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 2017

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

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

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

This announcement, for which the directors (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 the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

FINANCIAL HIGHLIGHTS

- Revenue from corporate finance activities for the year ended 31 March 2017 remained steady at last year's level of approximately HK$67.9 million.
- Revenue generated from acting as financial advisers and independent financial advisers for the year ended 31 March 2017 amounted to approximately HK$56.5 million (2016: approximately HK$56.0 million), accounting for approximately 83.2% of the Group's total revenue (2016: approximately 82.5%).
- Revenue generated from compliance advisory business for the year ended 31 March 2017 amounted to approximately HK$10.2 million (2016: approximately HK$11.0 million), accounting for approximately 15.0% of our total revenue (2016: approximately 16.2%).
- Revenue from acting as sponsor and underwriter was approximately HK$1.0 million (2016: nil).
- Profit before tax was approximately HK$128,000 (2016: approximately HK$11.5 million) which is calculated after deduction of one-off listing expenses of approximately HK$9.2 million (2016: approximately HK$1.2 million). After a tax charge of approximately HK$2.9 million (2016: approximately HK$2.2 million), there was a loss attributable to owners of the Company of approximately HK$2.8 million (2016: profit attributable to owners of the Company of approximately HK$9.3 million). The loss was mainly attributable to (i) the increase in other operating expenses of approximately HK$8.6 million primarily due to the recognition of one-off listing expenses, (ii) the increase in aggregate employee benefits costs of approximately HK$2.6 million (including share-based payments of approximately HK$6.4 million) and (iii) the decrease in other income of approximately HK$1.4 million during the year ended 31 March 2017.
- Net assets as at 31 March 2017 were approximately HK$96.5 million (2016: approximately HK$26.4 million). The increase was principally due to receipt of the net proceeds of the Group's successful listing on GEM of the Stock Exchange on 28 March 2017.
- The Board does not recommend payment of a final dividend for the year ended 31 March 2017 (2016: nil).

THE FINANCIAL STATEMENTS

ANNUAL RESULTS

The board of Directors (the "Board") of the Company announces that the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2017, together with the comparative audited figures for the previous corresponding period in 2016, are as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 March 2017

	Notes	**2017** **HK$'000**	2016 *HK$'000*
Revenue	*4*	**67,901**	67,945
Other income	*5*	**2,215**	3,626
		70,116	71,571
Employee benefits costs		**(48,247)**	(45,565)
Depreciation for property and equipment		**(258)**	(891)
Introduction expenses		**(881)**	(1,604)
Other operating expenses		**(20,602)**	(12,028)
Profit before tax	*6*	**128**	11,483
Income tax expense	*7*	**(2,935)**	(2,184)
(Loss) profit and total comprehensive (expense) income for the year attributable to the owners of the Company		**(2,807)**	9,299
(Loss) earnings per share — basic and diluted (HK$)	*9*	**(0.03)**	0.09

Consolidated Statement of Financial Position

As at 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property and equipment		**1,089**	628
Deferred tax asset		**38**	131
		1,127	759
Current assets			
Trade receivables	*10*	**10,253**	7,529
Prepayments, deposits and other receivables		**508**	639
Tax recoverable		**—**	506
Cash and cash equivalents		**90,540**	35,881
		101,301	44,555
Current liabilities			
Other payables and accruals		**4,662**	17,501
Amount due to a fellow subsidiary		**—**	489
Amount due to ultimate holding company		**423**	617
Tax payable		**538**	—
		5,623	18,607
Net current assets		**95,678**	25,948
Total assets less current liabilities		**96,805**	26,707
Non-current liability			
Provision for long service payment		**350**	282
Net assets		**96,455**	26,425
Capital and reserves			
Share capital	*11*	**1,350**	10,000
Reserves		**95,105**	16,425
Total equity		**96,455**	26,425

Consolidated Statement of Changes in Equity

For the year ended 31 March 2017

	Attributable to the owners of the Company						
	Share capital	**Share premium**	**Retained earnings**	**Shareholder contribution reserve**	**Share option reserve**	**Other reserve *(Note)***	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2015	10,000	—	21,126	—	—	—	31,126
Profit and total comprehensive income for the year	—	—	9,299	—	—	—	9,299
Dividend recognised as distribution	—	—	(14,000)	—	—	—	(14,000)
At 31 March 2016	10,000	—	16,425	—	—	—	26,425
Loss and total comprehensive expense for the year	**—**	**—**	**(2,807)**	**—**	**—**	**—**	**(2,807)**
Issues of shares to ultimate holding company *(note 11(i))*	**100**	**—**	**—**	**—**	**—**	**—**	**100**
Recognition of equity-settled share-based payments	**—**	**—**	**—**	**—**	**2,228**	**—**	**2,228**
Contribution from shareholder	**—**	**—**	**—**	**4,179**	**—**	**—**	**4,179**
Transfer upon a group reorganisation	**(9,900)**	**—**	**—**	**—**	**—**	**9,900**	**—**
Issue of shares pursuant to public offering *(note 11(iii))*	**350**	**71,400**	**—**	**—**	**—**	**—**	**71,750**
Issue of shares by capitalisation of share premium account *(note 11(iii))*	**800**	**(800)**	**—**	**—**	**—**	**—**	**—**
Expenses incurred in connection with issue of new shares *(note 11(iii))*	**—**	**(5,420)**	**—**	**—**	**—**	**—**	**(5,420)**
At 31 March 2017	**1,350**	**65,180**	**13,618**	**4,179**	**2,228**	**9,900**	**96,455**

Note: Other reserve represented the difference between the nominal amount of the share capital of Somerley Capital Limited ("Somerley Capital") and the nominal amount of the share capital issued by the Company pursuant to a group reorganisation.

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 were listed on the GEM of the Stock Exchange. Its parent is Somerley Group Limited ("SGL") and its ultimate beneficial owners during the reporting period are Mr. SABINE Martin Nevil, Mr. CHEUNG Tei Sing Jamie, Mr. FLETCHER John Wilfred Sword and Ms. FONG Sau Man Cecilia. The addresses of the registered office and the principal place of business of the Company are 20th Floor, China Building, 29 Queen's Road Central, Central, Hong Kong.

The Company is principally engaged in investment holding. The Group's only operating subsidiary is mainly engaged in the provision of corporate finance advisory services.

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

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Pursuant to the group reorganisation (the "Reorganisation") of the Company, as described in the section headed "History and Development — Reorganisation" in the prospectus of the Company dated 15 March 2017 (the "Prospectus"), the Company became the holding company of the companies now comprising the Group after the completion of the Reorganisation on 9 March 2017. The Group, comprising the Company and its subsidiaries, resulting from the Reorganisation, was directly and/or beneficially owned by the same beneficial owners before and after the Reorganisation. Amongst the ultimate beneficial owners, Mr. SABINE Martin Nevil, Mr. CHEUNG Tei Sing Jamie and Mr. FLETCHER John Wilfred Sword are regarded as Controlling Shareholders of the Group. As such, this Reorganisation is effectively interspersing a shell company over the subsidiaries and there was a continuation of risks and benefits to the ultimate beneficial owners. Accordingly, the consolidated financial statements have been prepared on a consolidated basis as if the Company had always been the holding company of the Group by applying the principles of merger accounting with reference to Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as if the Reorganisation had been completed at the beginning of the year as set out in the accounting policy of the Company under "Merger accounting for business combination involving entities under common control".

The consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows included the results and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the years ended 31 March 2016 and 2017 or since their respective dates of incorporation or establishment to 31 March 2017, whichever is the shorter period. The consolidated statement of financial position of the Group as at 31 March 2017 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at 31 March 2017.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has consistently adopted all the new and revised Hong Kong Accounting Standards ("HKASs"), HKFRSs, amendments and interpretations (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the HKICPA which are effective for year ended 31 March 2017. The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Lease[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle[3]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKAS 40	Transfers of Investment Property[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 2	Clarification and Measurement of Share-based Payment Transactions[2]

1 Effective for annual periods beginning on or after 1 January 2017.

2 Effective for annual periods beginning on or after 1 January 2018.

3 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

4 Effective for annual periods beginning on or after 1 January 2019.

5 Effective date not yet been determined.

The directors of the Company anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 (2014) in the future has an impact on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures. For instance, the Group will be required to replace the incurred loss impairment model in HKAS 39 with an expected loss impairment model that will apply to various exposures to credit risk. HKFRS 9 will also change the way the Group classifies and measures its financial assets, and will require the Group to consider the business model and contractual cash flow characteristics of financial assets to determine classification and subsequent measurement. The directors of the Company do not anticipate that the adoption of HKFRS 9 (2014) will have any material impact on the results and financial position of the Group.

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

i) Identify the contract with the customer;

ii) Identify the performance obligations in the contract;

iii) Determine the transaction price;

iv) Allocate the transaction price to the performance obligations; and

v) Recognise revenue when (or as) the entity satisfies a performance obligation.

Under HKFRS 15, an entity recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been adopted in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. The directors of the Company anticipate that the application of HKFRS 15 in the future may have result in the identification of separate performance obligations which could affect the timing of the recognition of revenue. Certain costs incurred in fulfilling a contract which are currently expensed may need to be recognised as an asset under HKFRS 15. More disclosures relating to revenue are also required. The directors of the Company do not anticipate that the adoption of HKFRS 15 will have any material impact on the results and financial position of the Group.

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 Leases and the related interpretations when it becomes effective. HKFRS 16 will be effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 Revenue from Contracts with Customers at or before the date of initial application of HKFRS 16.

The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

HKFRS 2 Classification and Measurement of Share-based Payment Transactions

The HKICPA has issued an amendment, Amendments to HKFRS 2 — Classification and Measurement of Share-based Payment Transactions, addressing three classification and measurement issues. The amendment addresses the accounting for cash-settled share-based payments and equity-settled awards that include a "net settlement" feature in respect of withholding taxes.

The amendments to HKFRS 2 will become effective for financial statements with annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments should be applied retrospectively.

The amendments clarified the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled share-based payment to equity-settled share-based payment. It also introduces an exception to the principles in HKFRS 2 that will require an award to be treated as if it was wholly equity-settled share-based payment, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. The Group anticipates that the adoption of this amendment will not have a significant impact on the Group's consolidated financial statement as the existing share-based payment entered into between SGL with the Group's employees are equity-settled share-based payments and the Group is not obliged to withhold an amount for the employees' tax obligation associated with the share-based payment under the relevant tax laws in Hong Kong.

Other than disclosed above, the directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

4. REVENUE

Revenue represented revenue arising on provision of corporate finance advisory services during the year.

	2017	2016
	HK$'000	*HK$'000*
Fee income from acting as financial adviser	**17,765**	24,242
Fee income from acting as independent financial adviser	**38,671**	31,756
Fee income from acting as compliance adviser	**10,217**	11,023
Others	**1,248**	924
	67,901	67,945

5. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Exchange gain, net	**—**	2
Management fee income from a fellow subsidiary	**2,191**	3,623
Management fee income from ultimate holding company	**22**	—
Others	**2**	1
	2,215	3,626

6. PROFIT BEFORE TAX

	2017	2016
	HK$'000	HK$'000
Profit for the year has been arrived at after charging:		
Directors' emoluments		
Fees	**9**	—
Other emoluments	**9,986**	11,690
Share-based payments	**2,449**	—
Contributions to retirement benefits scheme *(note)*	**36**	36
	12,480	11,726
Other staff costs	**31,225**	33,215
Provision for long service payment	**68**	93
Share-based payments	**3,958**	—
Contributions to retirement benefits schemes *(note)*	**516**	531
Total staff costs	**48,247**	45,565
Auditor's remuneration	**343**	245
Exchange loss, net	**4**	—
Bad debt expenses in respect of trade receivables	**—**	1,300
Listing expenses	**9,192**	1,241
Operating lease rental payments for rented premises	**5,444**	4,962

Note: The Group operates a mandatory provident fund scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs capped at HK$1,500 per month to the MPF Scheme, which contribution is matched by employees.

7. INCOME TAX EXPENSE

	2017	2016
	HK$'000	HK$'000
Current tax:		
Hong Kong	**2,842**	2,305
Tax exemption for the year	**—**	(20)
Deferred taxation	**93**	(101)
	2,935	2,184

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year (2016: 16.5%).

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

	2017	2016
	HK$'000	*HK$'000*
Profit before tax	**128**	11,483
Tax at domestic income tax rate of 16.5% (2016: 16.5%)	**21**	1,895
Tax effect of expenses not deductible	**2,914**	309
Tax effect of tax exemption granted	**—**	(20)
Income tax expense	**2,935**	2,184

Tax exemptions represented reduction of Hong Kong Profits Tax for the year of assessment of 2015/2016 by 75%, subject to a ceiling of HK$20,000 per case.

8. DIVIDENDS

	2017	2016
	HK$'000	*HK$'000*
2015 Final, paid — HK60 cents per share	**—**	6,000
2016 Interim, paid — HK80 cents per share	**—**	8,000
	—	14,000

No interim and final dividend was paid or proposed during the year ended 31 March 2017. A final dividend in respect of the year ended 31 March 2015 of HK$ 6,000,000 was declared and fully paid by Somerley Capital on 31 July 2015 and 31 August 2015, respectively. An interim dividend in respect of the year ended 31 March 2016 of HK$8,000,000 was declared and fully paid by Somerley Capital on 23 March 2016 and 11 May 2016, respectively.

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:

	2017	2016
	HK$'000	*HK$'000*
(Loss) Earnings		
(Loss) profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**(2,807)**	9,299

	Number of shares	
	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the year, used in the basic and diluted earnings per share calculation ('000)	**100,383**	100,000

Note: The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has taken into account the capitalisation issue pursuant to the Reorganisation as stated in note 2.

Diluted (loss) earnings per share is same as basic (loss) earnings per share for the years ended 31 March 2017 and 2016. The computation of diluted (loss) earnings per share does not assume the exercise of the Company's outstanding options to subscribe for additional shares since their exercise would result in an anti-dilutive effect on the basic (loss) earnings per share for the years ended 31 March 2017 and 2016.

10. TRADE RECEIVABLES

The trade receivables are, in general, due upon the issuance of the 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 presented based on the invoice date which approximates the respective revenue recognition dates at the end of each reporting period. It also represented the ageing analysis of trade receivables which are past due but not impaired, at the end of each reporting period.

	2017	2016
	HK$'000	*HK$'000*
Within 90 days	**8,105**	6,836
91–180 days	**2,148**	543
Over 180 days	**—**	150
Total	**10,253**	7,529

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

The Group has a policy for impairment allowance of trade receivables which is based on the evaluation of collectability and ageing analysis of accounts and on management's judgment, including the current creditworthiness and the past collection history of each client or receivable.

During the year ended 31 March 2017, no trade receivables had been written off directly to profit or loss (2016: HK$1,300,000).

11. SHARE CAPITAL

For the purpose of presenting the share capital of the Group prior to the Reorganisation in the consolidated statement of financial position, the balances as at 1 April 2015 and 31 March 2016, amounting to HK$10,000,000, represented the share capital of Somerley Capital.

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

	Number of shares	**Amount**
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 21 April 2016 (date of incorporation) and 31 March 2017	200,000,000	2,000
Issued and fully paid:		
At 21 April 2016 (date of incorporation)	1	1
Increased during the year *(note i)*	9,999,999	99
Share issued upon Reorganisation *(note ii)*	10,000,000	100
Share issued pursuant to public offering *(note iii)*	35,000,000	350
Share issued by capitalisation of the share premium account *(note iii)*	80,000,000	800
At 31 March 2017	135,000,000	1,350

Notes:

(i) On 21 April 2016 (date of incorporation), the Company allotted and issued 1 share of HK$0.01 each. On the same day, the Company allotted and issued 9,999,999 shares of HK$0.01 each.

(ii) On 9 March 2017, the Company allotted and issued 10,000,000 shares of HK$0.01 each upon Reorganisation.

(iii) Pursuant to the written resolutions of the shareholders of the Company passed on 9 March 2017, 80,000,000 shares were issued by way of capitalisation of an amount of HK$800,000 standing to the credit of the share of premium account of the Company as stated in share capital as detailed in the Prospectus dated 15 March 2017. The Company's shares were listed on the Stock Exchange and 35,000,000 new shares with a nominal value of HK$0.01 each were issued to the investors by way of public offering at HK$2.05 each. Gross total proceeds from the public offering of HK$71,750,000, before the share issue expenses of HK$5,420,000, were credited to the share premium account.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group are principally engaged in providing corporate finance advisory services in Hong Kong. The services of the Group mainly include (i) acting as financial adviser to Hong Kong public listed companies, major shareholders and investors of these companies and parties seeking to control or invest in listed companies in Hong Kong (mostly in transactions which involve the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the GEM Listing Rules and/or the Codes on Takeovers and Mergers and Share Buy-backs (the "Takeovers Code"), which includes acting as arranger in connection with the introduction of investors to listed companies in Hong Kong and/or their major shareholders in a takeover transaction; (ii) acting as independent financial adviser to independent board committees and/or independent shareholders of listed companies in Hong Kong; and (iii) acting as compliance adviser, mostly for newly listed companies in Hong Kong. In addition, the Group also acts as sponsor to initial public offering and listings of shares of companies on the Stock Exchange in Hong Kong ("IPO") and has managed and underwritten secondary equity issues in Hong Kong.

Since the Group's successful listing on GEM of the Stock Exchange on 28 March 2017 (the "Listing") by way of public offering (the "Public Offering"), there has been no significant change in the business operations of the Group.

The Group's corporate finance advisory teams have established a solid foundation for its growth, through years of professional experience and understanding of the market. These accumulated experiences enable the teams to understand clients' needs, help them comply with strict regulatory frameworks and provide them with professional and comprehensive advice. During the year ended 31 March 2017, financial advisory and independent financial advisory engagements have generated a substantial majority of the Group's revenue. During the year ended 31 March 2017, revenue from acting as sponsor and underwriter was approximately HK$1.0 million (2016: nil). Developing greater equity capital market business is one of the Group's significant future plans.

The Group made a profit before tax of approximately HK$128,000 for the year ended 31 March 2017 (2016: approximately HK$11.5 million), after deduction of one-off listing expenses. Largely because these listing expenses are not deductible for tax purposes, the Group incurred a tax charge of approximately HK$2.9 million (2016: approximately HK$2.2 million), resulting in a loss attributable to owners of the Company of approximately HK$2.8 million for the year ended 31 March 2017 (2016: approximately HK$9.3 million profit attributable to owners of the Company). If the one-off listing expenses of approximately HK$9.2 million (2016: HK$1.2 million) were excluded, the adjusted profit for the year ended 31 March 2017 attributable to owners of the Company would have been approximately HK$6.4 million (2016: approximately HK$10.5 million), as set out in the table below. The decrease in adjusted profit for the year was because of (i) increase in the employee benefits costs of approximately HK$2.6 million and (ii) decrease in other income of approximately HK$1.4 million during the year ended 31 March 2017.

	Year ended 31 March	
	2017	2016
	HK$'000	*HK$'000*
Profit before tax	**128**	11,483
(Loss) profit for the year	**(2,807)**	9,299
Adjusted for:		
One-off listing expenses	**9,192**	1,241
Adjusted profit for the year	**6,385**	10,540

Financial Review

Revenue

The Group's revenue was primarily derived from (i) advising on transactions or compliance matters under the Listing Rules and/or the Takeovers Code in the capacity of financial advisers; and (ii) giving opinions or recommendations to the independent board committee and/or the independent shareholders of listed companies in the capacity of independent financial advisers.

During the year ended 31 March 2017, revenue generated from acting as financial advisers and independent financial advisers amounted to approximately HK$56.5 million (2016: approximately HK$56.0 million), accounting for approximately 83.2% of the Group's total revenue (2016: approximately 82.5%). These are expected to remain the major sources of revenue in the immediate future.

Revenue generated from compliance advisory business amounted to approximately HK$10.2 million (2016: approximately HK$11.0 million), accounting for approximately 15.0% of the Group's total revenue (2016: approximately 16.2%).

Revenue of the Group remained steady for the years ended 31 March 2016 and 31 March 2017 at approximately HK$67.9 million.

Other Income

Other income mainly represented the management service fee income from Somerley International Limited, a fellow subsidiary of the Company. Other income of the Group decreased to approximately HK$2.2 million for the year ended 31 March 2017 from approximately HK$3.6 million for the year ended 31 March 2016, which was mainly due to the cessation of business of Somerley International Limited during the year in preparation for the Listing.

Employee Benefits Costs

The Group's employee benefits costs primarily consist of salaries, bonus and allowances as well as contributions to the mandatory provident fund for the Directors and employees of the Group. Employee benefits costs increased by approximately 5.7% from HK$45.6 million for the year ended 31 March 2016 to approximately HK$48.2 million for the year ended 31 March 2017 primarily due to the combined effects of (i) the share-based payments of approximately HK$6.4 million recognised for the year ended 31 March 2017; (ii) an increment in basic salary for the year ended 31 March 2017; and (iii) a decrease in bonus.

Other Operating Expenses

The Group's other operating expenses increased to approximately HK$20.6 million for the year ended 31 March 2017 from approximately HK$12.0 million for the year ended 31 March 2016. The increase was mainly due to the recognition of the one-off listing expenses of approximately HK$9.2 million for the year ended 31 March 2017 (2016: approximately HK$1.2 million). Besides the one-off listing expenses, other operating expenses were mainly rental expenses, travelling expenses, bad debt expenses in respect of trade receivables and other expenses, including utility expenses, building management fees, telecommunication expenses and insurance expenses.

Income Tax Expense

The Group's income tax expense increased to approximately HK$2.9 million for the year ended 31 March 2017 from approximately HK$2.2 million for the year ended 31 March 2016 mainly because both share-based payment expenses of approximately HK$6.4 million (2016: nil) and listing expenses of approximately HK$9.2 million (2016: approximately HK$1.2 million) were not tax deductible for tax purpose in Hong Kong for the year ended 31 March 2017.

Loss for the Year Attributable to Owners of the Company

For the year ended 31 March 2017, loss attributable to owners of the Company was approximately HK$2.8 million, as compared to approximately HK$9.3 million profit attributable to owners of the Company for the year ended 31 March 2016. If the one-off listing expenses of approximately HK$9.2 million (2016: approximately HK$1.2 million) were excluded, profit for the year ended 31 March 2017 attributable to owners of the Company would have been approximately HK$6.4 million (2016: approximately HK$10.5 million). The decrease in adjusted profit for the year was mainly because of (i) increase in the employee benefits costs of approximately HK$2.6 million and (ii) decrease in other income of approximately HK$1.4 million during the year ended 31 March 2017.

Liquidity and Capital Resources

As at 31 March 2017, the Group's current ratio was approximately 18.0, compared to approximately 2.4 as at 31 March 2016, which was mainly due to the increase of cash and cash equivalents boosted by the unutilised proceeds of the public offering of shares of the Company (the "Shares"). As at 31 March 2017, the Group's cash and cash equivalents totalled approximately HK$90.5 million (2016: approximately HK$35.9 million).

As at 31 March 2016 and 2017, the Group had no banking facilities and no borrowings.

As at 31 March 2017, the Group's cash and cash equivalents, except a small aggregate amount of approximately HK$27,000 in foreign currencies converted for travel purposes (including Renminbi, United States Dollar, Euro, Great Britain Pound and Malaysia Ringgit), were held in Hong Kong dollars.

The Directors are of the view that at the date hereof the Group's financial resources are 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, the exposure to the risk of foreign exchange rate fluctuations for the Group is not material.

Capital Structure

On 28 March 2017 (the "Listing Date"), the Company's Shares were successfully listed on GEM of the Stock Exchange. Since then, the Group's capital structure has not changed. The Group's equity consists only of ordinary Shares.

Future Plans for Material Investments or Capital Assets

As at 31 March 2017, the Group had capital commitments of approximately HK$1.8 million (2016: 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") or otherwise disclosed in this announcement, the Group did not have any future plans for material investments or capital assets as at 31 March 2017.

Material Acquisition and Disposal of Subsidiaries

Save for the corporate reorganisation actions disclosed under note 2 of the consolidated financial statements in this announcement, there were no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 March 2017.

Significant Investments Held

Except for investments in subsidiaries, the Group did not hold any significant investments during the years ended 31 March 2016 and 2017.

Charge on Assets

The Group did not have any charges on its assets as at 31 March 2017 (2016: nil).

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 March 2017 (2016: nil).

Gearing Ratio

As at 31 March 2017, the Group did not have any borrowings and hence no gearing ratio was applicable (2016: nil).

Dividend

The Board resolved that no final dividend was recommended payable to the Shareholders for the year ended 31 March 2017 (2016: nil).

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 2017, the Group employed 36 employees (2016: 34). For the year ended 31 March 2017, employee benefits costs of the Group (including the Directors' emoluments) were approximately HK$48.2 million (2016: approximately HK$45.6 million). Remuneration is determined with reference to market terms and the performance, qualifications and experience of employees in order to attract and retain talented 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. As disclosed in the Prospectus, the Company adopted a pre-IPO share option scheme on 11 May 2016 and a post-IPO share option scheme on 9 March 2017 to incentivise and retain staff members who have made contributions to the success of the Group. The Directors believe that the compensation packages offered by the Group to its staff are competitive in comparison with market standards and practices.

Use of Proceeds

The net proceeds from the Listing were approximately HK$55.9 million (based on the final public offering price of HK$2.05 per share), which is slightly above the estimated net proceeds of approximately HK$54.6 million (estimated on the assumption that the public offering price would be HK$2.00 per share, the midpoint of the range stated in the Prospectus).

The Group adjusted the use of proceeds in the same manner and in the same proportion as shown in the Prospectus, so that approximately HK$9.1 million, HK$24.5 million, HK$7.5 million, HK$10.8 million and HK$4.0 million allocated to (i) expanding the corporate finance advisory business; (ii) developing the equity capital markets business; (iii) enhancing the information technology capability of the Group; (iv) expanding office space; and (v) funding of the Group's working capital.

During the period from the commencement of trading in the Shares on the GEM on 28 March 2017 to 31 March 2017 (the "Period") and up to the date of this announcement, the Group spent approximately HK$0.4 million to enhance its information technology capability. The unutilised net proceeds have been placed for the time being in interest bearing deposits with a licensed bank in Hong Kong.

Principal Risks and Uncertainties

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

(i) The only 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 condition of the Group;

(ii) The revenue of the Group is difficult to predict and may be volatile in any given reporting period;

(iii) Profit margins may be squeezed;

(iv) Withdrawals and 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 would 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;

(vii) The use of trademark is subject to the trademark usage agreement and such non-exclusive trademark may be adversely affected by acts of Somerley Group Limited ("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; and

(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.

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

Environmental Policies and Performance

The Directors believe that the corporate finance advisory service industry in which the Group operates is not a major source of environmental pollution, and the impact of the Group's operations on the environment is minimal.

The Group is committed to building an environmental-friendly corporation that pays close attention to conserving natural resources. The Group strives to minimise its environmental impact by saving the electricity and encouraging recycle of office supplies and other materials.

During the year, the Group has not been the subject of any environmental claims, lawsuits, penalties or disciplinary actions.

Compliance with Relevant Laws and Regulations

The Group's operations are carried out by its only operating subsidiary, Somerley Capital, while the Company itself is an investment holding company listed on GEM of the Stock Exchange. Somerley Capital is licensed by the Securities and Futures Commission in Hong Kong, and is subject to applicable laws, regulations and codes of relevant regulatory authorities in Hong Kong, such as the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") and Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) 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 in all material respects for the business operations of the Group.

Relationships with Employees and Clients

The Directors are of the view that its employees and clients are the keys to the sustainable development of the Group. The Directors believe that the Group maintains good working relations with its employees and endeavors to maintain and improve the quality of service to its clients.

The Group encourages employees to strengthen their knowledge of the financial services industry and provides internal training courses based on case studies.

The Group fosters open dialogue among employees in the belief that people who communicate openly build trust and mutual respect.

The Group maintains ongoing communication with its clients through various channels such as presentation of ideas, calls, emails and meetings.

The Group generally generates new business through its own marketing initiatives and referrals from existing clients and professional firms and from the personal connections of its employees.

Outlook and Prospects

2017 marks a major milestone in the Group's development history with its Shares being listed on GEM of the Stock Exchange on 28 March 2017. The capital raised from the Listing has provided further financial resources for the Group's future development and the Listing itself has enhanced the Group's standing and profile. Capitalising on the Group's experiences and expertise in corporate finance advisory services and its market knowledge, the Group aims to further strengthen its corporate finance teams to maintain high quality advice and works to clients. The Group believes that income generated from corporate finance advisory business will continue to contribute a majority of the Group's revenue for the financial year ending 31 March 2018.

The Group intends to develop its fund-raising capability in equity capital market transactions. This will enhance the Group's overall ability to serve its corporate clients through both initial public offerings and secondary market fund raising exercises. With long-term active relationships with many listed companies in Hong Kong, the Group is in a good position to offer such services to its clients. The Group also plans to expand its network of professional contacts outside Hong Kong.

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 Period, 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 of the GEM Listing Rules except as noted in the paragraph headed "Chairman and Chief Executive Officer".

Chairman and Chief Executive Officer

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 ended 31 March 2017, the role of the chairman of the Company was performed by Mr. SABINE Martin Nevil. The office of the chief executive officer of the Company was not filled; Mr. CHOW Wai Hung Kenneth performed the role of Managing Director of the Company's only operating subsidiary, Somerley Capital. Within the Company, decisions are made collectively by the executive Directors and are discussed with management from time to time. The Board believes that this arrangement enables the Company to make decisions, operate and implement follow up actions quickly. This arrangement can help achieve the Company's objectives efficiently and effectively in response to the changing environment. The Board also believes that the Company already has a strong corporate governance structure in place to ensure effective oversight of management. The Board will keep reviewing the current structure of the Board from time to time and should candidate with suitable knowledge, skill and experience be identified.

Audit Committee

The Company has established an audit committee (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. The Audit Committee currently consists of all the three independent non-executive Directors, namely Mr. CHENG Yuk Wo, Mr. HIGGS Jeremy James and Mr. YUEN Kam Tim Francis. Mr. CHENG Yuk Wo is the chairman of the Audit Committee. The primary duties of the Audit Committee are mainly 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 Period and up to the date of this announcement, the Audit Committee held 1 meeting to review, assess and comment on the consolidated final results for the year ended 31 March 2017. It has also reviewed the effectiveness of the risk management and internal control systems and internal audit functions of the Group. 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.

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 ended 31 March 2017 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 ended 31 March 2017.

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 Period.

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 Period.

EVENTS AFTER THE REPORTING PERIOD

119,674 share options were exercised during the Period but the allotment of the Shares pursuant to the exercise of share options had not yet been completed by 31 March 2017. 1,020,902 share options were exercised after the Period. An aggregate of 1,140,576 new Shares at the exercise price of HK$0.28 each have been issued after the reporting period.

The salary of each of Mr. CHEUNG Tei Sing Jamie and Mr. CHOW Wai Hung Kenneth has been increased to HK$3,000,000 per annum with effect from 1 April 2017.

Save as disclosed elsewhere in this announcement, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2017 and up to the date of approval of this announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results 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 2017 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
新百利融資控股有限公司
SABINE Martin Nevil
Chairman

Hong Kong, 5 June 2017

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. HIGGS Jeremy James and Mr. YUEN Kam Tim Francis.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and will also be published on the Company's website at www.somerleycapital.com.