>(4,647)</u>

The following table summarises the impact on transition to HKFRS 16 on retained earnings as at 1 April 2019:

	<i>HK\$'000</i>
Balance as at 31 March 2019, as originally stated	29,118
Difference between the right-of-use asset and the lease liability	<u>(170)</u>
Balance as at 1 April 2019	<u><u>28,948</u></u>

Differences between operating lease commitment as at 31 March 2019, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liability recognised as at 1 April 2019 are as follow:

	<i>HK\$'000</i>
Operating lease commitment disclosed as at 31 March 2019	<u>19,849</u>
Discounted using the applicable incremental borrowing rate at the date of initial application	19,306
Less:	
Short-term leases accounted for as expenses using the straight-line basis	<u>(644)</u>
Lease liability recognised as at 1 April 2019	<u><u>18,662</u></u>

	<i>HK\$'000</i>
Analysed as:	
Current portion	8,170
Non-current portion	<u>10,492</u>
	<u><u>18,662</u></u>

Practical expedients applied

On the date of initial application of HKFRS 16, the Group has used the following practical expedients permitted by the standard:

- the accounting for operating leases with a remaining lease term of less than 12 months as at 31 March 2019 as short-term leases; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

New and revised HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ¹
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting ¹
Amendments to HKFRS 16	COVID-19 — Related Rent Concessions ⁵

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

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after a date to be determined

⁴ 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

⁵ Effective for annual periods beginning on or after 1 June 2020

The directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

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 2020 and 2019, the directors of the Company have organised the Group into different segments by types of services provided, of which the “Asset management services” was a new segment identified after EISAL became a subsidiary of the Group during the year ended 31 March 2019.

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 by reportable and operating segment.

	For the year ended 31 March 2020			For the year ended 31 March 2019		
	Corporate finance advisory service <i>HK\$'000</i>	Asset management service <i>HK\$'000</i>	Total <i>HK\$'000</i>	Corporate finance advisory service <i>HK\$'000</i>	Asset management service <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>75,617</u>	<u>224</u>	<u>75,841</u>	<u>88,813</u>	<u>256</u>	<u>89,069</u>
Segment profit (loss)	5,262	(5,945)	(683)	16,104	(538)	15,566
Fair value loss on financial assets at fair value through profit or loss			(4,042)			(791)
Corporate and other unallocated expenses			<u>(2,793)</u>			<u>(3,087)</u>
(Loss) profit before tax			<u>(7,518)</u>			<u>11,688</u>

The accounting policies of the operating segments are the same as the Group’s accounting policies. Segment (loss) profit represents the (loss resulted) profit earned from each segment without allocation of interest income, fair value loss on financial assets at fair value through profit or loss 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

	For the year ended 31 March 2020			For the year ended 31 March 2019		
	Corporate finance advisory service HK\$'000	Asset management service HK\$'000	Total HK\$'000	Corporate finance advisory service HK\$'000	Asset management service HK\$'000	Total HK\$'000
Segment assets	62,520	9,548	72,068	67,708	14,668	82,376
Elimination of inter-segment receivables			(66)			(45)
Corporate and other unallocated assets			48,332			44,622
Total assets			<u>120,334</u>			<u>126,953</u>
Segment liabilities	15,630	1,892	17,522	9,089	1,562	10,651
Elimination of inter-segment liabilities			(1,280)			(1,015)
Corporate and other unallocated liabilities			3,579			2,810
Total liabilities			<u>19,821</u>			<u>12,446</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, certain right-of-use assets, financial asset at fair value through profit or loss, cash and cash equivalents, prepayments, deposits and other receivables; and
- all liabilities are allocated to operating segments other than provision for reinstatement cost, certain of lease liabilities, other payables and accruals and tax payable.

Upon application of HKFRS 16, the certain of Group's right-of-use assets and lease liabilities are now included in the measure of segment assets and segment liabilities respectively as at 31 March 2020. Comparative information is not restated.

Other segment information

For the year ended 31 March 2020	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 property and equipment	355	—	—	355
Additions to right-of-use assets	2,074	884	—	2,958
Depreciation of property and equipment	838	—	203	1,041
Depreciation of right-of-use assets	8,550	110	609	9,269
Impairment loss recognised in respect of intangible asset	—	3,000	—	3,000
Impairment loss recognised in respect of trade receivables	536	—	—	536
	<u>536</u>	<u>—</u>	<u>—</u>	<u>536</u>

For the year ended 31 March 2019	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 assets	—	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	63	—	—	63
	<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 are derived from Hong Kong and non-current assets are substantially located in Hong Kong.

Information about major customers

No customer accounted for 10% or more of the Group's revenue for the year ended 31 March 2020. Revenue of approximately HK10,185,000 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.

4. REVENUE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<u>Corporate finance advisory fee income</u>		
— from acting as financial adviser	17,075	36,142
— from acting as independent financial adviser	36,347	34,342
— from acting as compliance adviser	17,881	11,852
— from acting as sponsor and underwriter	4,314	4,200
— others	—	2,277
	75,617	88,813
Asset management fee income	224	256
	75,841	89,069

Disaggregation of revenue by timing of recognition:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<u>Timing of revenue recognition</u>		
Over time	69,683	72,324
At a point in time (fee income from acting as financial adviser) (note)	6,158	16,745
	75,841	89,069

Note: The amount represents the introduction fee and performance obligations only satisfied when the transaction was completed.

Transaction price allocated to the remaining performance obligations

As at 31 March 2020, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately HK\$16,574,000 (2019: HK\$27,504,000). 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 25 months (2019: 37 months).

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

5. OTHER INCOME

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	854	645
Management fee income from ultimate holding company	117	100
Office sharing income and reimbursement of other premises expenses from ultimate holding company	695	518
Other	—	308
	<u>1,666</u>	<u>1,571</u>

6. (LOSS) PROFIT BEFORE TAX

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss) profit for the year has been arrived at after charging (crediting):		
Directors' emoluments	11,212	11,108
Other employee's emoluments		
Salaries, allowances and benefits in kinds	37,613	34,441
Discretionary bonuses	3,998	10,394
Share-based payments	221	212
Contributions to retirement benefits scheme	999	907
Provision for (reversal of provision for) long service payment	36	(38)
	<hr/>	<hr/>
Total employee benefits costs	54,079	57,024
	<hr/>	<hr/>
Auditor's remuneration	601	606
Exchange loss, net	219	17
Depreciation for property and equipment	1,041	1,592
Depreciation for right-of-use assets	9,269	—
Impairment loss recognised in respect of trade receivables	536	63
Operating lease rental payments for rented premises (note)	N/A	8,802
	<hr/> <hr/>	<hr/> <hr/>

Note: Operating lease rental payment for rented premises for the year ended 31 March 2019 represented payments made and accounted for under HKAS 17. The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Details of the lease payments made for the year ended 31 March 2020 are set out in note 10.

7. INCOME TAX (CREDIT) EXPENSE

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:		
Hong Kong	270	2,284
People's Republic of China	62	—
Over provision in prior years:		
Hong Kong	(45)	(22)
Deferred taxation	(616)	(55)
	(329)	2,207

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 years ended 31 March 2020 and 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%.

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 (loss) profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss) profit before tax	<u>(7,518)</u>	<u>11,688</u>
Tax at domestic income tax rate of 16.5% (2019: 16.5%)	(1,240)	1,929
Tax effect of expenses not deductible	910	392
Tax effect of income not taxable for tax purpose	(141)	(106)
Over provision in respect of prior years	(45)	(22)
Tax effect of tax loss not recognised	474	224
Utilisation of tax losses previously not recognised	(134)	—
Tax effect of different tax rates of a subsidiary operating in other jurisdiction	6	(45)
Tax effect of two tier profits tax rates regime	<u>(159)</u>	<u>(165)</u>
Income tax (credit) expense	<u>(329)</u>	<u>2,207</u>

At the end of the reporting period, the Group has estimated tax losses of approximately HK\$16,548,000 (2019: HK\$14,212,000) that are available for offsetting against future taxable profits of the company in which the losses arose. Deferred tax asset has not been recognised due to the unpredictability of future profit streams. As at 31 March 2020, the tax losses may be carried forward indefinitely. As at 31 March 2019, included in the unrecognised tax losses of approximately HK\$537,000 that will expire in one to five years and the remaining tax losses may be carried forward indefinitely.

8. DIVIDENDS

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends recognised as distribution during the year:		
— 2019 Final — HK5 cents (2019: 2018 final dividend — HK3.5 cents) per share	<u>7,064</u>	<u>4,882</u>

Subsequent to the end of the reporting period, a final dividend of HK2.5 cents (2019: HK5 cents) per share in respect of the year ended 31 March 2020 has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

9. (LOSS) EARNINGS PER SHARE

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

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss) earnings		
(Loss) profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation:	<u>(5,816)</u>	<u>9,616</u>
	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares during the year used in the basic earnings per share calculation ('000)	141,176	139,748
Effect of dilutive potential ordinary shares:		
— Share options ('000):	<u>—</u>	<u>554</u>
Weighted average number of ordinary shares during the year used in the diluted (loss) earnings per share calculation ('000)	<u>141,176</u>	<u>140,302</u>

Note:

For the year ended 31 March 2020, diluted loss per share is same as basic loss per share. The computation of diluted loss per share does not assume the exercise of the Company's share options since their exercise would result in a decrease in loss per share.

10. LEASES

(i) Right-of-use assets

	31/3/2020 HK\$'000	1/4/2019 <i>HK\$'000</i>
Buildings	<u>13,911</u>	<u>20,216</u>

The Group has lease arrangements for buildings. The lease terms are generally ranged from two to three years.

Additions to the right-of-use assets for the year ended 31 March 2020 amounted to approximately HK\$2,958,000, due to new leases of buildings.

(ii) Lease liabilities

	31/3/2020 HK\$'000	1/4/2019 <i>HK\$'000</i>
Non-current	3,721	10,492
Current	<u>9,499</u>	<u>8,170</u>
	<u>13,220</u>	<u>18,662</u>

Amounts payable under lease liabilities:

	31/3/2020 HK\$'000
Within one year	9,499
After one year but within two years	3,176
After two years but within five years	<u>545</u>
	13,220
Less: Amount due for settlement within 12 months	<u>(9,499)</u>
Amount due for settlement after 12 months	<u>3,721</u>

(iii) Amounts recognised in profit or loss

	Year ended 31/3/2020 <i>HK\$'000</i>
Depreciation expense on right-of-use assets	9,269
Interest expenses on lease liabilities	401
Expenses relating to short-term leases	932
	<u> </u>

(iv) Others

During the year ended 31 March 2020, the total cash outflow for leases including interest paid on lease liabilities and payment of lease liabilities and short-term leases amount to approximately HK\$9,733,000.

11. INTANGIBLE ASSET

HK\$'000

COST

At 1 April 2018

Arising on acquisition of a subsidiary —
9,000

At 31 March 2019, 1 April 2019 and 31 March 2020 9,000

IMPAIRMENT

At 1 April 2018, 31 March 2019 and 1 April 2019 —

Impairment loss recognised during the year 3,000

At 31 March 2020 3,000

CARRYING VALUE

At 31 March 2020 6,000

At 31 March 2019 9,000

The intangible assets represent licences for regulated activities issued by the SFC (“Licences”).

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 amount is determined based on the value in use derived from the present value of expected future cash flows (2019: at fair value less cost of disposal). The valuation was carried by Fairdex Valuation Advisory Limited, an independent valuer.

The value in use calculation uses cash flow projections based on financial budgets approved by management with discount rate of 17.3%. Cash flow projections during the budget period are also based on the expected asset size under management during the budget period. Expected cash inflows and outflows have been determined based on past performance and management’s expectation for the market developments.

During the year ended 31 March 2020, management of the Group determines that impairment loss of HK\$3,000,000 was recognised as the carrying amount of intangible asset exceeds its recoverable amount.

12. TRADE RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables from		
— Corporate finance advisory service (note i)	7,067	5,847
— Asset management service (note ii)	<u>35</u>	<u>75</u>
	7,102	5,922
Less: Impairment allowance on trade receivables from corporate finance advisory service (note i)	<u>(248)</u>	<u>(112)</u>
	<u>6,854</u>	<u>5,810</u>

At as 31 March 2020, the gross amount of trade receivable arising from contracts with customers amounted to approximately HK\$7,102,000 (2019: HK\$5,922,000).

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Prepayments, deposits and other receivables:		
— non-current assets (rental deposit)	2,594	2,577
— current assets	<u>1,820</u>	<u>1,796</u>
	<u>4,414</u>	<u>4,373</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.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 90 days	6,121	5,232
91-180 days	590	384
Over 180 days	108	119
	<hr/>	<hr/>
Total	6,819	5,735
	<hr/> <hr/>	<hr/> <hr/>

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 individually or collectively 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.

For the year ended 31 March 2020

	Weighted average expected loss rate %	Gross carrying amount <i>HK\$'000</i>	Loss allowance <i>HK\$'000</i>
Less than 90 days past due	0.42	6,147	26
91–180 days past due	4.80	620	30
181–270 days past due	47.50	200	95
More than 270 days past due	97.00	100	97
		<hr/>	<hr/>
		7,067	248
		<hr/> <hr/>	<hr/> <hr/>

For the year ended 31 March 2019

	Weighted average expected loss rate %	Gross carrying amount <i>HK\$'000</i>	Loss allowance <i>HK\$'000</i>
Less than 90 days past due	0.27	5,247	15
91–180 days past due	4.06	400	16
181–270 days past due	40.70	200	81
		<hr/>	<hr/>
		5,847	112
		<hr/> <hr/>	<hr/> <hr/>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At the beginning of the year	112	49
Impairment losses recognised on trade receivables	536	63
Amount written-off as uncollectible	<u>(400)</u>	<u>—</u>
At the end of the year	<u><u>248</u></u>	<u><u>112</u></u>

During the year ended 31 March 2020, trade receivables amounted to approximately HK\$400,000 (2019: nil) were written off. The Group writes off trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

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.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Financial assets at fair value through profit or loss		
Listed equity security, outside Hong Kong	—*	—*
Unlisted investment fund	<u>17,674</u>	<u>—</u>
	<u><u>17,674</u></u>	<u><u>—*</u></u>

* The balance represents an amount less than HK\$500.

14. SHARE CAPITAL

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

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	<u>200,000</u>	<u>2,000</u>
Issued and fully paid:		
At 1 April 2018	138,632	1,386
Exercise of share options (note i)	841	8
Issued as consideration for the acquisition of a subsidiary (note ii)	<u>1,516</u>	<u>16</u>
At 31 March 2019	140,989	1,410
Exercise of share options (note iii)	<u>330</u>	<u>3</u>
At 31 March 2020	<u>141,319</u>	<u>1,413</u>

Notes:

- (i) 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.
- (ii) On 14 December 2018, the Company allotted and issued 1,516,200 ordinary shares of HK\$1.31 each for settlement of the consideration of the acquisition of EISAL amounted to approximately HK\$1,987,000.
- (iii) During the year ended 31 March 2020, share options were exercised at subscription prices HK\$0.28 per ordinary share, resulting in the issue of 330,419 ordinary shares for proceeds of approximately HK\$92,000. An amount of approximately HK\$103,000 was transferred from share option reserve to the share premium account upon exercise of the share options.

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; Mr. CHEUNG Tei Sing Jamie performed the role of vice president of the Somerley Capital, and the Director of the Company's another operating subsidiary in Hong Kong, EISAL. 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.

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. YUEN Kam Tim Francis

Mr. LAW Cheuk Kin Stephen

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 2019, the unaudited consolidated financial statements for the three months ended 30 June 2019, six months ended 30 September 2019 and nine months ended 31 December 2019, 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

510,318 share options were exercised after the Year. An aggregate of 510,318 new Shares at the exercise price of HK\$0.28 have been issued after the Year.

Save as disclosed above, there is no material subsequent event undertaken by the Company or by the Group after 31 March 2020 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 2020 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, 22 June 2020

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 Listed Company Information" 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.