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 2018 AND CHANGE IN USE OF PROCEEDS

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.

FINANCIAL HIGHLIGHTS

- Revenue from corporate finance activities increased to approximately HK$72.0 million for the year ended 31 March 2018 (the "Year") from approximately HK$67.9 million for the year ended 31 March 2017.

- Revenue generated from acting as financial adviser and independent financial adviser for the Year amounted to approximately HK$53.5 million (2017: approximately HK$56.4 million), accounting for approximately 74.3% of the Group's total revenue (2017: approximately 83.1%).

- Revenue generated from compliance advisory business for the Year amounted to approximately HK$7.4 million (2017: approximately HK$10.2 million), accounting for approximately 10.3% of the Group's total revenue (2017: approximately 15.0%).

- Revenue from acting as sponsor and underwriter for the Year amounted to approximately HK$10.6 million (2017: approximately HK$1.0 million).

- Profit before tax was approximately HK$6.9 million for the Year (2017: approximately HK$0.1 million).

- Profit attributable to owners of the Company for the Year was approximately HK$5.9 million, as compared to approximately HK$2.8 million loss attributable to owners of the Company for the year ended 31 March 2017. The return to profit was primarily due to the combined effects of (i) approximately HK$4.1 million increase in total revenue; and (ii) absence of one-off listing expenses of approximately HK$9.2 million, offset to a degree by the absence of other income from a former fellow subsidiary, increase in employee benefits costs and increase in other operating expenses.

- Net assets increased to approximately HK$104.1 million as at 31 March 2018 from approximately HK$96.5 million as at 31 March 2017 mainly because of the profit for the Year of approximately HK$5.9 million.

- The board of Directors (the "Board") has recommended the payment of a final dividend of HK3.5 cents per share for the Year (2017: nil), subject to the approval of the shareholders at the forthcoming annual general meeting. Such proposed dividend will be payable on or around 21 September 2018 to the shareholders whose names appear on the register of members of the Company at close of business on 13 September 2018. The final dividend for the Year will absorb approximately HK$4.9 million as at the date of this announcement.

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 2017, are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	NOTES	2018 HK$'000	2017 HK$'000
Revenue	3	**71,995**	67,901
Other income	4	**397**	2,215
		72,392	70,116
Employee benefits costs		**(49,617)**	(48,247)
Fair value gains on financial asset at fair value through profit or loss		**565**	—
Depreciation for property and equipment		**(721)**	(258)
Introduction expenses		**(776)**	(881)
Other operating expenses		**(14,952)**	(20,602)
Profit before tax	5	**6,891**	128
Income tax expense	6	**(1,003)**	(2,935)
Profit (loss) and total comprehensive income (expense) for the year attributable to the owners of the Company		**5,888**	(2,807)
Earnings (loss) per share	8		
— basic (HK$)		**0.04**	(0.03)
— diluted (HK$)		**0.04**	(0.03)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	NOTES	2018 HK$'000	2017 HK$'000
Non-current assets			
Property and equipment		**2,737**	1,089
Deferred tax asset		**—**	38
		2,737	1,127
Current assets			
Trade receivables	9	**9,679**	10,253
Prepayments, deposits and other receivables		**995**	508
Amount due from ultimate holding company		**78**	—
Financial asset at fair value through profit or loss		**955**	—
Tax recoverable		**210**	—
Cash and cash equivalents		**95,472**	90,540
		107,389	101,301
Current liabilities			
Other payables and accruals		**5,494**	4,662
Amount due to ultimate holding company		**—**	423
Tax payable		**—**	538
		5,494	5,623
Net current assets		**101,895**	95,678
Total assets less current liabilities		**104,632**	96,805
Non-current liabilities			
Provision for long service payment		**305**	350
Deferred tax liability		**249**	—
		554	350
Net assets		**104,078**	96,455
Capital and reserves			
Share capital	10	**1,386**	1,350
Reserves		**102,692**	95,105
Total equity		**104,078**	96,455

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Attributable to the owners of the Company						
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Retained earnings** *HK$'000*	**Shareholder contribution reserve** *HK$'000*	**Share option reserve** *HK$'000*	**Other reserve** *(Note)* *HK$'000*	**Total** *HK$'000*
At 1 April 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 10(ii))*	100	—	—	—	—	—	100
Recognition of equity-settled share-based payments	—	—	—	—	2,228	—	2,228
Contribution from shareholder	—	—	—	4,179	—	—	4,179
Transfer upon Reorganisation	(9,900)	—	—	—	—	9,900	—
Issue of shares pursuant to public offering *(note 10(iii))*	350	71,400	—	—	—	—	71,750
Issue of shares by capitalisation of share premium account *(note 10(iii))*	800	(800)	—	—	—	—	—
Expenses incurred in connection with issue of new shares *(note 10(iii))*	—	(5,420)	—	—	—	—	(5,420)
At 31 March 2017	1,350	65,180	13,618	4,179	2,228	9,900	96,455
Profit and total comprehensive income for the year	—	—	5,888	—	—	—	5,888
Issue of shares upon exercise of share options *(note 10(iv))*	36	2,090	—	—	(1,110)	—	1,016
Recognition of equity-settled share-based payments	—	—	—	—	719	—	719
At 31 March 2018	1,386	67,270	19,506	4,179	1,837	9,900	104,078

Note: Other reserve represented the difference between the nominal amount of the share capital of Somerley Capital Limited and the nominal amount of the share capital issued by the Company pursuant to a group reorganisation undergone for the initial public offering of the shares of the Company ("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 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 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 the same as the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated.

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

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2014–2016 Cycle: Amendments to HKFRS 12
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The application of 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.

New and revised HKFRSs issued but not yet effective

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[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payments Transactions[1]
Amendments to HKFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale and Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 28	Long-term interests in Associates and Joint Ventures[2]
Amendment to HKAS 40	Transfers of Investment Property[1]
HK(IFRIC) Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) Int 23	Uncertainty over Income Tax Treatments[2]

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for annual periods beginning on or after 1 January 2019.
[3] Effective for annual periods beginning on or after 1 January 2021.

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 HKFRS 9 (2014) 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 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 have performed a preliminary analysis of the Group's financial instruments as at 31 March 2018 based on the facts and circumstances existing at that date. The directors of the Company have assessed the impact of adoption of HKFRS 9 (2014) on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures, as follows:

(a) Classification and measurement

The directors of the Company expect to continue recognising initially at fair value for all financial assets which are subsequently measured at amortised costs. All other financial asset and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39. The directors of the Company anticipate that the adoption of HKFRS 9 (2014) will not have a material impact on the classification and measurement of the financial assets.

(b) Impairment

The application of the expected credit loss model may result in earlier recognition of credit losses for trade receivables and increase the amount of impairment allowance recognised for these items. The directors of the Company will perform a more detailed analysis which considers all reasonable and supportable information for the estimation of the effect of adoption of HKFRS 9 (2014). Based on the preliminary assessment, the directors expect that the adoption of HKFRS 9 (2014) will not have a material impact on amounts reported in the Group's financial statements.

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 recognises 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 major sources of revenues of the Group are fee income from provision of corporate finance services. Under HKFRS 15, revenue is recognised for each of the performance obligations when control over a good or service is transferred to a customer. The directors of the Company have preliminarily assessed each type of the performance obligations and consider that the performance obligations are similar to the current identification of separate revenue components under HKAS 18 Revenue. Furthermore, HKFRS 15 requires the transaction price to be allocated to each performance obligation on a relative stand-alone selling price basis, which may affect the timing and amounts of revenue recognition, and results in more disclosures in the financial statements. However, the directors of the Company expect that the adoption of HKFRS 15 will not have a material impact on the timing and amounts of revenue recognised based on the existing business model of the Group as at 31 March 2018.

HKFRS 2 Classification and Measurement of Share-based Payment Transactions

The amendments provide requirements on the accounting for:

(a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;

(b) share-based payment transactions with a net settlement feature for withholding tax obligations; and

(c) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity settled.

The amendments clarify that the fair value of liabilities for cash-settled share-based payments should be measured using the same approach as for equity-settled share-based payments, i.e. using the modified grant date method. Therefore, in measuring the liability, market and non-vesting conditions are taken into account in measuring its fair value; and the number of awards to receive cash is adjusted to reflect the best estimate of those expected to vest as a result of satisfying service and any non-market performance conditions.

Besides, the amendments introduce an exception so that a share-based payment transaction with net settlement feature for withholding an amount to cover the employee's tax obligations is classified as equity-settled in its entirety when certain conditions are met, even though the entity is then required to transfer cash (or other assets) to the tax authority to settle the employee's tax obligation.

The amendments also clarify that on such a modification the liability for the original cash-settled share-based payment is derecognised and the equity-settled share-based payment is measured at its fair value and recognised to the extent that the goods or services have been received up to that date. Any difference between the carrying amount of the liability derecognised and the amount recognised in equity at the modification date is recognised in profit or loss immediately.

Amendments to HKFRS 2 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 Amendments to HKFRS 2 will have no material effect on the Group's consolidated financial statements.

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.

As at 31 March 2018, the Group has non-cancellable operating lease commitments of approximately HK$25,607,000. Out of this balance, an amount of approximately HK$19,205,000 represents operating leases with original lease terms of over one year in which the Group will recognise right-to-use assets and corresponding lease liabilities unless they are exempt from the reporting obligations under HKFRS 16. The directors of the Company expect that, apart from the changes in the measurement, presentation and disclosure as indicated above, the adoption of HKFRS 16 will not have other material impact on amounts reported in the Group's consolidated financial statements.

3. REVENUE

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

	2018	2017
	HK$'000	*HK$'000*
Fee income from acting as financial adviser	**18,895**	17,765
Fee income from acting as independent financial adviser	**34,604**	38,671
Fee income from acting as compliance adviser	**7,427**	10,217
Fee income from acting as sponsor and underwriter	**10,634**	1,008
Others	**435**	240
	71,995	67,901

4. OTHER INCOME

	2018	2017
	HK$'000	HK$'000
Bank interest income	**206**	—
Exchange gain, net	**74**	—
Management fee income from a former fellow subsidiary	**—**	2,191
Management fee income from ultimate holding company	**117**	22
Others	**—**	2
	397	2,215

5. PROFIT BEFORE TAX

	2018	2017
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments		
Fees	**720**	9
Other emoluments	**9,936**	9,986
Share-based payments	**278**	2,449
Contributions to retirement benefits scheme *(note)*	**36**	36
	10,970	12,480
Other staff costs	**37,635**	31,225
Provision for long service payment	**(45)**	68
Share-based payments	**441**	3,958
Contributions to retirement benefits schemes *(note)*	**616**	516
Total staff costs	**49,617**	48,247
Auditor's remuneration	**554**	343
Exchange loss, net	**—**	4
Bad debt expenses in respect of trade receivables	**180**	—
Listing expenses	**—**	9,192
Operating lease rental payments for rented premises	**6,558**	5,444

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 MPF Scheme, which contribution is matched by employees.

6. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**735**	2,842
Over provision in prior years:		
Hong Kong	**(19)**	—
Deferred taxation	**287**	93
	1,003	2,935

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 (2017: 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:

	2018	2017
	HK$'000	*HK$'000*
Profit before tax	**6,891**	128
Tax at domestic income tax rate of 16.5% (2017: 16.5%)	**1,137**	21
Tax effect of expenses not deductible	**3**	2,914
Tax effect of income not taxable for tax purpose	**(132)**	—
Over provision in respect of prior years	**(19)**	—
Tax effect of tax loss not recognised	**14**	—
Income tax expense	**1,003**	2,935

At 31 March 2018, the Group has unutilised tax losses of approximately HK$85,000 (2017: nil), which was available for offsetting against future profits. No deferred tax asset is recognised as the amount involved is not significant.

7. DIVIDENDS

No interim dividend was paid or proposed during the year ended 31 March 2018 and no interim and final dividend was paid or proposed during the year ended 31 March 2017.

A final dividend of HK3.5 cents per share in respect of the year ended 31 March 2018, amounting to approximately HK$4,882,000, to be paid to the shareholders of the Company whose names appear on the Company's register of members on 13 September 2018, has been proposed by the board of directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

8. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share

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

	2018	2017
	HK$'000	*HK$'000*
Earnings (Loss)		
Profit (loss) attributable to ordinary equity holders of the parent, used in the basic earnings (loss) per share calculation:	**5,888**	(2,807)

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings (loss) per share calculation *('000)*	**137,945**	100,383

Diluted earnings (loss) per share

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

	2018	2017
	HK$'000	*HK$'000*
Earnings (Loss)		
Profit (loss) attributable to ordinary equity holders of the parent, used in the diluted earnings (loss) per share calculation:	**5,888**	(2,807)

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings (loss) per share calculation *('000)*	**137,945**	100,383
Effect of dilutive potential ordinary shares:		
— Share options *('000)*	**1,799**	—
Weighted average number of ordinary shares in issue during the year used in the diluted earnings (loss) per share calculation *('000)*	**139,744**	100,383

Note:

The computation of diluted earnings per share assumed the exercise of the Company's outstanding options to subscribe for additional shares since their exercise price is lower than the average market price during the year ended 31 March 2018, and with adjustment for the share options lapsed or exercised during the year.

For the year ended 31 March 2017, 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 outstanding options to subscribe for additional shares since their exercise would result in an anti-dilutive effect on the basic loss per share.

For the year ended 31 March 2017, the weighted average number of ordinary shares for the purpose of calculating basic loss per share has been taking into account the capitalisation issue pursuant to the Reorganisation of the Group during the year ended 31 March 2017.

9. TRADE RECEIVABLES

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 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.

	2018	2017
	HK$'000	*HK$'000*
Within 90 days	**8,782**	8,105
91–180 days	**897**	2,148
Total	**9,679**	10,253

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 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 2018, trade receivables amounted to approximately HK$180,000 (2017: nil) had been written off directly to profit or loss.

10. 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 2016 amounted to HK$10,000 thousands representing 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), 31 March 2017 and 31 March 2018	200,000,000	2,000
Issued and fully paid:		
Issued upon 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
Exercised of share options *(note iv)*	3,631,888	36
At 31 March 2018	138,631,888	1,386

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 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 public offering of HK$71,750,000, before the share issue expenses of HK$5,420,000, were credited to the share premium account.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is 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; (iii) acting as compliance adviser, mostly for newly listed companies in Hong Kong; and (iv) acting as sponsor to initial public offering and listings of shares of companies on the Stock Exchange in Hong Kong (the "IPO") and managing and underwriting equity issues in Hong Kong.

During the Year, the Group has established a new and separate team for IPO execution business which includes acting as sponsor, manager and underwriter for potential listing candidates. This has been a big step towards developing greater equity capital markets capability. Two sponsorship engagements have been completed and approximately HK$10.6 million (2017: approximately HK$1.0 million) revenue has been generated from sponsoring and underwriting. The Group expects this new revenue stream will continue to be significant in the coming years.

The Group further strengthened its solid foundation in financial advisory work by expanding the existing corporate finance advisory teams throughout the Year. For the Year, the Group's high quality financial advisory (including independent financial advisory) businesses have continued to generate a substantial majority of the Group's total revenue, of approximately HK$53.5 million (2017: approximately HK$56.4 million) or approximately 74.3% (2017: approximately 83.1%). This is expected to remain the major source of revenue in the immediate future.

The Group's total revenue amounted to approximately HK$72.0 million for the Year (2017: approximately HK$67.9 million), mainly due to the increase in revenue generated from sponsoring and underwriting. The Group made a profit after tax for the Year of approximately HK$5.9 million, compared to a loss for previous year of approximately HK$2.8 million which was principally due to one-off listing expenses of approximately HK$9.2 million.

	Year ended 31 March	
	2018	2017
	HK$'000	*HK$'000*
Profit (loss) for the year	**5,888**	(2,807)
Adjusted for:		
One-off listing expenses	**—**	9,192
Post-listing expenses	**2,984**	457
Adjusted profit for the year	**8,872**	6,842

The adjusted profit for the Year increased to approximately HK$8.9 million from approximately HK$6.8 million for the year ended 31 March 2017 mainly because of the increase in revenue, excluding the following profit or loss items:

- one-off listing expenses for the year ended 31 March 2017 were not recurring in nature; and

- post-listing expenses (including the remuneration for the independent non-executive directors and various professional expenses) were not incurred to a substantial degree in the year ended 31 March 2017.

Financial review

Revenue

The Group's revenue was primarily derived from (i) advising on transactions or compliance matters under the Listing Rules, the GEM Listing Rules and/or the Takeovers Code in the capacity of financial advisers; (ii) giving opinions or recommendations to the independent board committees and/or the independent shareholders of listed companies in the capacity of independent financial advisers; (iii) managing and coordinating the execution of IPO engagements in the capacity of sponsors; and (iv) underwriting securities and identifying subscribers.

Total revenue of the Group increased by approximately 6.0% to approximately HK$72.0 million for the Year from approximately HK$67.9 million for the year ended 31 March 2017.

Revenue generated from acting as financial adviser and as independent financial adviser for the Year amounted to approximately HK$53.5 million (2017: approximately HK$56.4 million), accounting for approximately 74.3% of the Group's total revenue (2017: approximately 83.1%). These activities are expected to remain the major source of the Group's revenue in the immediate future.

Revenue generated from acting as compliance adviser for the Year amounted to approximately HK$7.4 million (2017: approximately HK$10.2 million), accounting for approximately 10.3% of the Group's total revenue (2017: approximately 15.0%). The decline in this source of income was due to the scheduled expiry of a number of compliance advisory mandates after the annual reports of the relevant companies for the year 2016 were published, while however new mandates are being signed.

Revenue generated from acting as sponsor and underwriter for the Year amounted to approximately HK$10.6 million (2017: approximately HK$1.0 million), accounting for approximately 14.7% of the Group's total revenue (2017: approximately 1.5%). The Group completed 2 sponsorship engagements during the Year (2017: nil) and had 1 sponsorship "work-in-progress" engagement as at 31 March 2018 (2017: 1).

Other Income

Other income mainly represented management service fee income from Somerley Group Limited and Somerley International Limited ("SIL"), a former fellow subsidiary of the Company, interest income and exchange differences. The significant decrease in other income was mainly due to the sale of SIL.

Employee Benefits Costs

The Group's employee benefits costs primarily consist of salaries, bonus, share-based payments 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 2.9% to approximately HK$49.6 million for the Year from approximately HK$48.2 million for the year ended 31 March 2017, primarily due to the combined effects of (i) approximately HK$5.7 million increase as a result of an increment in basic salary and additional headcounts for the Year; (ii) the decrease in share-based payments by approximately HK$5.7 million; and (iii) approximately HK$1.4 million increase in bonus.

Other Operating Expenses

The Group's other operating expenses decreased by approximately 27.2% to approximately HK$15.0 million for the Year from approximately HK$20.6 million for the year ended 31 March 2017. Other operating expenses were mainly rental expenses, travelling expenses, professional fees and other expenses, including utility expenses, building management fees, telecommunication expenses and insurance expenses. The decrease was mainly due to the combined effects of (i) the absence of the one-off listing expenses for the Year (2017: approximately HK$9.2 million); and (ii) the increase in professional fees, such as printing fees, compliance advisory fees and company secretarial fees, incurred after the Group's listing on GEM of the Stock Exchange on 28 March 2017 (the "Listing").

Income Tax Expense

The Group's income tax expenses primarily included provision for Hong Kong current and deferred income tax expenses. The effective tax rate for the Year was approximately 14.6% and was lower than the Hong Kong profits tax rate of 16.5% because bank interest income and fair value gains on financial asset at fair value at profit or loss are not taxable in Hong Kong. The effective tax rate for the year ended 31 March 2017 was higher than Hong Kong profits tax rate of 16.5% because both share based payment expenses and listing expenses are not deductible for tax purposes in Hong Kong.

Profit for the Year Attributable to Owners of the Company

The Group made a profit before tax of approximately HK$6.9 million for the Year (2017: approximately HK$0.1 million).

Profit attributable to owners of the Company for the Year was approximately HK$5.9 million, as compared to approximately HK$2.8 million loss attributable to owners of the Company for the year ended 31 March 2017. The return to profit was primarily due to the combined effects of (i) approximately HK$4.1 million increase in total revenue; and (ii) absence of one-off listing expenses of approximately HK$9.2 million, offset to a degree by the absence of other income from SIL, increase in employee benefits costs and increase in other operating expenses.

Liquidity and Capital Resources

The Group's current ratio increased to approximately 19.5 as at 31 March 2018 from approximately 18.0 as at 31 March 2017 primarily due to an increase in cash and cash equivalents as a result of approximately HK$5.9 million profit noted for the Year.

The cash and cash equivalents amounted to approximately HK$95.5 million as at 31 March 2018 (2017: approximately HK$90.5 million). The functional currency of the Group is Hong Kong dollar. As at 31 March 2018, approximately HK$1.0 million of the Group's cash and cash equivalents was denominated in the other currencies (2017: approximately HK$27,000), including Renminbi, United States Dollar, Euro, Great Britain Pound and Malaysia Ringgit.

The Group had neither banking facilities nor borrowings as at 31 March 2017 and 2018.

The Directors are of the view that, at the date hereof, 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.

Capital Structure

The Group's equity consists only of ordinary shares of the Company (the "Shares").

Future Plans for Material Investments or Capital Assets

The Group had no capital commitments as at 31 March 2018 and approximately HK$1.8 million as at 31 March 2017, 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 making material investments or acquiring capital assets as at 31 March 2018.

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

During the Year, there were no material acquisitions and disposals of subsidiaries, associates and joint ventures by the Group. Save for the corporate reorganisation disclosed under the note 2 of the consolidated financial statements in annual report for the year ended 31 March 2017 dated 5 June 2017, there were no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 March 2017.

Significant Investments

Except for investments in subsidiaries, the Group did not hold any significant investments during the Year (2017: nil).

Charge on Assets

The Group did not have any charges on its assets as at 31 March 2017 and 2018.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 March 2017 and 2018.

Gearing Ratio

The Group did not have any borrowings as at 31 March 2017 and 2018 and hence no gearing ratio was applicable.

Dividend

The Board has recommended the payment of a final dividend of HK3.5 cents per share for the Year (2017: nil), subject to the approval of the shareholders at the forthcoming annual general meeting. Such proposed dividend will be payable on or around 21 September 2018 to the shareholders whose names appear on the register of members of the Company at close of business on 13 September 2018. The final dividend for the Year is HK3.5 cents per share (2017: nil), which will absorb approximately HK$4.9 million as at the date of this announcement.

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 Friday, 31 August 2018.

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 Thursday, 13 September 2018.

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 and 2018, the Group employed 36 and 42 employees respectively.

For the Year, employee benefits costs of the Group (including the Directors' emoluments) were approximately HK$49.6 million (2017: approximately HK$48.2 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 (the "Pre-IPO Share Option Scheme") and a post-IPO share option scheme (the "Share Option Scheme") on 9 March 2017 to incentivise and retain staff members who have made or are likely to make significant 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.

Comparison between Business Objectives and Actual Business Progress

An analysis comparing the business objectives as stated in the Prospectus with our Group's actual business progress up to 31 March 2018 is set out below:

Business objectives up to 31 March 2018 as stated in the Prospectus	Actual business progress up to 31 March 2018
Expansion of the corporate finance advisory business	The Group has strengthened the existing corporate finance advisory teams by recruitment of additional employees
Development of the equity capital market operations	The Group has established a new team which focuses on equity capital market business and the team is proactively looking for sponsoring and underwriting opportunities.
Enhancement of the information technology systems of the Group	The Group has almost completed the enhancement of its server equipment and other information technology infrastructure and has taken steps in implementing its business continuity plan.
Expansion of office	The Group has utilised additional office space for additional employees.

Use of Net Proceeds from the Listing and Change in Use of Proceeds

The net proceeds from the Listing (the "Net Proceeds") were approximately HK$55.9 million (based on the final public offering price of HK$2.05 per Share). The Group adjusted the Net Proceeds in the same manner as stated in the Prospectus as follows:

- approximately HK$9.1 million will be used for expanding its corporate finance advisory business;
- approximately HK$24.5 million will be used for developing its equity capital markets business, including approximately HK$15.7 million for supporting its underwriting business;

- approximately HK$7.5 million will be used for enhancing the information technology capability of the Group;
- approximately HK$10.8 million will be used for expanding the office(s) of the Group to cope with the expansion of corporate finance advisory business; and
- the remaining approximately HK$4.0 million will be used for working capital of the Group.

As at 31 March 2018, approximately HK$28.2 million of the Net Proceeds remained unutilised.

As explained below, the Board has recently resolved to change the use of the remaining approximately HK$28.2 million out of the Net Proceeds. A breakdown of the use of the Net Proceeds as set out in the Prospectus, breakdown of the Net Proceeds utilised up to 31 March 2018 and the proposed change of use of the unutilised Net Proceeds are summarised as follows:

	Adjusted use of Net Proceeds in the same manner as stated in the Prospectus	**Actual use of Net Proceeds from the Listing to 31 March 2018**	**Estimated amount of Net Proceeds to be utilised for the period 1 April 2018 to 31 March 2019 as originally intended**	**Adjusted amount of Net Proceeds to be utilised for the period 1 April 2018 to 31 March 2019**
	HK$'million (approximately)	*HK$'million* (approximately)	*HK$'million* (approximately)	*HK$'million* (approximately)
Expansion of the corporate finance advisory business	9.1	1.8	7.3	4.5
Expansion of the equity capital markets operations	24.5	17.6	6.9	6.9
Enhancement of the information technology systems of the Group	7.5	2.6	4.9	3.0
Expansion of office	10.8	1.7	9.1	1.8
General working capital	4.0	4.0	—	—
Exploration of new investment opportunities	—	—	—	12.0
	55.9	27.7	28.2	28.2

Reasons for the Proposed Change in Use of Net Proceeds

As set out in the Prospectus, one of the uses of the Net Proceeds of the Group has been to expand its corporate finance advisory business by recruiting additional employees. The Group will only recruit when it identifies high quality candidates, which is not easy in the recent market conditions, and same costs have been saved through referrals decreasing expected recruitment expenses. As at 31 March 2018, the Group had completed for the moment the expansion of its corporate finance advisory business and approximately HK$2.8 million of the Net Proceeds was released to exploration of new investment opportunities.

Another use of the Net Proceeds of the Group has been to develop its equity capital market business. During the Year, a new and separate team has been established and designated for IPO execution which includes acting as sponsor, manager and underwriter for potential listing candidates. As at 31 March 2018, the Group considered that the existing structure of the team was appropriate for this stage of its development and decided to reallocate approximately HK$2.5 million to support its underwriting business.

During the Year, the Group has taken steps in (i) enhancing its information technology to underpin the Group's operation and expansion; and (ii) implementing its business continuity plan. As at 31 March 2018, enhancement of server equipment and other information technology infrastructure has almost been completed. Based on the steps taken, the Group has postponed cyber risk assessment to the year ending 31 March 2019 and adjusted the business continuity plan. As a result of the discounts obtained through negotiation with vendors and the adjustment of the business continuity plan, the Group decided to reallocate approximately HK$1.9 million out of the Net Proceeds originally intended for enhancement of the information technology systems of approximately HK$7.5 million to exploration of new investment opportunities.

One of the principal priorities of the Group is to maintain and strengthen its business relationships with corporate clients, regulatory bodies and professional intermediaries whose offices are mainly located in prime locations in Admiralty and Central. In this regard and in view of high relocation costs and the disruption of moving, the Group decided to retain the existing office at 20th Floor, China Building, 29 Queen's Road Central, Central, Hong Kong. Approximately HK$1.1 million and HK$0.7 million out of the Net Proceeds originally intended for expansion of office of approximately HK$10.8 million will be retained for renovation and rental payment of existing office, respectively. Approximately HK$7.3 million of the Net Proceeds was subject to reallocation to exploration of new investment opportunities.

In pursuing its long-term goals, the Group has been exploring new investment opportunities, including enhancing its presence in China and considering entering the asset management business and mergers and acquisitions ("M+A") business. The Directors consider these businesses are complementary to its existing corporate finance advisory and equity capital markets activities and may benefit the Group from economies of scale and providing a greater range of services to clients.

In view of the above, the Company decided to reallocate the unutilised Net Proceeds originally intended for expansion of corporate finance advisory business of approximately HK$2.8 million, enhancement of information technology systems of approximately HK$1.9 million and office expansion of approximately HK$7.3 million to exploration of new investment opportunities. The Directors are of the opinion that the change of use of Net Proceeds is in the best interests of the Company and its Shareholders as a whole.

The unutilised balance is deposited with a licensed bank in Hong Kong. The Group intends to utilise the balance of the Net Proceeds in the manner set out above.

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 Limited ("Somerley Capital") and any material disruptions to the business of Somerley Capital would adversely affect the business, results of operations and financial position of the Group;

(ii) The revenue of the Group is difficult to predict and may be volatile in any given reporting period owing to the timing of transaction completions and hence recognition of revenue;

(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 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;

(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 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 not substantial.

Nevertheless, the Group is committed to building an environmental-friendly corporation that pays close attention to conserving natural resources where possible. For example, the Group strives to minimise its impact on the environment by saving electricity and encouraging recycling 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 Company itself is an investment holding company listed on GEM of the Stock Exchange. The Group's operations are carried out by its only operating subsidiary, Somerley Capital. 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 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 in respect of the business operations of the Group.

Relationships with Employees and Clients

The Group's employees and clients are the keys to the success 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, and are mostly likely to seek help with transactions when needed.

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 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

The Group made a profit for the Year and substantially achieved the goals previously set, including (i) strengthening the core corporate finance advisory capability through expansion of its existing teams, (ii) developing its equity capital market capability through establishment of a separate team specialised for IPO execution business; and (iii) enhancing the information technology infrastructure and systems to underpin its business and expansion.

The first stage in developing the Group's equity capital market capability was evidenced by the revenue generated from sponsoring and underwriting for the Year. During the year ending 31 March 2019, the Group aims to strengthen further its sponsoring and underwriting capabilities and believes they have the potential to generate a major revenue stream in the coming years. In addition, the Group is evaluating whether extending the Group's activities into asset management would complement its underwriting and equity capital market objectives.

There is a continuing trend for the Group (i) to act as advisers of state-owned enterprises in China/companies controlled by Chinese entities and (ii) to advise on transactions that involve businesses or assets in China. The permanent establishment of a wholly foreign-owned enterprise with an executive team in Beijing (the "BJ WFOE") is underway. The Directors believe the BJ WFOE will enhance the Group's presence in China, assist in China-related transactions, develop relationships with clients in China and generate outbound M+A prospects.

Capitalising on the Group's client base and transaction expertise built in the past, the Group aims to increase its participation in cross-border M+A activities by developing a specialist M+A team, combining the capabilities of the Hong Kong corporate finance advisory teams and the BJ WFOE.

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 noted in the paragraph headed "Chairman and Chief Executive".

Chairman and Chief Executive

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 only operating subsidiary, Somerley Capital. 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 keep reviewing the current structure of the Board from time to time.

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 Year, the Audit Committee held 4 meetings to review, assess and comment on the audited consolidated financial statements for the year ended 31 March 2017, the unaudited consolidated financial statements for the three months ended 30 June 2017, six months ended 30 September 2017 and nine months ended 31 December 2017, respectively. 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.

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

SCOPE OF WORK OF SHINEWING (HK) CPA LIMITED

The figures in respect of the Group's consolidated financial statements and the related notes thereto for the Year as set out in this announcement have been agreed by the Group's auditor, SHINEWING (HK) CPA Limited, as to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on this announcement.

DIRECTORS' SECURITIES TRANSACTIONS

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

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

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

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

EVENTS AFTER THE REPORTING PERIOD

840,667 share options were exercised after the Year. An aggregate of 840,667 new Shares at the exercise price of HK$0.28 have been issued after the Year.

On 11 June 2018, the Group established Somerley Capital (Beijing) Limited, a wholly owned subsidiary of the Group.

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 2018 containing all the information required by the GEM Listing Rules will be dispatched to the Company's shareholders and published on the above websites in due course.

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

Hong Kong, 22 June 2018

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.