



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 2021

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

- The Group's total revenue decreased by approximately 0.4% to approximately HK\$75.5 million for the year ended 31 March 2021 (the "Year") from approximately HK\$75.8 million for the year ended 31 March 2020.
- Revenue generated from acting as financial adviser ("FA") and as independent financial adviser ("IFA") for the Year amounted to approximately HK\$55.9 million (2020: approximately HK\$53.4 million), accounting for approximately 74.0% of the Group's total revenue (2020: approximately 70.4%).
- Revenue generated from acting as compliance adviser ("CA") for the Year amounted to approximately HK\$19.1 million (2020: approximately HK\$17.9 million), accounting for approximately 25.3% of the Group's total revenue (2020: approximately 23.6%).
- The Group did not engage in sponsorship engagement for the Year. The rest of the Group's revenue for the Year was contributed by the provision of the asset management services.
- For the Year, the Group recorded a profit before tax of approximately HK\$6.9 million (2020: loss before tax of approximately HK\$7.5 million) and after-tax profit was approximately HK\$7.3 million (2020: loss after tax of approximately HK\$7.2 million). The return to profit was primarily due to the combined effects of (i) approximately HK\$1.0 million decrease in employee benefits costs; (ii) approximately HK\$1.3 million decrease in depreciation and other operating expenses; (iii) the turnaround in fair value of The Climate Impact Asia Fund ("CIAF") from loss of approximately HK\$4.0 million to gain of approximately HK\$11.2 million; and (iv) the increase in impairment losses of approximately HK\$2.6 million recognised in respect of intangible asset and goodwill held by the Group's asset management business segment.
- During the Year, the entire interest in CIAF was fully redeemed with the corresponding fair value gain of approximately HK\$11.2 million.
- Net assets increased to approximately HK\$104.5 million as at 31 March 2021 from approximately HK\$100.5 million as at 31 March 2020 mainly due to the combined effect of the profit for the Year of approximately HK\$7.3 million and the distribution of 2019–2020 final dividend of approximately HK\$3.5 million.
- The board of Directors (the "Board") has recommended the payment of a final dividend of HK3.8 cents per share for the Year (2020: HK2.5 cents), subject to the approval of the shareholders at the forthcoming annual general meeting. Such proposed dividend will be payable on or around 27 September 2021 to the shareholders whose names appear on the register of members of the Company at close of business on 14 September 2021. The final dividend will absorb approximately HK\$5.4 million (2020: approximately HK\$3.5 million) as at the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Analysis of Principal Businesses

The Group is an integrated financial services provider licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) and is principally engaged in providing corporate finance advisory services, mainly in Hong Kong, and through its subsidiaries in Hong Kong and Beijing.

The corporate finance advisory business carried on 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, for newly listed and existing 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 (v) acting as advisor to the cross-border mergers and acquisitions.

Environmental Investment Services Asia Limited (“EISAL”) carries on the Group’s asset management business. Previously, EISAL managed CIAF, a sub-fund of Milltrust International Managed Investments ICAV focused on low carbon listed equity investments in the Asian region. Despite the efforts spent by the management and the satisfactory performance of CIAF’s portfolio in second half of 2020, CIAF had not achieved a sufficient size to justify the Group’s continuous investment and in November 2020, EISAL tendered its resignation as CIAF’s investment manager with effective 11 February 2021. The Group is actively considering new projects for EISAL.

During the Year, the Group recorded a profit before tax of approximately HK\$6.9 million, showing a sharp improvement over the loss before tax of approximately HK\$7.5 million for the year ended 31 March 2020.

	For the year ended			For the year ended		
	31 March 2021			31 March 2020		
	CF	AM	Total	CF	AM	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	<u>75,009</u>	<u>447</u>	<u>75,456</u>	<u>75,617</u>	<u>224</u>	<u>75,841</u>
Segment profit (loss)	5,853	(7,736)*	(1,883)	5,262	(5,945)*	(683)
Fair value gain (loss) on the investment in CIAF			11,171			(4,042)
Corporate and other unallocated expenses, net			<u>(2,412)</u>			<u>(2,793)</u>
Profit (loss) before tax			<u>6,876</u>			<u>(7,518)</u>

* Included impairment losses recognised in respect of goodwill and intangible asset.

The corporate finance advisory business segment recorded revenue of approximately HK\$75.0 million (2020: approximately HK\$75.6 million) and a segment profit before tax of approximately HK\$5.9 million (2020: approximately HK\$5.3 million). Overall, the level of corporate finance advisory business performed was stable during the Year.

The asset management business segment recorded revenue of approximately HK\$0.4 million (2020: approximately HK\$0.2 million) and a segment loss before tax of approximately HK\$7.7 million (2020: approximately HK\$5.9 million). The segment loss reflects a decision to impair the entire balance of goodwill of approximately HK\$1.1 million and to impair the carrying amount of intangible asset of HK\$6.0 million by HK\$4.5 million (2020: HK\$3.0 million) in view of the closure of CIAF. Despite the efforts spent by the management and the operation team on developing the business, the economic uncertainties have adversely impacted on the size of CIAF, resulting in the impairment losses being recognised for the Year.

During the year ended 31 March 2020, approximately HK\$4.0 million decrease in the fair value of the Group's investment in CIAF was recognised, reflecting adverse stock market conditions during the initial outbreak of the COVID-19 pandemic. The global stock market has recovered quite strongly during the Year. Because of this and the Group's full redemption of its shares in CIAF due to its closure, a fair value gain of approximately HK\$11.2 million was recognised in respect of the Group's entire interest in CIAF during the Year. Details of the investment in CIAF and its redemption are set out in section headed "Significant Investment" below.

During the Year, the Group recorded a profit after tax of approximately HK\$7.3 million (2020: loss after tax of approximately HK\$7.2 million). The return to profit was mainly due to the combined effects of (i) the net decrease in total operating expenses; (ii) the turnaround in fair value of CIAF and the corresponding gain as a result of its full redemption; and (iii) the increase in impairment losses in respect of the intangible and goodwill held by the Group's asset management business segment.

Impact of COVID-19 Pandemic

In respect of market risk, the COVID-19 pandemic led to a slowdown in business activities in the first half of 2020 and a number of the Group's projects were delayed or halted. The economy has shown its strong resilience in the second half of 2020. With reference to the Takeovers Bulletin published by the Securities and Futures Commission (Issue No. 49 to 56), there were, in aggregate, 59 takeovers-related cases and whitewashes received during the second half of 2020, representing approximately 59.5% and 51.3% increases as compared to those received during the first half of 2020 and second half of 2019, respectively. In addition, with reference to the Fact Book 2020 published by the Stock Exchange, there were 146 new listings (excluding the transfer of listing from GEM) in 2020 (2019: 163). The Group secured 19 new compliance advisory engagements (2019: 12).

In respect of operational risk, the Group has implemented certain work-from-home measures such as flexible working hours and split team arrangement to promote social distancing preventive measures and help maintain the Group's operation. During the Year, there was no major operational risk event. The Group is committed to maintaining measures to mitigate any operational risk in case of possible intensification of the COVID-19 pandemic in the future or any other business disruptive event occurring.

In respect of credit risk, the Group has implemented relevant measures to closely monitor the amounts outstanding. As the clients served by the Group are mainly listed companies, the credit risk is considered moderate but defaults on payments by clients may have a material impact on profitability.

In respect of liquidity risk, the Group has maintained a high level of liquidity, especially in light of the realisation of the units in CIAF, and the impact of COVID-19 on the Group in this respect has not been significant.

FINANCIAL REVIEW

Revenue

The Group's total revenue decreased by approximately 0.4% to approximately HK\$75.5 million for the Year from approximately HK\$75.8 million for the year ended 31 March 2020.

Revenue generated from acting as FA and as IFA for the Year amounted to approximately HK\$55.9 million (2020: approximately HK\$53.4 million), accounting for approximately 74.0% of the Group's total revenue (2020: approximately 70.4%). The increase is mainly attributable to, among other factors, the increase in the number of engagements taken up 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 CA for the Year amounted to approximately HK\$19.1 million (2020: approximately HK\$17.9 million), accounting for approximately 25.3% of the Group's total revenue (2020: approximately 23.6%). CA activities continue to provide a stable source of income to the Group, complementing the more fluctuating corporate finance advisory income.

The Group did not engage in sponsorship engagement for the Year. The rest of the Group's revenue for the Year was contributed by the provision of the asset management services.

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 decreased to approximately HK\$1.3 million for the Year from approximately HK\$1.7 million for the year ended 31 March 2020, primarily due to the combined effect of: (i) the decrease in interest income from bank deposits; and (ii) the discretionary management fee income received by EISAL from SGL and Mr. SABINE Martin Nevil, the controlling shareholders of the Group, in respect of fair value gains from their investments in shares of CIAF.

Employee Benefits Costs

The Group's employee benefits costs primarily consist of fees, salaries, bonuses, share-based payments and allowances as well as contributions to the retirement benefits scheme for the Directors and the employees of the Group.

	For the year ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
Fees, salaries, allowances and other benefits	46,302	48,665
Discretionary bonuses	5,920	3,998
Share-based payments	—	381
Contributions to the retirement benefits scheme	925	1,035
	<u>53,147</u>	<u>54,079</u>
Analysed as:		
— corporate holding	720	1,101
— corporate finance advisory (Hong Kong)	47,645	48,406
— corporate finance advisory (Beijing)	2,368	2,463
— asset management	2,414	2,109
	<u>53,147</u>	<u>54,079</u>

Employee benefits costs decreased by approximately 1.8% to approximately HK\$53.1 million for the Year from approximately HK\$54.1 million for the year ended 31 March 2020, primarily due to the combined effects of: (i) the receipts of the government grant of approximately HK\$2.5 million from the Employment Support Scheme under the Anti-Epidemic Fund; and (ii) the increase in discretionary bonuses.

Depreciation and Other Operating Expenses

The Group 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 certain rental expenses under short-term leases, 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	
	2021	2020
	HK\$'000	HK\$'000
Depreciation of property and equipment	1,042	1,041
Depreciation of right-of-use assets	10,158	9,269
	11,200	10,310
Rental expenses and other premises expenses	2,096	2,916
Travelling expenses	214	290
Impairment loss recognised in respect of trade receivables	793	536
Recurring GEM listing expenses (excluding remuneration of independent non-executive directors)	1,673	2,159
Others	5,631	6,716
	21,607	22,927
Analysed as:		
— corporate holding	2,445	2,884
— corporate finance advisory (Hong Kong)	16,679	16,801
— corporate finance advisory (Beijing)	1,579	2,185
— asset management	904	1,057
	21,607	22,927

The Group's depreciation and other operating expenses decreased by approximately 5.7% to approximately HK\$21.6 million for the Year from approximately HK\$22.9 million for the year ended 31 March 2020. The decrease was mainly due to the decrease in recurring GEM listing expenses mainly attributable to resignation of joint company secretary since June 2020 and the general decrease in other operating expenses as a result of the Group's cost saving measures and the absence of one-off agency cost incurred for new hires.

Income tax credit

The Group's income tax expense primarily includes provisions for Profits Tax in Hong Kong and Corporate Income Tax in People's Republic in China, and deferred income tax expenses. During the Year, the Group recognised an impairment loss in respect of an intangible asset, resulting in a corresponding deferred tax income of approximately HK\$0.7 million which offset current income tax expenses.

Profit for the Year

For the Year, the Group recorded a profit before tax of approximately HK\$6.9 million (2020: loss before tax of approximately HK\$7.5 million) and after-tax profit was approximately HK\$7.3 million (2020: loss after tax of approximately HK\$7.2 million). The return to profit was primarily due to the combined effects of (i) approximately HK\$1.0 million decrease in employee benefits costs; (ii) approximately HK\$1.3 million decrease in depreciation and other operating expenses; (iii) the turnaround in fair value of CIAF from loss of approximately HK\$4.0 million to gain of approximately HK\$11.2 million; and (iv) the increase in impairment losses of approximately HK\$2.6 million recognised in respect of intangible asset and goodwill held by the Group's asset management business segment.

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 2021, the Group's net current assets amounted to approximately HK\$98.5 million (2020: approximately HK\$82.0 million), and its liquidity as represented by current ratio was approximately 10.5 times (2020: approximately 7.6 times). The cash and cash equivalents amounted to approximately HK\$96.5 million as at 31 March 2021 (2020: approximately HK\$67.2 million). The functional currency of the Group is Hong Kong dollars. As at 31 March 2021, approximately HK\$6.4 million of the Group's cash and cash equivalents was denominated in the other currencies (2020: approximately HK\$5.8 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 2020 and 2021.

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 no capital commitment as at 31 March 2021 (2020: approximately HK\$0.3 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 2021.

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 28,000 units of Class A shares of CIAF at a consideration of US\$2.8 million, equivalent to 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 Company’s 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 (2020: nil).

Despite the satisfactory performance of CIAF’s portfolio during the Year, it has not achieved a sufficient size to justify EISAL devoting its resources indefinitely to its management. Given EISAL’s resignation as CIAF’s investment manager, there was no longer a strategic reason for the Company’s investment in CIAF. The Directors consider that the redemption of the units in CIAF represented a good opportunity to realise the Group’s fair value gain on the CIAF.

In December 2020, the Company made a request to redeem its entire interest in CIAF. The Company has also received a notice that CIAF would be closed on or before 21 February 2021.

During the Year, the entire interest in CIAF was fully redeemed with the corresponding fair value gain of approximately HK\$11.2 million.

Details of the redemptions were set out in the Company’s announcements dated 1 December 2020, 6 January 2021, 14 January 2021, 17 February 2021 and 26 February 2021.

Charge on Assets & Contingent Liabilities

As at 31 March 2021, the Group did not have any charges on its assets (2020: nil) or material contingent liabilities (2020: nil).

Gearing Ratio

As at 31 March 2021, the Group did not have any borrowings (2020: nil) and hence a gearing ratio was not applicable.

Dividend

The board of Directors (the “Board”) has recommended the payment of a final dividend of HK3.8 cents per Share for the Year (2020: HK2.5 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 Wednesday, 1 September 2021.

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 Tuesday, 14 September 2021.

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 2021, the Group employed 50 employees (2020: 51).

For the Year, employee benefits costs of the Group (including the Directors' emoluments) were approximately HK\$53.1 million (2020: approximately HK\$54.1 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. The Group has also developed training programs to its management and employees to ensure they are properly trained.

Update of Business Progress and Use of Proceeds

The 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 2021, the enhancement of the Group's information technology ("IT") infrastructure and the implementation of the business continuity plan was 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 and approximately HK\$27.7 million was utilised for the year ended 31 March 2018. On 22 June 2018, the Group announced a change in use of net proceeds of approximately HK\$28.2 million and approximately HK\$25.9 million was utilised in accordance with that announcement for the year ended 31 March 2020.

As at 31 March 2021, remaining proceeds of approximately HK\$2.1 million were unutilised and will be used for further upgrading and updating IT for the year ending 31 March 2022.

As disclosed in the Prospectus, to the extent that the net proceeds from the Listing were not immediately required for the above purposes, they were placed on short-term interest bearing deposits with authorised financial institutions in Hong Kong.

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 were outstanding as at 31 March 2021;
- (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 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

Despite of the disruption of COVID-19 during the entire financial year ended 31 March 2021, revenue and profitability from corporate finance remain stable at a level of around HK\$75.0 million and HK\$5.9 million, which is very similar to previous financial year. Because of border restrictions and barriers for certain face-to-face meeting with clients in PRC, the role of the Group's Beijing team has becoming more crucial in assisting the core corporate finance teams in Hong Kong. As the Group returns to profit for the Year, the Directors have recommended for a final dividend of HK3.8 cents per Share (2020: HK2.5 cents per Share).

Although there are signs of returning to normal in some parts of the world, Asia seems to be lagging behind. As most of the Group's clients are in Hong Kong and China, market outlook for the financial year ending 31 March 2022 continued to be less predictable but there are positive signs. The Group continues to be active in advising for privatisation deals and the Group's compliance advisory portfolio continues to grow during the Year and for the upcoming financial year. The Group is also exploring new business initiatives including ideas relating to digital finance.

As usual, the Directors will continue to react proactively in uncertain market environments. The Group's professional teams remain stable and hardworking and will continue to provide high quality corporate finance advisory services to its clients. The Directors will endeavour to achieve value for the 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 2020, are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

		2021	2020
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	75,456	75,841
Other income	5	<u>1,317</u>	<u>1,666</u>
		76,773	77,507
Employee benefits costs		(53,147)	(54,079)
Fair value gain (loss) on financial assets at fair value through profit or loss		11,171	(4,042)
Depreciation		(11,200)	(10,310)
Introduction expenses		(435)	(576)
Finance cost on lease liabilities		(256)	(401)
Impairment loss recognised in respect of intangible asset		(4,500)	(3,000)
Impairment loss recognised in respect of goodwill		(1,123)	—
Other operating expenses		<u>(10,407)</u>	<u>(12,617)</u>
Profit (loss) before tax	6	6,876	(7,518)
Income tax credit	7	<u>472</u>	<u>329</u>
Profit (loss) for the year		7,348	(7,189)
<i>Other comprehensive income (expense)</i>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		<u>78</u>	<u>(44)</u>
Total comprehensive income (expense) for the year		<u><u>7,426</u></u>	<u><u>(7,233)</u></u>

	<i>NOTES</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit (loss) for the year attributable to:			
Owners of the Company		8,540	(5,816)
Non-controlling interests		(1,192)	(1,373)
		<u>7,348</u>	<u>(7,189)</u>
 Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		8,618	(5,860)
Non-controlling interests		(1,192)	(1,373)
		<u>7,426</u>	<u>(7,233)</u>
 Earnings (loss) per share			
— basic (HK cents)	9	<u>6.03</u>	<u>(4.12)</u>
— diluted (HK cents)	9	<u>5.83</u>	<u>(4.12)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property and equipment		1,421	2,249
Right-of-use assets	10	3,729	13,911
Goodwill	11	—	1,123
Intangible asset	12	1,500	6,000
Rental deposit	13	234	2,594
Deferred tax asset		127	47
		<u>7,011</u>	<u>25,924</u>
Current assets			
Trade receivables	13	7,486	6,854
Prepayments, deposits and other receivables	13	4,839	1,820
Financial assets at fair value through profit or loss		1	17,674
Tax recoverable		—	827
Cash and cash equivalents		96,478	67,235
		<u>108,804</u>	<u>94,410</u>
Current liabilities			
Contract liability		323	334
Other payables and accruals		4,126	2,500
Lease liabilities	10	3,238	9,499
Provision for reinstatement cost		2,300	—
Tax payable		363	62
		<u>10,350</u>	<u>12,395</u>
Net current assets		<u>98,454</u>	<u>82,015</u>
Total assets less current liabilities		<u>105,465</u>	<u>107,939</u>

	<i>NOTES</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current liabilities			
Lease liabilities	<i>10</i>	545	3,721
Provision for long service payment		130	303
Provision for reinstatement cost		—	2,300
Deferred tax liabilities		247	1,102
		<u>922</u>	<u>7,426</u>
Net assets		<u>104,543</u>	<u>100,513</u>
Capital and reserves			
Share capital	<i>14</i>	1,419	1,413
Reserves		102,719	97,453
Equity attributable to owners of the Company		104,138	98,866
Non-controlling interests		405	1,647
Total equity		<u>104,543</u>	<u>100,513</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 Group has applied, for the first time, the Amendments to References to the Conceptual Framework in Hong Kong Financial Reporting Standards (“HKFRSs”) and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) which are effective for the Group’s financial year beginning on 1 April 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRSs and the amendments to HKFRSs in the current year has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

New and amendments to 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 and related Amendments ⁵
Amendments to HKFRS 3	Reference to Conceptual Framework ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements- Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁵
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use ³
Amendments to HKAS 37	Onerous Contracts- Cost of Fulfilling a Contract ³
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 cycle ³
Amendment to HKFRS 16	COVID-19-Related Rent Concessions ⁴
Amendments to HKFRS 16	COVID-19-Related Rent Concessions Beyond 30 June 2021 ⁶
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ⁵
Amendments to HKAS 8	Definition of Accounting Estimates and Errors ⁵
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transactions ⁵

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

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2022.

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after 1 January 2023.

⁶ Effective for annual periods beginning on or after 1 April 2021.

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 2021 and 2020, the directors of the Company have organised the Group into different segments by types of services provided.

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 2021			For the year ended 31 March 2020		
	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>75,009</u>	<u>447</u>	<u>75,456</u>	<u>75,617</u>	<u>224</u>	<u>75,841</u>
Segment profit (loss)	5,853	(7,736)	(1,883)	5,262	(5,945)	(683)
Fair value gain (loss) on financial assets at fair value through profit or loss			11,171			(4,042)
Corporate and other unallocated expenses			<u>(2,412)</u>			<u>(2,793)</u>
Profit (loss) before tax			<u>6,876</u>			<u>(7,518)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned (loss resulted) from each segment without allocation of interest income, fair value gain (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 2021			For the year ended 31 March 2020		
	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 assets	58,299	3,237	61,536	62,520	9,548	72,068
Elimination of inter-segment receivables			(92)			(66)
Corporate and other unallocated assets			54,371			48,332
Total assets			<u>115,815</u>			<u>120,334</u>
Segment liabilities	8,712	667	9,379	15,630	1,892	17,522
Elimination of inter-segment liabilities			(1,292)			(1,280)
Corporate and other unallocated liabilities			3,185			3,579
Total liabilities			<u>11,272</u>			<u>19,821</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.

Other segment information

For the year ended 31 March 2021	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	214	—	—	214
Depreciation of property and equipment	840	—	202	1,042
Depreciation of right-of-use assets	9,106	442	610	10,158
Impairment loss recognised in respect of intangible asset	—	4,500	—	4,500
Impairment loss recognised in respect of goodwill	—	1,123	—	1,123
Impairment loss recognised in respect of trade receivables	793	—	—	793
	<u>793</u>	<u>—</u>	<u>—</u>	<u>793</u>
	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>
For the year ended 31 March 2020				
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>

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 years ended 31 March 2021 and 2020.

4. REVENUE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Corporate finance advisory fee income		
— from acting as financial adviser	20,120	17,075
— from acting as independent financial adviser	35,778	36,347
— from acting as compliance adviser	19,111	17,881
— from acting as sponsor	—	4,314
	<u>75,009</u>	<u>75,617</u>
Asset management fee income	447	224
	<u>75,456</u>	<u>75,841</u>

Disaggregation of revenue by timing of recognition:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Timing of revenue recognition		
Over time	75,378	69,683
At a point in time (fee income from acting as financial adviser) (note)	78	6,158
	<u>75,456</u>	<u>75,841</u>

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 2021, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately HK\$29,654,000 (2020: HK\$16,574,000). 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 33 months (2020: 25 months).

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

5. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank interest income	123	854
Management fee income from ultimate holding company and controlling shareholder	497	117
Office sharing income and reimbursement of other premises expenses from ultimate holding company	696	695
Other	1	—
	<u>1,317</u>	<u>1,666</u>

6. PROFIT (LOSS) BEFORE TAX

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit (loss) for the year has been arrived at after charging (crediting):		
Directors' emoluments	11,052	11,212
Other employee's emoluments		
Salaries, allowances and benefits in kinds (note)	35,459	37,613
Discretionary bonuses	5,920	3,998
Share-based payments	—	221
Contributions to retirement benefits scheme	889	999
(Reversal of provision for) provision for long service payment	(173)	36
	<u>53,147</u>	<u>54,079</u>
Total employee benefits costs		
Auditor's remuneration	446	601
Exchange loss, net	190	219
Depreciation for property and equipment	1,042	1,041
Depreciation for right-of-use assets	10,158	9,269
Impairment loss recognised in respect of trade receivables	793	536
	<u><u>793</u></u>	<u><u>536</u></u>

Note: Wage subsidies of approximately HK\$2,456,000 granted from the Employment Support Scheme under Anti-Epidemic Fund for the use of paying wages of employees have been recognised during the year ended 31 March 2021. The amounts had been offset with the employee benefits costs.

7. INCOME TAX CREDIT

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current income tax:		
Hong Kong	499	270
People's Republic of China	4	62
Over provision in prior years:		
Hong Kong	(40)	(45)
Deferred taxation	(935)	(616)
	<u>(472)</u>	<u>(329)</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 years ended 31 March 2021 and 2020, 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 credit for the year can be reconciled to the profit (loss) before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>
Profit (loss) before tax	6,876	(7,518)
Tax at domestic income tax rate of 16.5% (2020: 16.5%)	1,134	(1,240)
Tax effect of expenses not deductible	347	910
Tax effect of income not taxable for tax purpose	(2,272)	(141)
Over provision in respect of prior years	(40)	(45)
Tax effect of tax loss not recognised	542	474
Utilisation of tax losses previously not recognised	—	(134)
Tax effect of different tax rates of a subsidiary operating in other jurisdiction	(18)	6
Tax effect of two tier profits tax rates regime	(165)	(159)
Income tax credit	(472)	(329)

At the end of the reporting period, the Group has estimated tax losses of approximately HK\$19,833,000 (2020: HK\$16,548,000) 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 2021, the unrecognised tax losses of approximately HK\$911,000 (2020: nil) will expire within five years and the remaining tax losses may be carried forward indefinitely. As at 31 March 2020, the tax losses may be carried forward indefinitely.

8. DIVIDENDS

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends recognised as distribution during the year:		
— 2020 Final — HK2.5 cents (2020: 2019 final dividend — HK5 cents) per share	3,546	7,064

Subsequent to the end of the reporting period, a final dividend of HK3.8 cents (2020: HK2.5 cents) per share in respect of the year ended 31 March 2021 has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

9. EARNINGS (LOSS) PER SHARE

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings (loss)		
Profit (loss) attributable to owners of the Company, used in the basic and diluted earnings per share calculation:	8,540	(5,816)

	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares during the year used in the basic earnings (loss) per share calculation ('000)	141,722	141,176
Effect of dilutive potential ordinary shares:		
— Share options ('000)	<u>4,829</u>	<u>—</u>
Weighted average number of ordinary shares during the year used in the diluted earnings (loss) per share calculation ('000)	<u>146,551</u>	<u>141,176</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

	2021	2020
	HK\$'000	HK\$'000
Buildings	<u>3,729</u>	<u>13,911</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

	2021	2020
	HK\$'000	HK\$'000
Non-current	545	3,721
Current	<u>3,238</u>	<u>9,499</u>
	<u>3,783</u>	<u>13,220</u>

Amounts payable under lease liabilities:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	3,238	9,499
After one year but within two years	545	3,176
After two years but within five years	<u>—</u>	<u>545</u>
	3,783	13,220
Less: Amount due for settlement within 12 months	<u>(3,238)</u>	<u>(9,499)</u>
Amount due for settlement after 12 months	<u>545</u>	<u>3,721</u>

(iii) Amounts recognised in profit or loss

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation expense on right-of-use assets	10,158	9,269
Interest expenses on lease liabilities	256	401
Expenses relating to short-term leases	<u>—</u>	<u>932</u>

(iv) Others

During the year ended 31 March 2021, the total cash outflow for leases including interest paid on lease liabilities, payment of lease liabilities and short-term leases amounts to approximately HK\$9,693,000 (2020: HK\$9,733,000).

11. GOODWILL

HK\$'000

COST

At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021 1,123

IMPAIRMENT

At 1 April 2019, 31 March 2020 and 1 April 2020 —

Impairment loss recognised during the year 1,123

At 31 March 2021 1,123

CARRYING VALUE

At 31 March 2021 —

At 31 March 2020 1,123

For the purposes of impairment testing, goodwill set out above has been allocated to the CGU, relating to the asset management segment.

During the year ended 31 March 2021, the Group recognised an impairment loss of approximately HK\$1,123,000 and the goodwill has been fully impaired. Based on the profit forecast prepared by the management, the recoverable amount, which was primarily affected by lack of new subscription for the investment fund and the increasingly competitive business environment of asset management service, of the CGU was estimated to be less than its carrying amount.

During the year ended 31 March 2020, management of the Group determines that there is no impairment on goodwill.

12. INTANGIBLE ASSET

HK\$'000

COST

At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021 9,000

IMPAIRMENT

At 1 April 2019 —

Impairment loss recognised during the year 3,000

At 31 March 2020 and 1 April 2020 3,000

Impairment loss recognised during the year 4,500

At 31 March 2021 7,500

CARRYING VALUE

At 31 March 2021 1,500

At 31 March 2020 6,000

The intangible asset represents 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.

As at 31 March 2021, the management of the Group conducted an impairment assessment on intangible asset of the asset management service segment. An independent valuer, Fairdex Valuation Advisory Limited was engaged by the management of the Group to assess the recoverable amount of intangible asset with reference to the fair value less cost of disposal based on Level 3 hierarchy using replacement cost approach with key assumptions in relation to remuneration of responsible officers and rental expense (2020: value in use derived from the present value of expected future cash flows). As at 31 March 2021, the carrying amounts of the intangible asset have been reduced to their recoverable amounts and impairment losses of HK\$4,500,000 (2019: HK\$3,000,000) was recognised during the year with reference to the fair value less cost of disposal. The carrying amounts of intangible asset after impairment amounted to HK\$1,500,000 (2019: HK\$6,000,000).

13. TRADE RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables from		
— Corporate finance advisory service (note i)	8,152	7,067
— Asset management service (note ii)	<u>—</u>	<u>35</u>
	8,152	7,102
Less: Impairment allowance on trade receivables from corporate finance advisory service (note i)	<u>(666)</u>	<u>(248)</u>
	<u>7,486</u>	<u>6,854</u>

As at 31 March 2021, the gross amount of trade receivable arising from contracts with customers amounted to approximately HK\$8,152,000 (2020: HK\$7,102,000).

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Prepayments, deposits and other receivables:		
— non-current assets (rental deposit)	234	2,594
— current assets	<u>4,839</u>	<u>1,820</u>
	<u>5,073</u>	<u>4,414</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.

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	6,775	6,121
91–180 days	361	590
Over 180 days	350	108
	<hr/>	<hr/>
Total	<u>7,486</u>	<u>6,819</u>

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. 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 2021

	Weighted average expected loss rate %	Gross carrying amount <i>HK\$'000</i>	Loss allowance <i>HK\$'000</i>
Less than 90 days past due	0.43	6,804	29
91–180 days past due	4.95	380	19
181–270 days past due	42.00	530	223
271–365 days past due	88.45	100	88
More than 365 days past due	90.85	338	307
		<hr/>	<hr/>
		<u>8,152</u>	<u>666</u>

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
		<u>7,067</u>	<u>248</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At the beginning of the year	248	112
Impairment losses recognised on trade receivables	793	536
Amount written-off as uncollectible	(375)	(400)
At the end of the year	<u>666</u>	<u>248</u>

During the year ended 31 March 2021, trade receivables amounted to approximately HK\$375,000 (2020: HK\$400,000) 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

As at 31 March 2020, trade receivables related to one independent customer. No impairment loss allowance has been provided as the related allowances were considered immaterial and there was no credit default history of the customer. The trade receivables were aged within 90 days based on the invoice date.

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 2019, 31 March 2020, 1 April 2020 and 31 March 2021	<u>200,000</u>	<u>2,000</u>
Issued and fully paid:		
At 1 April 2019	140,989	1,410
Exercise of share options (note i)	<u>330</u>	<u>3</u>
At 31 March 2020 and 1 April 2020	141,319	1,413
Exercise of share options (note ii)	<u>540</u>	<u>6</u>
At 31 March 2021	<u>141,859</u>	<u>1,419</u>

Notes:

- (i) 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.
- (ii) During the year ended 31 March 2021, share options were exercised at subscription prices HK\$0.28 and HK\$0.21 per ordinary share, resulting in the issue of 510,318 and 29,919 ordinary shares for proceeds of approximately HK\$143,000 and HK\$7,000 respectively. Amounts of approximately HK\$181,000 and HK\$11,000 was transferred from share option reserve to the share premium account upon exercise of the share options respectively.

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 Limited, 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 Somerley Capital Limited, and Director of 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 2020, the unaudited consolidated financial statements for the three months ended 30 June 2020, six months ended 30 September 2020 and nine months ended 31 December 2020, 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 Dealings").

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

120,133 share options were exercised after the Year. An aggregate of 120,133 new Shares at the exercise price of HK\$0.21 have been issued after the Year.

Saved as disclosed above, there is no material subsequent event undertaken by the Company or by the Group after 31 March 2021 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 2021 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, 24 June 2021

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.