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 Report

2017-18

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

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

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

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This annual report, for which the directors of Somerley Capital Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company and its subsidiaries (together, the "Group"). The directors of the Company (the "Directors"), having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this annual report 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 annual report misleading.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. SABINE Martin Nevil *(Chairman)*
Mr. CHEUNG Tei Sing Jamie
Mr. CHOW Wai Hung Kenneth

Independent Non-Executive Directors

Mr. CHENG Yuk Wo
Mr. HIGGS Jeremy James
Mr. YUEN Kam Tim Francis

BOARD COMMITTEES

Audit Committee

Mr. CHENG Yuk Wo *(Chairman)*
Mr. HIGGS Jeremy James
Mr. YUEN Kam Tim Francis

Nomination Committee

Mr. HIGGS Jeremy James *(Chairman)*
Mr. YUEN Kam Tim Francis
Mr. SABINE Martin Nevil

Remuneration Committee

Mr. YUEN Kam Tim Francis *(Chairman)*
Mr. CHENG Yuk Wo
Mr. CHEUNG Tei Sing Jamie

COMPLIANCE OFFICER

Mr. SABINE Martin Nevil

JOINT COMPANY SECRETARIES

Ms. LAM Yuen Ling Eva
Mr. PANG Mo Cheung

AUTHORISED REPRESENTATIVES

Mr. CHEUNG Tei Sing Jamie
Mr. CHOW Wai Hung Kenneth

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

20th Floor
China Building
29 Queen's Road Central
Central
Hong Kong

REGISTERED OFFICE

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Grand Cayman KY1-1111
Cayman Islands

COMPLIANCE ADVISER

Halcyon Capital Limited
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8 Wyndham Street
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301–04, 33/F
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

AUDITOR

SHINEWING (HK) CPA Limited
43rd Floor
Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

TRADING STOCK CODE

8439

COMPANY'S WEBSITE

www.somerleycapital.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

Last year, I said we looked forward to delivering a rewarding performance for 2017–18 and I am pleased to report that your Company made an encouraging profit for the year ended 31 March 2018 and will pay its first dividend to shareholders.

REVENUE AND BUSINESS STREAMS

Revenue for the year amounted to approximately HK$72.0 million, an increase of 6% over the previous year (2017: HK$67.9 million). The main reason for this increase was our sponsor and underwriting activities, which generated HK$10.6 million, a substantial increase over the figure of HK$1 million for 2017. The highlight in this respect was our acting as co-sponsor for the listing of Wharf REIC. We aim to build further on this success during the current year ending 31 March 2019.

We continue to be a market leader in acting as financial adviser/independent financial adviser, accounting for revenue of HK$53.5 million (2017: HK$56.4 million). Compliance adviser revenue declined from HK$10.2 million for 2017 to HK$7.4 million for 2018 owing to the expiry of certain mandates, while new ones are being signed. A substantial proportion of the transactions on which we advise are on behalf of PRC controlled companies and/or involve PRC businesses or assets. To better service these transactions and clients, we are in the course of opening a Beijing office as mentioned below.

COSTS AND EXPENSES

Our major cost continues to be employee benefits costs, which increased by approximately 2.9% to approximately HK$49.6 million (2017: HK$48.2 million). While it is part of management's task to control these costs, at the same time we must fairly reward the hard work and enthusiasm of our staff. Rental and other related costs are our second biggest expense. We have agreed with our landlord a new lease of our premises at 20th Floor, China Building for a further three years up to 30 June 2021. Our rental payments will increase but in our view acceptably so, given the potential disruption and costs of moving.

BALANCE SHEET

Our balance sheet, similar to last year, remains strong with net assets of approximately HK$104 million and cash and cash equivalents of approximately HK$95 million.

DIVIDEND

Based on our strong liquidity and profits before and after taxation of HK$6.9 million and HK$5.9 million respectively, the Directors have proposed a final dividend of HK3.5 cents per share for the year ended 31 March 2018. The dividend will be paid to shareholders whose names appear on the register of members on 13 September 2018, subject to shareholders' approval at the AGM to be held on 7 September 2018. It is expected that the final dividend will be paid on or around 21 September 2018.

OUTLOOK AND PROSPECTS

Having achieved our principal goals for the past financial year, our main objectives for the current year are:

(i) to continue expanding our sponsor and underwriting activities and to develop our capability in equity capital markets;

(ii) to evaluate whether extending our activities into asset management (requiring types 4 and 9 licences in addition to our current types 1 and 6 licences) would complement our underwriting and equity capital market objectives;

(iii) to activate our newly established subsidiary in Beijing and create a Beijing-based executive team. The tasks of this team will include assisting with PRC based transactions, enhancing relationships with PRC clients and generating outbound mergers and acquisitions ("M+A") prospects; and

(iv) building on our client base and transaction expertise, to develop a specialist M+A team and increase our participation particularly in cross-border M+A activities combining the capabilities of our Hong Kong corporate finance teams with the new Beijing-based executive team.

Based on these initiatives, we aim to expand our operating subsidiaries and significantly increase our "reach" in providing a more comprehensive range of financial services.

I would like to close by once again thanking all my colleagues for their hard work and enthusiasm during the year and our shareholders for their support.

Yours sincerely,
Martin Sabine
Chairman

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 ended 31 March 2018 (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 annual report, 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 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 is HK3.5 cents per share (2017: nil), which will absorb approximately HK$4.9 million as at the date of this annual report.

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 HK$'million (approximately)	Actual use of Net Proceeds from the Listing to 31 March 2018 HK$'million (approximately)	Estimated amount of Net Proceeds to be utilised for the period 1 April 2018 to 31 March 2019 as originally intended HK$'million (approximately)	Adjusted amount of Net Proceeds to be utilised for the period 1 April 2018 to 31 March 2019 HK$'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 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 annual report, 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 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.

THE BOARD OF DIRECTORS

The Board currently consists of six members including three executive Directors and three independent non-executive Directors. They are:

Executive Directors

Mr. SABINE Martin Nevil *(Chairman)*
Mr. CHEUNG Tei Sing Jamie
Mr. CHOW Wai Hung Kenneth

Independent non-executive Directors

Mr. CHENG Yuk Wo
Mr. HIGGS Jeremy James
Mr. YUEN Kam Tim Francis

Each of the independent non-executive Directors appointed on 9 March 2017 has entered into a service agreement with the Company for an initial term of three years commencing from 28 March 2017 which shall continue thereafter unless and until terminated by not less than three months' notice in writing. Their appointment is subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the articles of association of the Company.

Mr. CHENG Yuk Wo, one of three independent non-executive Directors, possesses the appropriate professional qualifications, or accounting or related financial management expertise as required under rule 5.05(2) of the GEM Listing Rules. All independent non-executive Directors bring substantial experience to the Board and help to ensure that the Board maintains high standards in financial and other mandatory reporting as well as to provide adequate checks for safeguarding the interests of the shareholders and the Company as a whole.

The membership of the Board is designed to represent suitable background and industry expertise to oversee and operate the Company efficiently and safeguard the interests of the various stakeholders of the Company. The Company has received written confirmation from each independent non-executive Director of his independence pursuant to the requirement of rule 5.09 of the GEM Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the GEM Listing Rules.

Pursuant to article 84 of the articles of association of the Company, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Accordingly, Mr. CHEUNG Tei Sing Jamie and Mr. CHENG Yuk Wo will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

The Board is responsible for running the Group and executing the strategies adopted by the Board. They ensure that proper risk management and internal control systems are in place and that the Group's business conforms to applicable laws and regulations.

The Board may delegate any of its powers, authorities and discretion to committees consisting of such Director or Directors and other persons as the Board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretion so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

The Directors' biographical information is set out on pages 29 to 31 of this annual report. All Directors have given sufficient time and attention to the affairs of the Group and each of them has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. There is no relationship among the members of the Board except that Mr. SABINE Martin Nevil and Mr. CHEUNG Tei Sing Jamie are acting in concert in respect of their interests in the Company.

The Company maintains appropriate directors' and officers' liabilities insurance.

BOARD DIVERSITY POLICY

Pursuant to the CG Code, the Board has adopted a board diversity policy. The Company believes that board diversity is a key element for the Company to maintain sound corporate governance, realise sustainable development and achieve strategic objectives. The Company believes that board diversity enhances decision-making capability and a diverse board is more effective in dealing with organisational changes. The Company considers that the concept of diversity incorporates a number of different aspects, such as professional experiences, business perspectives, skills, knowledge, gender, age, cultural and educational background, ethnicity and length of service. For the purpose of implementation of the board diversity policy, the following measurable objectives were adopted:

Independence:	The Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong element of independence in the Board. The independent non-executive Directors shall be of sufficient calibre and stature for their views to carry weight.
Gender:	The Company is committed to maintaining an environment of respect for people regardless of their gender in all business dealings and achieving a workplace environment free of harassment and discrimination on the basis of gender, physical or mental state, race, nationality, religion, age or family status. The same principle is applied to the selection of potential candidates for appointment to the Board.
Nationality and ethnicity:	To cope with the diversified portfolio of the Company's businesses, the Company aspires to having a board of directors of different nationality or ethnic backgrounds who can contribute their knowledge and understanding of the environment in which the Company operates its business.
Skills and experience:	The Board possesses a balance of skills appropriate for the requirements of the business of the Company. The Directors have a mix of finance, academic and management backgrounds that taken together provide the Company with considerable experience in a range of activities.

Apart from the above objectives, the board diversity policy has the following objectives to comply with the GEM Listing Rules:

1. at least one third of the members of the Board shall be independent non-executive Directors;

2. at least three of the members of the Board shall be independent non-executive Directors; and

3. at least one of the members of the Board shall have obtained appropriate professional qualifications or accounting or related financial management expertise.

The Board has achieved most of the measurable objectives under board diversity policy during the Year.

NOMINATION COMMITTEE

The Company has established a nomination committee (the "Nomination Committee") with specific written terms of reference in line with the code provisions under the CG Code. The Nomination Committee consists of three members comprising two independent non-executive Directors, namely Mr. HIGGS Jeremy James and Mr. YUEN Kam Tim Francis, and one executive Director namely Mr. SABINE Martin Nevil. Mr. HIGGS Jeremy James is the chairman of the Nomination Committee. The primary duties of the Nomination Committee are mainly reviewing the structure, size and composition of the Board, identifying individuals suitably qualified as potential members of the Board, assessing the independence of the independent non-executive Directors, selecting or making recommendations on the selection of individuals nominated for directorships and succession planning for the Directors in particular the Chairman and the chief executive of the Company (the "Chief Executive"). When identifying suitable director candidates, and making recommendation to the Board, the Nomination Committee would take into consideration various candidates in view of their respective background of education, experience, expertise within the industry and past directorships. The Nomination Committee also monitors the implementation of the board diversity policy and reports to the Board on the achievement of the measurable objectives for achieving diversity under the board diversity policy. The Nomination Committee will review the board diversity policy, as appropriate, to ensure its effectiveness and discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

During the Year, the Nomination Committee held 1 meeting to review the structure, size and composition of the Board. The Nomination Committee will continue to review whether additional members of the Board may be desirable.

REMUNERATION COMMITTEE

Pursuant to rule 5.34 of the GEM Listing Rules, the Company has set up a remuneration committee (the "Remuneration Committee"), establishing authority and duties under its specific terms of reference. The Remuneration Committee consists of three members comprising two independent non-executive Directors, namely Mr. CHENG Yuk Wo and Mr. YUEN Kam Tim Francis, and one executive director, namely Mr. CHEUNG Tei Sing Jamie. Mr. YUEN Kam Tim Francis is the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are mainly making recommendations to the Board on the remuneration policy relating to the Directors and senior management of the Group, reviewing performance-based remuneration, determining with delegated responsibility the remuneration packages of individual executive Directors and senior management of the Group and ensuring none of the Directors determines their own remuneration. During the Year, the Remuneration Committee held 2 meetings to review the remuneration package of the Directors and senior management of the Group.

SENIOR MANAGEMENT'S REMUNERATION

Senior management's remuneration for the Year falls within the following band:

	Number of individuals
HK$1,000,001 to HK$1,500,000	2
HK$1,500,001 to HK$2,000,000	3
HK$2,000,001 to HK$2,500,000	4

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.

PRACTICE AND CONDUCT OF MEETINGS

The schedule and agenda of each meeting are made available to the Directors in advance such that each Director is given an opportunity to provide his/her input to the agenda items. Advance notice of at least 14 days is given for a regular Board meeting. For other Board and committee meetings, reasonable notice is given.

Minutes of all Board meetings recording sufficient details of matters considered and decisions reached are circulated to the Directors and open for inspection by the Directors.

The Company's articles of association contain provisions requiring the Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Board papers together with all appropriate, complete and reliable information are sent to all Directors well in advance before each Board meeting or Board committee meeting to keep the Directors appraised of the latest developments and financial position of the Company and to enable them to make informed decisions.

During the Year, the attendance of Directors at the above committees meetings, board meetings and general meeting was:

	Number of meetings attended/Number of meetings held				
Name of Directors	**Board Meeting**	**Audit Committee Meeting**	**Remuneration Committee Meeting**	**Nomination Committee Meeting**	**General Meeting**
Executive Directors:					
Mr. SABINE Martin Nevil	5/5	—	—	1/1	1/1
Mr. CHEUNG Tei Sing Jamie	5/5	—	2/2	—	1/1
Mr. CHOW Wai Hung Kenneth	5/5	—	—	—	1/1
Independent Non-executive Directors:					
Mr. CHENG Yuk Wo	5/5	4/4	2/2	—	1/1
Mr. HIGGS Jeremy James	5/5	4/4	—	1/1	1/1
Mr. YUEN Kam Tim Francis	5/5	4/4	2/2	1/1	1/1

CORPORATE GOVERNANCE FUNCTIONS

According to code provision D.3 of the CG Code, the Board is responsible for performing the corporate governance duties of the Company. The Board has the following duties and responsibilities in performing the corporate governance duties of the Company:

1. to develop and review the Group's policies and practices on corporate governance;

2. to review and monitor the training and continuing professional development of the Directors and staff of the Group;

3. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manuals applicable to employees and the Directors; and

5. to review the Group's compliance with the corporate governance code as set out in the GEM Listing Rules and disclosure in the corporate governance report and in annual report of the Company.

AUDITOR'S REMUNERATION

For the year, the fees paid to SHINEWING (HK) CPA Limited, the auditor of the Company, and its affiliate companies in respect of audit and non-audit services provided by them to the Group were as follows:

	Fee Amount HK'000
Audit services	381
Interim review services	120
Internal control review services	128
Other review services	52

FINANCIAL REPORTING

The Directors acknowledge their responsibilities for preparing the accounts. In preparing the consolidated financial statements for the Year, the Group has selected suitable accounting policies and applied them consistently. The Group has consistently adopted all the new and revised Hong Kong Accounting Standards ("HKASs"), Hong Kong Financial Reporting Standards, amendments and interpretations (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants which are effective for the Year. A statement by the auditor about their reporting responsibilities is set out in the auditors' report on the financial statements.

REMUNERATION POLICY FOR DIRECTORS AND SENIOR MANAGEMENT

The remuneration of the executive Directors and senior management is subject to review and approval by the Remuneration Committee and the remuneration of the non-executive Directors (including independent non-executive Directors) is subject to approval by the Board. The Group's remuneration policies are formulated based on the performance of individual Directors and senior management and are reviewed regularly. An individual executive Director is entitled to a discretionary bonus of a sum to be determined by the Remuneration Committee and approved by the Board at its absolute discretion having regard to the operating results of the Group and the performance of the Director. The Director shall abstain from voting and shall not be counted in the quorum in respect of the resolution regarding the amount so payable to him. Apart from basic remuneration, share options may be granted under the share option schemes 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 the Pre-IPO Share Option Scheme and the Share Option Scheme to incentivise and retain staff members who have made significant contribution 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.

Details of the share option schemes are set out in the section headed "Share Option Scheme" of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors, the Company has maintained sufficient public float of not less than 25% of the issued Shares worth not less than HK$30 million pursuant to rule 11.23 of the GEM Listing Rules as at the latest practicable date prior to the issue of this annual report.

NON-COMPETITION UNDERTAKING

Each of SGL, Mr. SABINE Martin Nevil, Mr. CHEUNG Tei Sing Jamie and Mr. FLETCHER John Wilfred Sword (the "Controlling Shareholders") has made a declaration to the Company that during the Year, they have complied with the terms of non-competition undertaking (the "Non-Competition Undertaking") given in favour of the Company.

Details of the Non-Competition Undertaking are set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus.

The independent non-executive Directors have also reviewed the status of compliance by each of the Controlling Shareholders with the undertakings stipulated in the Non-Competition Undertakings and have confirmed that, as far as the independent non-executive Directors can ascertain, there is no breach of any of such undertakings.

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.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Pursuant to the code provision A.6.5 under Appendix 15 to the GEM Listing Rules, all directors should participate in continuing professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Each Director received induction on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Group and that he is sufficiently aware of his responsibilities and obligations under the GEM Listing Rules and other relevant legal and regulatory requirements.

During the Year, all Directors participated in continuing professional development regarding their duties and responsibilities under the relevant legal and regulatory requirement which included reading materials in relation to legal or regulatory update and/or attending training courses.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has responsibility for maintaining appropriate and effective risk management and internal control systems of the Group and reviewing their effectiveness through the Audit Committee. The Board has delegated responsibility to its audit committee to review the Group's risk management and internal control matters annually. The risk management and internal control systems are designed to manage rather than eliminate risks of failure in operational systems so that the Company's objectives can be achieved, and can only provide reasonable and not absolute assurance against material misstatement or loss. The main features of the risk management and internal control systems are described in the sections below:

Risk Management System

The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- Identification: Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.

- Evaluation: Analyse the likelihood and impact of risks and evaluate the risk portfolio accordingly.

- Management: Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Based on the risk assessments conducted in 2018, no significant such risk was identified.

Internal Control System

The Company has in place an internal control system which is compatible with the Committee of Sponsoring Organisations of the Treadway Commission ("COSO") 2013 framework. The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are:

- Control Environment: A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.

- Risk Assessment: A dynamic and iterative process for identifying and analysing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.

- Control Activities: Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.

- Information and Communication: Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.

- Monitoring: Ongoing and separate evaluations to ascertain whether each component of internal control is present and functioning.

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements inside information policies and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- Access to information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.

- Confidentiality agreements are in place when the Group enters into significant negotiations.

- The Executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

Based on the internal control reviews conducted in 2018, no significant control deficiency was identified.

INTERNAL AUDIT FUNCTIONS

The Group has engaged an independent professional adviser (the "Internal Control Advisor") to carry out the internal audit functions by performing independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control systems. The Internal Control Advisor has conducted an annual review of and made recommendations to improve the effectiveness of the Group's risk management and internal control systems.

The Internal Control Advisor is independent of the Group's daily operation and carries out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operational effectiveness.

An internal audit plan has been approved by the Board. According to the established plan, review of the risk management and internal control systems is conducted annually and the results are reported to the Board via the Audit Committee.

EFFECTIVENESS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board is responsible for the risk management and internal control systems of the Group and ensuring review of the effectiveness of these systems has been conducted annually. Several areas have been considered during the Board's review, which include (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems.

The Board, through its review and the review made by internal audit function and Audit Committee, concluded that the risk management and internal control systems were effective and adequate. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. It is also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

INVESTORS' RELATIONS

The Company encourages two-way communications with its shareholders. Information about the Company's activities is provided in our quarterly, interim and annual reports sent to the shareholders. Enquiries from individuals on matters relating to their shareholdings or the business of the Company are welcomed and will be dealt with in an informative and timely manner. In order to promote effective communication, the Company maintains a website on which financial and other information relating to the Group and its business is disclosed.

Shareholders' Rights to Nominate a Director

If a shareholder of the Company (the "Shareholder") wishes to propose a person (the "Candidate") for election as a director of the Company (the "Director") at a general meeting, he/she should deposit (i) a written notice (the "Proposal Notice") of the intention to propose the Candidate for election as a Director; and (ii) a written notice (the "Consent Notice") signed by the Candidate of his/her willingness to be elected at either of the following addresses during a period of at least 7 days commencing no earlier than the day immediately after the despatch of the notice of the general meeting and ending no later than 7 days before the date of such general meeting to the headquarters, head office and principal place of business in Hong Kong at 20th Floor, China Building, 29 Queen's Road Central, Central, Hong Kong or the registered office of the Company in Cayman Islands at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Proposal Notice must be accompanied by the information of the Candidate as required by rule 17.50(2) of the GEM Listing Rules and must be signed by the Shareholder proposing the Candidate for election as a Director. The Consent Notice must indicate his/her willingness to be elected and consent to the publication of his/her information as required by rule 17.50(2) of the GEM Listing Rules and must be signed by the Candidate.

Shareholders' Rights on Convening an Extraordinary General Meeting

Pursuant to article 58 of the articles of association of the Company, any one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company and carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself/herself/themselves may do so, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Enquiries to the Board

Shareholders may at any time make a request for information about the Company (to the extent that such information is publicly available) to the company secretary of the Company (the "Company Secretary") who is responsible for forwarding communications relating to the Board or ordinary business matters, such as suggestions, inquiries and complaints, to the Directors of the Company. Shareholders may also send their enquiries to our email at somerley@somerley.com.hk or send them directly to our office at 20th Floor, China Building, 29 Queen's Road Central, Central, Hong Kong.

Putting forward Proposals at a General Meeting

Shareholders are welcome to put forward proposals relating to the operations and management of the Group to be discussed at shareholders' meetings. Shareholders who wish to put forward a proposal shall send written requisition to the Board or the Company Secretary at the abovementioned address of the Company to require an extraordinary general meeting by following the procedures set out in "Shareholders' Rights on Convening an Extraordinary General Meeting" above.

Company Secretary

One of the joint Company Secretaries, Ms. LAM Yuen Ling Eva ("Ms. Lam"), is delegated by an external service provider. The external service provider's primary contact person at the Company is Mr. PANG Mo Cheung, the financial controller of the Group, who was appointed as the other joint Company Secretary on 1 April 2018. Ms. Lam has taken no less than 15 hours of relevant professional training to update her skills and knowledge during the Year.

EXECUTIVE DIRECTORS

Mr. SABINE Martin Nevil ("Mr. Sabine"), aged 70, was appointed as a Director on 21 April 2016 and designated as an executive Director and appointed as the chairman of the Company on 9 March 2017. He is the chairman of Somerley Capital, a wholly-owned subsidiary of the Company. He is also a member of the Nomination Committee and the compliance officer of the Company. Mr. Sabine is responsible for overseeing business development of the Group, cultivating long-term client relationship, introducing new clients and projects, monitoring industry developments and liaising with team heads and members on specific transactions. He graduated with a Bachelor of Arts degree from the University of Oxford in July 1969. He was awarded a Thouron Scholarship to attend the Wharton Graduate School of Business of the University of Pennsylvania in that year. He received a Master's Degree in Business Administration from the Wharton Graduate School of Business and was elected to the Beta Gamma Sigma honour society in April 1971.

After graduation, Mr. Sabine worked in the financial field in London before coming to Hong Kong in 1977. After working in the corporate finance department of Wardley Limited, a wholly-owned subsidiary of The Hongkong and Shanghai Banking Corporation Limited until 1983, latterly as a director, he set up SIL in 1983. Since that time, SIL and now Somerley Capital have developed into one of the most active firms in the corporate finance advisory field in Hong Kong. Mr. Sabine is the ultimate controlling shareholder of the Company and Somerley Capital. He has acted as a Responsible Officer for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities and a Principal since 2 October 2013.

Mr. Sabine has written a book on corporate finance (which is entitled Corporate Finance: Flotations, Equity Issues and Acquisitions), which has been translated into Chinese, Italian and Spanish. Mr. Sabine is a member of the Takeovers and Mergers Panel and a fellow of the Hong Kong Securities and Investment Institute.

Mr. CHEUNG Tei Sing Jamie ("Mr. Cheung"), aged 47, was appointed as a Director on 21 April 2016 and designated as an executive Director on 9 March 2017. He is also a member of the Remuneration Committee. He joined SIL in March 1996 as assistant manager. He has served as vice president of Somerley Capital since July 2014, responsible for formulating business and corporate strategies and project origination. He has acted as a Licensed Representative for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 14 July 2014. Mr. Cheung has over 20 years' experience in corporate finance.

Mr. Cheung obtained a Bachelor of Commerce degree from The University of New South Wales in April 1993 and obtained from the Australian Graduate School of Management the degree of Master of Business Administration in July 2004. Mr. Cheung has been a member of CPA Australia since April 1996.

Prior to joining SIL, Mr. Cheung worked in the audit department of Deloitte Touche Tohmatsu as an accountant between January 1993 and March 1996. During the period between September 2003 and May 2005, Mr. Cheung left SIL and worked in Cazenove Asia Limited in the corporate finance department, involved in its corporate finance advisory services, before rejoining SIL in May 2005.

Mr. CHOW Wai Hung Kenneth ("Mr. Chow"), aged 47, was appointed as a Director on 21 April 2016 and designated as an executive Director on 9 March 2017. He joined SIL in May 2006 as director, and has served as managing director since February 2010, responsible for supervising and leading execution of corporate finance projects. Mr. Chow has over 19 years of experience in corporate finance. He is currently a Responsible Officer for Type 6 (advising on corporate finance) regulated activity and a Principal. Mr. Chow graduated from The University of New South Wales with a Bachelor of Commerce degree in Accounting in April 1993. He has been a fellow member of the Hong Kong Institute of Certified Public Accountants since May 2016 and was qualified as a member of CPA Australia and a member of the Institute of Chartered Accountants in Australia in March 1996 and March 1997 respectively.

Prior to joining SIL, Mr. Chow worked in Haitong International Capital Limited (formerly known as Taifook Capital Limited) for over six years between November 1999 and April 2006, with the last position as director. Mr. Chow also worked in the Listing Division from 1997 to 1999 and Deloitte Touche Tohmatsu from 1993 to 1996.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHENG Yuk Wo ("Mr. Cheng"), aged 57, was appointed as an independent non-executive Director on 9 March 2017. He is also the chairman of the Audit Committee and a member of the Remuneration Committee. Mr. Cheng is currently the proprietor of Erik Cheng & Co., a certified public accountant practice in Hong Kong. Mr. Cheng obtained a Master of Science (Economics) degree in Accounting and Finance from the London School of Economics in August 1984, and a Bachelor of Arts (Honours) degree in Accounting from the University of Kent in July 1983. He has been a fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants since August 1998 and January 1999 respectively, and a member of the Institute of Chartered Professional Accountants of Canada since November 1990. Mr. Cheng has more than 30 years of experience in financial and corporate advisory services in mergers, acquisitions and investments. He had worked at Coopers and Lybrand (now known as PricewaterhouseCoopers Ltd.) in London between 1984 and 1987 and Swiss Bank Corporation (now known as UBS AG) in Toronto between 1989 and 1992, and held senior management positions in a number of Hong Kong listed companies.

Mr. Cheng is an independent non-executive director of a number of companies the shares of which are listed on the Stock Exchange, including CSI Properties Limited (stock code: 497), HKC (Holdings) Limited (stock code: 190), C.P. Lotus Corporation (stock code: 121), Goldbond Group Holdings Limited (stock code: 172), CPMC Holdings Limited (stock code: 906), Top Spring International Holdings Limited (stock code: 3688), Chong Hing Bank Limited (stock code: 1111), Liu Chong Hing Investment Limited (stock code: 194), Chia Tai Enterprises International Limited (stock code: 3839), DTXS Silk Road Investment Holdings Company Limited (stock code: 620), Miricor Enterprises Holdings Limited (stock code: 8358) and Kidsland International Holdings Limited (stock code: 2122). Besides, Mr. Cheng was an independent non-executive director of Imagi International Holdings Limited (stock code: 585), a company the shares of which are listed on the Stock Exchange, from July 2010 to January 2016.

Mr. HIGGS Jeremy James ("Mr. Higgs"), aged 63, was appointed as an independent non-executive Director on 9 March 2017. He is also the chairman of the Nomination Committee and a member of the Audit Committee. Mr. Higgs is the principal founder and managing director of Environmental Investment Services Asia Limited, incorporated in 2009 as Hong Kong's first independent funds management company specialising in equity investment in the Asian environmental sector. He is also the portfolio manager of the Green Dragon Fund, launched in 2006 and pioneering investments in the emerging low carbon goods and services sector of the Asia Pacific region, having a special focus on China.

Mr. Higgs has extensive experience as a fund manager in Asia. Between 2006 and 2009, he was the managing director at Bowen Capital Management Limited where he launched the Green Dragon Fund. Other positions held in his investment career include general manager and director of IG International Ltd. between 1999 and 2001, managing director of Carlson Investment Management Far East Ltd. between 1993 and 1999, and director of Indosuez Asia Investment Services Limited, between 1987 and 1993. Mr. Higgs is a Trustee of the World Wide Fund for Nature Hong Kong.

Mr. YUEN Kam Tim Francis ("Mr. Yuen"), aged 64, was appointed as an independent non-executive Director on 9 March 2017. He is also the chairman of the Remuneration Committee, a member of the Audit Committee and Nomination Committee. Mr. Yuen is currently a director of Saning Consultants Limited, a consultancy company. He was the managing director of Union Registrars Limited from 2004 to 2014. Prior to this, he had been a director and company secretary of South China Holdings Limited, the businesses of which included diversified financial services in securities and commodities brokerage, manufacturing, media and travel services, for 14 years from 1989 to 2003. He had also served in Sun Hung Kai Securities Limited, a leading Hong Kong securities brokerage and financial service company, for 10 years from 1979 to 1989, where he headed the secretarial and share registration departments. He has been a fellow member of the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators, the United Kingdom since August 1994 and April 1989 respectively.

SENIOR MANAGEMENT

Compliance Officer

Pursuant to rule 5.19 of the GEM Listing Rules, Mr. SABINE Martin Nevil, who is also an executive Director, was appointed as the compliance officer of the Company upon Listing. Please refer to his biography above for details.

Mr. NG Ming Wah Charles
Director of Somerley Capital
Mr. Ng, aged 68, joined SIL as a director on 7 September 2007 and was appointed as a director of Somerley Capital on 16 October 2013. He has acted as a Responsible Officer for Type 6 (advising on corporate finance) regulated activity since 31 December 2013. He is responsible for supervising and leading the execution of corporate finance projects. Mr. Ng has extensive experience in corporate finance and management and he has had extensive experience in reviewing and analysing financial statements of public companies.

Mr. Ng obtained a Bachelor of science degree in electronic and electrical engineering from Loughborough University in England in June 1972 and a Master of science degree in business studies from London Graduate School of Business Studies (University of London) in England in July 1974.

Mr. Ng is a fellow member of both the Hong Kong Securities and Investment Institute and the Hong Kong Institute of Directors.

Mr. Ng is also a non-executive director of Goldlion Holdings Limited (stock code: 533), the shares of which are listed on the Stock Exchange, and acts as a member of each of its audit, remuneration and nomination committees. During the three years prior to the latest practicable date, Mr. Ng was an independent non-executive director of China Aircraft Leasing Group Holdings Limited (stock code: 1848), the shares of which are listed on the Stock Exchange, from 11 September 2013 to 17 May 2016.

Ms. LEUNG Lim Ng Jenny
Director of Somerley Capital
Ms. Leung, aged 48, joined SIL as director in March 2010. She has been a director of Somerley Capital since October 2013 and has acted as a Responsible Officer for Type 6 (advising on corporate finance) regulated activity since December 2013. She is responsible for supervising and leading execution of corporate finance projects.

Ms. Leung graduated from University of Birmingham with a Bachelor degree in social science in July 1992.

Ms. Leung has over 18 years of experience in corporate finance. In the past, she held senior positions with a number of corporate finance advisory firms and brokerage house including Piper Jaffray Asia Ltd. (from 2006 to 2008 with last position as a principal) and Dao Heng Securities Limited (from 2000 to 2006 with last position as director of corporate finance). She handled various IPOs, merger(s) and acquisition(s) transactions and fund raising exercises.

Ms. TAM Sze Ka
Director of Somerley Capital
Ms. Tam, aged 40, joined SIL as senior manager in June 2007. She has served as director of Somerley Capital since October 2013, and has acted as a Responsible Officer for Type 6 (advising on corporate finance) regulated activity since 31 December 2013. She is responsible for supervising and leading execution of corporate finance projects. Ms. Tam has over 16 years of experience in corporate finance and has worked in various financial institutions involving in corporate finance.

Ms. Tam graduated from the Chinese University of Hong Kong, with a Bachelor degree in Integrated Business Administration in December 1999. Ms. Tam also obtained a Bachelor of Laws of University of London, United Kingdom, through long-distance learning in August 2007.

Ms. Tam has over 17 years of experience in corporate finance and has worked in various financial institutions involving in corporate finance. Prior to joining SIL, Ms. Tam worked in RexCapital (Hong Kong) Limited from October 2004 to May 2007, with last position as senior manager — corporate finance.

Mr. CHING David

Director of Somerley Capital

Mr. Ching, aged 46, is a director of Somerley Capital. He has been a Responsible Officer for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities and a Principal since 2 October 2013. He is responsible for supervising and leading execution of corporate finance projects. He joined SIL as associate director in November 2007.

He obtained a Bachelor of commerce degree from the University of Melbourne in January 1994, a Master of business administration from Cornell University in May 2002 and a Juris Doctor degree from the Chinese University of Hong Kong in November 2015. He has been a member of CPA Australia since February 1998 and a Chartered Financial Analyst of the CFA Institute since September 2001.

Prior to joining SIL, Mr. Ching worked as a vice president for BOCOM International (Asia) Limited from 2005 to 2007. Mr. Ching also worked for the Listing Division from 1997 to 2000. He has over 15 years of experience in the corporate finance industry.

Mr. CHENG Yat Wai

Director of Somerley Capital

Mr. Cheng, aged 41, joined SIL as assistant manager in May 2005. He has served as a director of Somerley Capital since 1 February 2014. He acted as a Responsible Officer for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 30 April 2014. He is responsible for supervising and leading execution of corporate finance projects.

Mr. Cheng graduated from the Chinese University of Hong Kong, with a Bachelor of Business Administration degree in December 2000. He has been an associate member of the Hong Kong Institute of Certified Public Accountants since December 2003 and a member of the Association of Chartered Certified Accountants since January 2005. He has also been a Chartered Financial Analyst of the CFA Institute since September 2005.

Mr. Cheng has over 17 years of experience in corporate finance, accounting and auditing. From September 2000 to June 2002, Mr. Cheng worked in Arthur Andersen & Co, which is principally engaged in assurance and business advisory services, with last position as staff accountant and the main role of performing auditing of companies. From July 2002 to June 2004, he worked in PricewaterhouseCoopers Ltd., which principally engages in assurance and business advisory services, with last position as senior associate and the main role of in charge of group audits. From June 2004 to April 2005, he worked in Platinum Management Services Limited, which principally engages in corporate finance business, with last position as manager and main role of execution of corporate finance projects.

Mr. WONG C-Tsun

Director of Somerley Capital

Mr. Wong, aged 38, joined SIL as manager in October 2007. He has acted as a director of Somerley Capital since February 2014, and has acted as a Responsible Officer for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 28 April 2014, and is responsible for supervising and leading execution of corporate finance projects.

Mr. Wong graduated from the Chinese University of Hong Kong, with a Bachelor degree of business administration in December 2002. He has been a member of the Hong Kong Institute of Certified Public Accountants since September 2007, and a Chartered Financial Analyst of the CFA Institute since September 2009.

Mr. Wong has over 15 years of experience in corporate finance, accounting and auditing. From September 2002 to July 2007, Mr. Wong worked in the audit and assurance division of KPMG, with last position as assistant manager.

Ms. CHOW Chung Yan Stephanie
Director of Somerley Capital
Ms. Chow, aged 41, joined SIL as manager in September 2007. She has acted as a director of Somerley Capital since October 2015. She has acted as a Responsible Officer for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 15 October 2015, and is responsible for supervising and leading execution of corporate finance projects.

Ms. Chow graduated from the University of Melbourne, with a Degree of Bachelor of Commerce in September 1998. She has been a Certified Practising Accountant of CPA Australia since February 2002 and an associate member of the Hong Kong Institute of Certified Public Accountants since April 2004.

Ms. Chow has over 14 years of experience in corporate finance and restructuring. From October 2002 to July 2006, Ms. Chow worked in Alvarez & Marsal Asia Limited, an international corporate advisory firm, with last position as senior accountant.

Mr. CHUNG King Cheung
Director of Somerley Capital
Mr. Chung, aged 36, is a director of Somerley Capital. He is a Responsible Officer for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities and a Principal under the sponsor regime. He is responsible for supervising and leading execution of corporate finance projects, and is the Head of IPO executions of Somerley Capital.

Mr. Chung has over 10 years of experience in corporate finance. In the past, Mr. Chung held senior positions in the corporate finance department of Chinese securities firms.

Mr. Chung graduated from the Chinese University of Hong Kong with a Bachelor degree in Business Administration in 2004, and the University of Hong Kong with a Master degree of Laws in Corporate and Financial Law in 2015. He is a Fellow of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in England and Wales and a Financial Risk Manager certified by the Global Association of Risk Professionals.

Mr. PANG Mo Cheung
Financial controller of the Group and joint Company Secretary
Mr. Pang, aged 33, joined the Group in January 2014 as financial controller and was appointed as joint Company Secretary on 1 April 2018. He is primarily responsible for the overall accounting and financial management of the Group and coordinating and facilitating the internal secretarial works.

Mr. Pang graduated from City University of Hong Kong, with a degree of Bachelor of Business Administration (Honours) in Finance in July 2007. From September 2007 to December 2013, Mr. Pang worked at Deloitte Touche Tohmatsu, PricewaterhouseCoopers Ltd. and Ernst & Young, respectively, with the last position as manager in finance services of assurance. He was admitted in January 2011 and is currently a member of Hong Kong Institute of Certified Public Accountants.

Ms. LAM Yuen Ling Eva

Joint Company secretary

Ms. Lam, aged 51, was appointed as Company Secretary on 9 March 2017. Ms. Lam is a fellow of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators with over 20 years of experience in company secretarial services and commercial solutions. She is currently a director of BMI Listed Corporate Services Limited and is responsible for supervising the company secretarial teams to provide full range of listed and private company secretarial services to clients. Ms. Lam obtained a Higher Certificate in Company Secretaryship and Administration from the Hong Kong Polytechnic University in November 1993 and was awarded a degree of Master of Science in Corporate Governance and Directorship by the Hong Kong Baptist University in November 2015.

Ms. Lam is currently the company secretary of several companies the shares of which are listed on the Stock Exchange.

PRINCIPAL ACTIVITIES

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 Listing Rules, the GEM Listing Rules and/or 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 IPOs in Hong Kong and managing and underwriting secondary equity issues in Hong Kong.

BUSINESS REVIEW

A review of the business of the Group during the Year and a discussion on the Group's future business development are provided in the Chairman's Statement and Management Discussion and Analysis on pages 4 to 10 of this annual report. Possible risks and uncertainties that the Group may be facing are set out in the Management Discussion and Analysis on pages 13 to 14 of this annual report and the Corporate Governance Report on pages 24 to 26 of this annual report.

RESULTS

The financial performance of the Group for the Year and the financial position of the Group as at 31 March 2018 are set out in the consolidated financial statements from pages 71 to 73 of this annual report.

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 annual report.

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.

SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to profit or loss for the Year by its principal activities is set out in note 7 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last four financial years is set out on page 120.

SHARE CAPITAL

Details of movements in the Company's share capital during the Year are set out in note 24 to the consolidated financial statements.

PROPERTY AND EQUIPMENT

Details of movements in the Group's property and equipment during the Year are set out in note 16 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new Shares on a pro rata basis to existing shareholders of the Company.

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.

DISTRIBUTABLE RESERVES

As at 31 March 2018, the Company did not have any reserve available for cash distribution (2017: nil). In accordance with the laws of the Cayman Islands and the Company's articles of association, the Company's share premium account is distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

CHARITABLE DONATIONS

Charitable and other donations made by the Group during the Year amounted to HK$60,000 (2017: HK$53,000).

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the top five customers together accounted for approximately 22.3% (2017: approximately 15.2%) of the Group's revenue and the Group's largest customer accounted for approximately 6.8% (2017: approximately 4.0%) of the Group's revenue.

The Group had no major suppliers due to the nature of the principal activities of the Group.

None of the Directors or any of their close associates, or any Shareholder (which to the knowledge of the Directors owns 5% or more of the issued Shares) had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

During the Year and up to the date of this annual report, the Directors have been and are:

Executive Directors

Mr. SABINE Martin Nevil
Mr. CHEUNG Tei Sing Jamie
Mr. CHOW Wai Hung Kenneth

Independent non-executive Directors

Mr. CHENG Yuk Wo
Mr. HIGGS Jeremy James
Mr. YUEN Kam Tim Francis

Pursuant to article 84 of the articles of association of the Company, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Mr. Cheung and Mr. Cheng, will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

BOARD OF DIRECTORS

Biographical information on the Directors of the Group is set out on pages 29 to 31 of the annual report.

DIRECTORS' SERVICE AGREEMENTS

Each of the executive Directors and independent non-executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from 28 March 2017, which shall continue thereafter unless and until terminated by not less than three months' notice in writing served by either party on the other. Neither of the Directors who are proposed for re-election at the annual general meeting has an unexpired service agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 March 2018, the Directors and Chief Executive and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules were as follows:

Long positions in ordinary shares of the Company

Name of Directors	Capacity/ Nature of interests	Number of ordinary share(s) held	Number of underlying shares held pursuant to share options	Approximate percentage of the total issued shares of the Company
SABINE Martin Nevil	Interest of a controlled corporation	91,531,350 (Note 1)	—	66.02%
	A concert party to an agreement to buy shares described in s317(1)(a)	1,291,440 (Note 2)	—	0.93%
		—	645,717 (Notes 2 & 3)	0.47%
CHEUNG Tei Sing Jamie	Beneficial owner	1,291,440	—	0.93%
		—	645,717 (Note 3)	0.47%
	A concert party to an agreement to buy shares described in s317(1)(a)	91,531,350 (Note 1)	—	66.02%
CHOW Wai Hung Kenneth	Beneficial owner	3,754,170	—	2.71%
		—	1,877,083 (Note 3)	1.35%

Notes:

1. SGL is directly interested in 91,531,350 Shares and SGL is wholly-owned by Mr. Sabine, Mr. FLETCHER John Wilfred Sword ("Mr. Fletcher"), Mr. Cheung and Ms. Fong Sau Man Cecilia.

2. Mr. Sabine, Mr. Fletcher and Mr. Cheung are acting in concert in respect of their interests in the Company and therefore each of Mr. Sabine, Mr. Fletcher and Mr. Cheung is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.

3. These share options were granted by the Company on 19 May 2016 under the Pre-IPO Share Option Scheme.

Interest in the associated corporations

Name of Directors	Name of the associated corporations	Capacity/ Nature of interests	Number of ordinary share(s) held	Approximate percentage of the total issued shares of the associated corporations
SABINE Martin Nevil (Note)	Somerley China Associates Limited (Note)	Interest of a controlled corporation	2	100%
	Somerley Group Limited (Note)	Beneficial interest; A concert party to an agreement to buy shares described in s317(1)(a)	9,500,000	90.48%
CHEUNG Tei Sing Jamie (Note)	Somerley China Associates Limited (Note)	Interest of a controlled corporation	2	100%
	Somerley Group Limited (Note)	Beneficial interest; A concert party to an agreement to buy shares described in s317(1)(a)	9,500,000	90.48%

Note: SGL is the holding company of the Company and it is an associated corporation by virtue of the SFO. SGL wholly owns Somerley China Associates Limited so Somerley China Associates Limited is also associated corporations by virtue of the SFO. Mr. Sabine, Mr. Fletcher and Mr. Cheung are acting in concert in respect of their interests in the Company and they hold approximately 90.48% of the shares of SGL. Therefore, Mr. Sabine and Mr. Cheung are interested in SGL and Somerley China Associates Limited by virtue of the SFO.

Save as disclosed above, as at 31 March 2018, none of the Directors and Chief Executives and/or any of their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules.

DIRECTORS' INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in note 26 to the consolidated financial statements, no transaction, arrangement or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with him has or had a material interest, whether directly or indirectly, subsisted at any time during the Year.

PERMITTED INDEMNITY PROVISION

The Company's articles of association provide that every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of duties of his/her office or otherwise in relation thereto provided that such indemnity shall not extend to any matter in respect of fraud or dishonesty which may attach to the Director.

The Company has taken out and maintained Directors' liability insurance throughout the Year, which has provided appropriate cover for the Directors.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

Save as disclosed above, at no time during the Year had the Directors and the Chief Executive (including their spouses and children under 18 years of age) any interest in, or been granted, or exercised any rights to subscribe for the shares (or warrants or debentures, as applicable) of the Company and its associated corporations (within the meaning of the SFO).

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2018, substantial shareholders (not being the Directors or Chief Executives) had interests or short positions in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long positions in ordinary shares of the Company

Name of substantial shareholders	Capacity/ Nature of interests	Number of ordinary share(s) held	Number of underlying shares held pursuant to share options	Approximate percentage of the total number of issued shares of the Company
Somerley Group Limited	Beneficial owner	91,531,350 (Note 1)	—	66.02%
SABINE Maureen Alice ("Dr. Sabine")	Interest of a spouse	92,822,790 (Note 2)	—	66.96%
		—	645,717 (Note 2)	0.47%
FLETCHER John Wilfred Sword	A concert party to an agreement to buy shares described in s317(1)(a)	92,822,790 (Note 1)	—	66.96%
		—	645,717 (Note 1)	0.47%
FLETCHER Jacqueline ("Mrs. Fletcher")	Interest of a spouse	92,822,790 (Note 3)	—	66.96%
		—	645,717 (Note 3)	0.47%
CHOI Helen Oi Yan ("Mrs. Cheung")	Interest of a spouse	92,822,790 (Note 4)	—	66.96%
		—	645,717 (Note 4)	0.47%

Notes:

1. SGL is directly interested in 91,531,350 Shares and SGL is wholly-owned by Mr. Sabine, Mr. Fletcher, Mr. Cheung and Ms. Fong Sau Man Cecilia, among which Mr. Sabine, Mr. Fletcher and Mr. Cheung are acting in concert in respect of their interests in the Company and therefore each of Mr. Sabine, Mr. Fletcher and Mr. Cheung is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.

2. Dr. Sabine is the spouse of Mr. Sabine. By virtue of the SFO, Dr. Sabine is deemed to be interested in the Shares held by Mr. Sabine.

3. Mrs. Fletcher is the spouse of Mr. Fletcher. By virtue of the SFO, Mrs. Fletcher is deemed to be interested in the Shares held by Mr. Fletcher.

4. Mrs. Cheung is the spouse of Mr. Cheung. By virtue of the SFO, Mrs. Cheung is deemed to be interested in the Shares held by Mr. Cheung.

Save as disclosed above, the Directors and Chief Executive are not aware that there is any party who, as at 31 March 2018, had an interest or short position in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACT OF SIGNIFICANCE

Save as disclosed in the sections "Continuing Connected Transaction" and "Management Contracts" and note 26 to the consolidated financial statements, there is no contract of significance between the Company, or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries.

SHARE OPTION SCHEME

Pre-IPO Share Option Scheme:

The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution of, and to provide an incentive to, certain key staff of the Group who have contributed or will contribute to the Group, in order to motivate and retain them for the operation and development of the Group.

The Pre-IPO Share Option Scheme was available to any individual being an employee or officer (including any director) of the Company or any of its subsidiaries (the "Participant(s)"). Under the Pre-IPO Share Option Scheme, the Board was entitled to offer option(s) to any Participant who, as the Board may determine in its absolute discretion, has made valuable contribution to the business of the Group, or is regarded to be a valuable human resource of the Group (the "Grantee(s)").

The Board was entitled at any time and from time to time during the period commencing from the adoption date of the Pre-IPO Share Option Scheme to 9 March 2017 (the "Scheme Period") to grant options to not more than 35 grantees under the Pre-IPO Share Option Scheme. No further options could be granted under the Pre-IPO Share Option Scheme after the expiry of the Scheme Period but in respect of all options which have been granted prior to the end of the Scheme Period, the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect.

An option shall be regarded as having been accepted when the duplicate of the grant letter comprising acceptance of the option, duly signed by the Grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company within a period of five days from the grant date.

An option may be exercised in whole or in part (but if in part only, in respect of a board lot or an integral multiple thereof) and an option shall vest unto a grantee and may be exercised by the grantee during the option period (the "Option Period") stated in the grant letter (the "Grant Letter(s)") issued by the Company to the grantee and in accordance with manner provided in the Grant Letter.

The Option Period of each option granted to the grantees is a period commencing from 28 March 2017 (the "Listing Date") to 10 May 2024 (i.e. 8 years from the adoption date of the Pre-IPO Share Option Scheme), with either (a) a part of the option shall become vested during the First Vesting Period and the remaining part of the option shall become vested during the Second Vesting Period; or (b) the whole option shall only become vested in the Second Vesting Period as mentioned below:-

(i) not more than 5,524,294 Shares comprised in the options under the Pre-IPO Share Option Scheme shall vest unto the Grantees and become exercisable during the period commencing from the Listing Date and ending on expiry of the Option Period(s) (the "First Vesting Period"); and

(ii) the remaining Shares comprised in the options under the Pre-IPO Share Option Scheme (being not more than 7,537,441 Shares) shall vest unto the Grantees and become exercisable during the period commencing on (i) the date on which the listing of the Shares is transferred to the Main Board; or (ii) 1 January 2020, whichever is earlier, and ending on the expiry of the Option Period(s) (the "Second Vesting Period"). For the avoidance of doubt, any outstanding and unexercised option at the end of the First Vesting Period shall be carried over to the Second Vesting Period and shall be exercisable during the Second Vesting Period.

Details of the share options movements under the Pre-IPO Share Option Scheme during the Year are as follows:-

Name or category of grantees	Date of grant of share options	Exercise Price (HK$)	Exercise Period	Balance as at 01.04.2017	Granted during the Year	Exercised during the Year	Lapsed during the Year	Cancelled during the Year	Balance as at 31.3.2018
				Number of share options					
Directors									
CHOW Wai Hung Kenneth	19/5/2016	0.28	Second Vesting Period	1,877,083	—	—	—	—	1,877,083
CHEUNG Tei Sing Jamie	19/5/2016	0.28	Second Vesting Period	645,717	—	—	—	—	645,717
Subtotal				2,522,800	—	—	—	—	2,522,800
Other Employees									
In aggregate	19/5/2016	0.28	First Vesting Period	4,924,088	—	3,512,214 (Note)	266	—	1,411,608
	19/5/2016	0.28	Second Vesting Period	4,774,375	—	—	345,383	—	4,428,992
Total				12,221,263	—	3,512,214	345,649	—	8,363,400

Note: The weighted average closing price of the Shares immediately before the dates of exercises of the share options during the Year was approximately HK$2.00 per Share.

Share Option Scheme:

The purpose of the Share Option Scheme is to provide incentive and/or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of, the Group.

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within the period of 10 years after the date of adoption of the Share Option Scheme to make an offer to (i) any employee of (whether full time or part-time employee); (ii) any executive directors and non-executive directors (including independent non-executive directors); and (iii) any person or entity acting in their capacities as advisers or consultants, of the Group (the "Eligible Person").

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the total number of Shares in issue upon the Listing Date, being 13,500,000 Shares (or such numbers of Shares as shall result from a subdivision or a consolidation of such 13,500,000 Shares from time to time) (the "Scheme Limit"). Subject to Shareholders' approval in general meeting, the Board may (i) renew this limit at any time to 10% of the Shares in issue as at the date of the approval by the Shareholders in general meeting; and/or (ii) grant options beyond the Scheme Limit to Eligible Person specifically identified by the Board.

The number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of the Company (including the Share Option Scheme) if this will result in the limit being exceeded.

The total number of Shares issuable upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company to each Eligible Person in any 12-month period shall not exceed 1% of the Shares in issue. Any further grant of options is subject to shareholders' approval in general meeting with such eligible participant and his associates abstaining from voting.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the date of grant subject to the provisions of early termination thereof.

An offer for the grant of options must be accepted within 21 days after (i) the date on which the offer was issued, or (ii) the date on which the conditions (if any) for the offer are satisfied. The amount payable by the Grantee to the Company for each acceptance of grant of option(s) is HK$1.

Pursuant to the Share Option Scheme, the Eligible Persons may subscribe for the Shares on exercise of an option at the price determined by the Board provided that it shall be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a business day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of the Share.

As at 31 March 2018, the total number of Shares available for issue under the Share Option Scheme is 13,500,000 Shares, representing approximately 9.74% of the issued shares of the Company. Since the adoption of the Share Option Scheme, no share option has been granted under the Share Option Scheme by the Company.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emolument of the Directors and five individuals with highest emoluments are set out in notes 12 and 13 to the consolidated financial statements, respectively.

COMPETING INTERESTS

The Directors are not aware of any competing business that they themselves are currently conducting or is being conducted by their connected or related parties during the Year.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the Year are set out in note 26 to the consolidated financial statements of this annual report.

The related party transactions as disclosed in note 26 (a)(i) and (a)(iii) to the consolidated financial statements of this annual report constituted non-exempt continuing connected transactions under Chapter 20 of the GEM Listing Rules and accordingly are subject to the disclosure requirements in Chapter 20 of the GEM Listing Rules as below.

The related party transactions as disclosed in note 26 (a)(ii) and (a)(iv) to the consolidated financial statements of this annual report constituted exempt continuing connected transaction under Chapter 20 of the GEM Listing Rules and accordingly are exempted from the disclosure requirements in Chapter 20 of the GEM Listing Rules.

The related party transactions as disclosed in note 26(a)(v) and (c) to the consolidated financial statements of this annual report are not regarded as connected transactions under chapter 20 of the GEM Listing Rules.

The Directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

SGL, Somerley Capital and the Company entered into the office sharing agreement dated 9 March 2017 (the "Office Sharing Agreement") with respect to the sharing of occupation of a portion of the premises at 20th Floor, China Building, 29 Queen's Road Central, Central, Hong Kong (the "Property"), which constituted continuing connected transactions for the Group under Chapter 20 of the GEM Listing Rules.

Location of the property:	20th Floor, China Building, 29 Queen's Road Central, Central, Hong Kong
Term:	— The sharing by Somerley Capital has commenced from 1 November 2016 and shall continue until 30 June 2018 (both dates inclusive)
	— The sharing by the Company (and any other members of the Group which have obtained the necessary prior approval of the landlord) has commenced from 1 November 2016 and shall continue until 30 June 2018 (both dates inclusive)

Floor area occupied by SGL, SIL and the Group:	— 1,593 square feet of the Property shall be occupied by SIL — 3,107 square feet of the Property shall be occupied by the Group — 4,406 square feet of the Property shall be shared by SIL and the Group as a common area In light of the disposal of SIL by the Controlling Shareholders pursuant to the SIL disposal agreement, SIL has vacated the occupation of its portion of the Property in January 2017. SGL shall take up the vacant area from SIL since 1 February 2017 and allow additional floor area to be occupied by the Group since 1 July 2017. Accordingly, the floor area occupied by SGL and the Group will change to the following, — 1,593 square feet of the Property shall be occupied by SGL during the period from 1 February 2017 to 30 June 2017; starting from 1 July 2017, 265 square feet of the Property shall be occupied by SGL (referred to as the "SGL Portion") — 3,107 square feet of the Property shall be occupied by the Group during the period from 1 February 2017 to 30 June 2017; starting from 1 July 2017, 4,435 square feet of the Property shall be occupied by the Group (referred to as the "SCHL Portion") — 4,406 square feet of the Property shall be shared by SGL and the Group as a common area
Sharing fees payable by the Group:	The Group shall pay sharing fee equivalent to the sharing portion of the rental costs incurred by the Group under the tenancy agreement (which includes rent, management service charges, air-conditioning charges, Government Rent, rates and water consumption charges and other premise costs) on a monthly basis. The sharing portion shall be determined with reference to the floor area of the Property occupied by the Group. Prior to 31 January 2017, the area of the common area occupied by the Group for the purpose of the calculation of the sharing portion will be determined with reference to the average ratio of Somerley Capital's revenue to SIL's revenue for the two preceding financial years of the relevant sharing fees payment month and the period from the first date after the preceding financial year of the relevant sharing fees payment month to 31 January 2017. Starting from 1 February 2017, the area of the common area occupied by the Group for the purpose of the calculation of the sharing portion will be determined with reference to the ratio of the SGL Portion and the SCHL Portion from time to time.

Roma Appraisals Limited, an independent property valuer, has reviewed the sharing fees payable by the Group pursuant to the original office sharing agreement and the Office Sharing Agreement and is of the opinion that the terms of the Office Sharing Agreement are fair and reasonable and the sharing fees thereunder reflect the market price prevailing as at the date of commencement of the Office Sharing Agreement (the "Fair Rent Opinion").

The Group will continue to use the Property as head office and principal place of business in Hong Kong. Having considered that (i) the sharing fees charged by SGL under the Office Sharing Agreement represent a portion of the rental costs incurred by SGL under the tenancy agreement as supplemented by the novation agreement which is in proportion to the floor area of the Property occupied by the Group without imposing any markup thereon; and (ii) the independent property valuer's opinion in the Fair Rent Opinion, the Directors consider that the terms of the Office Sharing Agreement are fair and reasonable.

As detailed in the Prospectus, the maximum aggregate annual amount payable under Office Sharing Agreement for each of the years ended 31 March 2017 and 31 March 2018 and year ending 31 March 2019 will not exceed HK$520,000, HK$8.2 million and HK$2.3 million respectively.

The sharing fees paid by Somerley Capital to SGL under the Office Sharing Agreement in respect of the sharing of occupation of the Property as head office and principal place of business in Hong Kong was approximately HK$7,912,000 for the Year (2017: approximately HK$2,711,000).

The independent non-executive Directors have reviewed the said continuing connected transactions and consider that the transaction under the Office Sharing Agreement has been entered into in the ordinary and usual course of business of the Group and the terms of the Office Sharing Agreement are based on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company has also engaged the auditor of the Company to report on the continuing connected transactions pursuant to rule 20.54 of the GEM Listing Rules and the Board has received a letter from the auditor of the Company with the following conclusions:

(1) nothing has come to the auditor's attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board;

(2) nothing has come to the auditor's attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(3) with respect to the aggregate amount of the continuing connected transactions set out in the attached list of continuing connected transactions, nothing has come to the auditor's attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual caps as set by the Company.

Pursuant to rule 20.103 of the GEM Listing Rules, the Company has applied for, and the Stock Exchange has granted a waiver from strict compliance with the requirements of announcements as set out under Chapter 20 of the GEM Listing Rules, provided that the annual transaction amount in respect of such continuing connected transaction does not exceed the annual caps.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors a confirmation of independence pursuant to rule 5.09 of the GEM Listing Rules and considers all the independent non-executive Directors to be independent.

MANAGEMENT CONTRACTS

On 9 March 2017, Somerley Capital (as service provider), a subsidiary of the Company, entered into a master service agreement with SGL (as service recipient), a substantial shareholder of the Company, in connection with the provision of administrative services by Somerley Capital to SGL for a term commencing from 9 March 2017 and ending on 31 March 2019. Such administrative services comprise procurement of cleaning services, maintenance and upkeep of the Property, finance and accounting, human resources, legal, office security and information technology support services. Mr. Sabine, Mr. Cheung and Mr. Fletcher are acting in concert in respect of their interest in the Company and they hold approximately 90.48% of the shares of SGL.

INTEREST OF COMPLIANCE ADVISER

By mutual agreement, Somerley Capital ceased to be one of the joint compliance advisers of the Company with effect from 1 September 2017. Halcyon Capital Limited continues its role as the independent compliance adviser of the Company on a sole basis from 1 September 2017 onwards.

Neither Halcyon Capital Limited nor any of its directors or employees or close associates had any interest in the shares of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 March 2018.

Pursuant to the agreement dated 31 May 2016 entered between Halcyon Capital Limited and the Company, Halcyon Capital Limited received and will receive fees for acting as the Company's compliance adviser.

CORPORATE GOVERNANCE

The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 to the GEM Listing Rules save for the deviation stated in the paragraph headed "Chairman and Chief Executive" in the Corporate Governance Report. A report on the principal corporate governance practices adopted by the Company is set out from pages 16 to 28 of this annual report.

NON-COMPETITION UNDERTAKING

Details of Non-Competition Undertaking of the Controlling Shareholders are set out in the paragraph headed "Non-Competition Undertaking" in the Corporate Governance Report of this annual report.

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.

TAXATION OF HOLDERS OF SHARES

Hong Kong

The purchase, sale and transfer of shares registered in the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller (or transferee and transferor) is 0.1% of the consideration or, if greater, the fair value of the shares being bought/sold or transferred (rounded up to the nearest HK$'000). In addition, a fixed duty of HK$5.00 is currently payable on an instrument of transfer of shares.

Profits from dealings in the share arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

Cayman Islands

Under the present Cayman Islands laws, transfers and other dispositions of shares in the Company are exempt from Cayman Islands stamp duty.

Consultation with professional advisers

Intending holders and investors of the Company's shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications (including tax relief) of subscribing for, purchasing, holding, disposing of or dealing in shares. It is emphasised that none of the Company or its Directors or officers will accept any responsibility for any tax effect on, or liabilities of, holders of shares in the Company resulting from their subscription for, purchase, holding, disposal of or dealing in such shares.

AUDITOR

The consolidated financial statements for the year ended 31 March 2018 have been audited by SHINEWING (HK) CPA Limited who will retire and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of SHINEWING (HK) CPA Limited as the auditor of the Company is to be proposed at the forthcoming annual general meeting of the Company (the "AGM").

ANNUAL GENERAL MEETING

The AGM for the Year of the Company will be held at 10:00 a.m. on 7 September 2018 (Friday) at Suites 903–905, 9th Floor, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong and a notice of AGM will be published and despatched in due course.

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

Hong Kong, 22 June 2018

CORPORATE SOCIAL RESPONSIBILITY

As a responsible corporate citizen and one of the leading corporate financial advisory groups in Hong Kong, the Group is committed to conducting business in a responsible manner with integrity, and with care for its reputation, and creating sustainable value and return in the long run for its stakeholders.

Corporate Social Responsibility is an integral part of the Group's culture. The Group believes that sustainability can be achieved by operating a profitable business without compromising the well-being of either the society or the environment. Therefore, the Group has integrated economic, social and environmental concerns into its business and operations.

REPORTING FRAMEWORK AND SCOPE

This Environmental, Social and Governance ("ESG") Report ("ESG Report") covers environmental and social matters of the Group for the year ended 31 March 2018 (the "Year") and highlights the Group's efforts in sustainable development in a transparent and open manner. For information on corporate governance, please refer to the "Corporate Governance Report" section of this Annual Report.

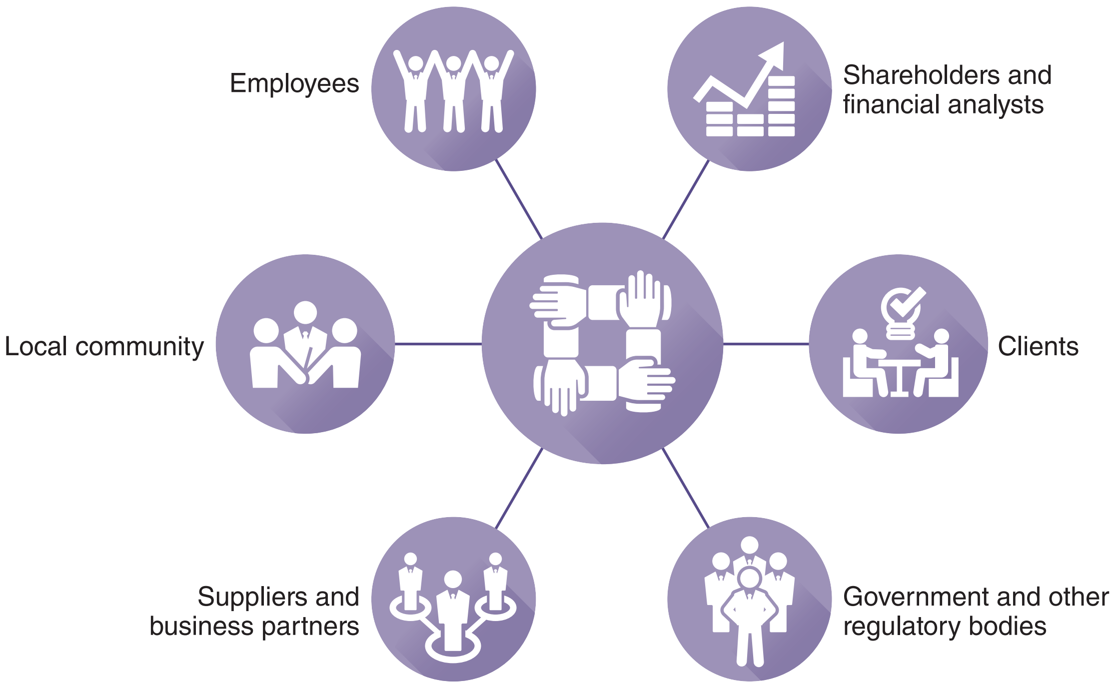
The preparation of this ESG Report follows the Environmental, Social and Governance Report Guide (the "ESG Reporting Guide"), as set out in Appendix 20 to the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited (the "SEHK").

Given that the Company is an investment holding company, the contents of this ESG Report cover primarily the operations of Somerley Capital Limited, the only operating subsidiary of the Company in the Hong Kong Special Administrative Region (the "HKSAR") during the Year.

COMMENTS AND FEEDBACK

The progress of the Group depends in part on stakeholders' valuable comments. For any doubts about or advice as regards this ESG Report, please forward your comments and suggestions to somerley@somerley.com.hk.

OUR STAKEHOLDERS



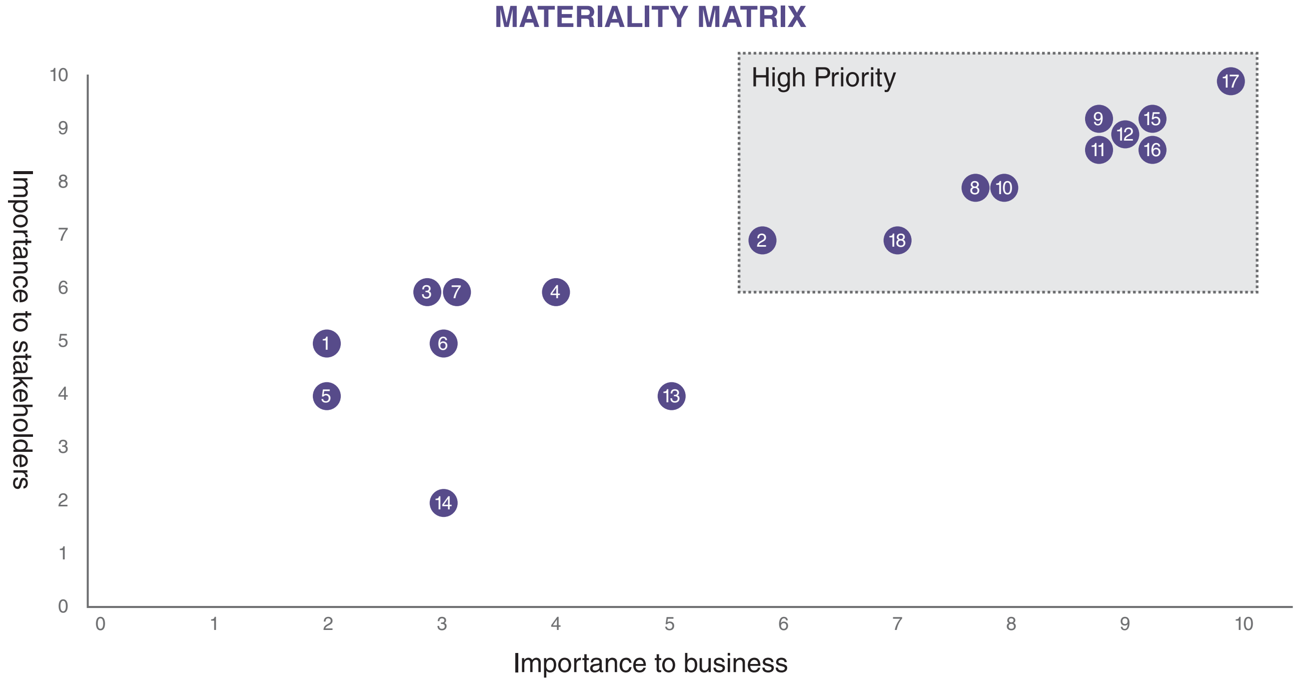
The Group believes that understanding the views of its stakeholders lays a solid foundation for the long-term growth and success of the Group. The Group develops multiple channels to stakeholders in order to understand their views on the Group's sustainability performance and future strategies. The information collected through different communication processes serves as an underlying basis for the structure of this ESG Report.

Stakeholder Groups	Engagement channels	Possible concerned issues
Investors	• General meetings • Regular corporate publications including financial reports • Circulars and announcements • Corporate website • Direct communication • Meetings and responses to phone and written enquiries	• Business strategies and sustainability • Financial performance • Corporate governance
Clients	• Direct communication • Emails • Complaint hotlines • Business meetings	• Service quality and reliability • Client information security • Business ethics
Employees	• Appraisals • On-the-job coaching • Trainings • Internal memorandum • Human resources manual • Exit interview	• Training and development • Employee remuneration • Rights and benefits • Working hours • Occupational health and safety • Equal opportunities • Sexual harassment
Suppliers and business partners	• Business meetings • Tendering for procurement of products or services	• Fair competition • Fulfilment of promises • Payment schedule
Government and other regulatory authorities	• Statutory filings and notification • Regulatory or voluntary disclosures	• Compliance with laws and regulations • Treatment of inside information • Co-operation with enquiries
Local community	• Community activities • Donations	• Fair employment opportunities • Environmental protection

MATERIALITY ASSESSMENT

ESG aspects as set out in ESG Reporting Guide			Material ESG issues for the Group
A.	**Environmental**	*A1 Emissions*	1. Air Emission 2. Greenhouse Gas Emission 3. Waste Management
		A2 Use of Resources	4. Energy Consumption 5. Water Consumption 6. Paper consumption
		A3 The Environment and Natural Resources	7. Environmental Risk Management
B.	**Social**	*B1 Employment*	8. Human Resources Practices 9. Remuneration Policies 10. Equal Opportunity
		B2 Health and Safety	11. Employees' Health and Workplace Safety
		B3 Development and Training	12. Employee Development
		B4 Labour Standards	13. Anti-child and Anti-forced Labour
		B5 Supply Chain Management	14. Supplier Practices
		B6 Service Responsibility	15. Service Quality and Client Satisfaction 16. Protection of Client Privacy
		B7 Anti-corruption	17. Anti-corruption and Anti-money Laundering
		B8 Community Investment	18. Community Support

Based on the information collected from its stakeholders and its assessments of their importance on business, the Group has identified the following high priority issues:



Amongst various environmental and social issues based on the ESG Reporting Guide within the scope of sustainability, the below are the list of issues that are considered to be material and relevant to the Group. The priorities are set based on management's view as well as certain conclusions from stakeholders' engagement.

Number	Topics	Number	Topics
2	Greenhouse Gas Emission	12	Employee Development
8	Human Resources Practices	15	Service Quality and Client Satisfaction
9	Remuneration Policies	16	Protection of Client Privacy
10	Equal Opportunity	17	Anti-corruption and Anti-money Laundering
11	Employees' Health and Workplace Safety	18	Community Support

The Group notes these material topics and uses them respond to the expectation of our stakeholders.

NURTURING EMPLOYEES

Employees are among the most important and valuable assets of the Group and the Group believes building strong and lasting relationships with employees is essential.

The objective of the Group's human resource management is to reward and recognise performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives. The Group strictly complies with the Hong Kong Employment Ordinance and other legal employment requirements and has developed a human resources policy manual (the "Human Resources Manual") with respect to:

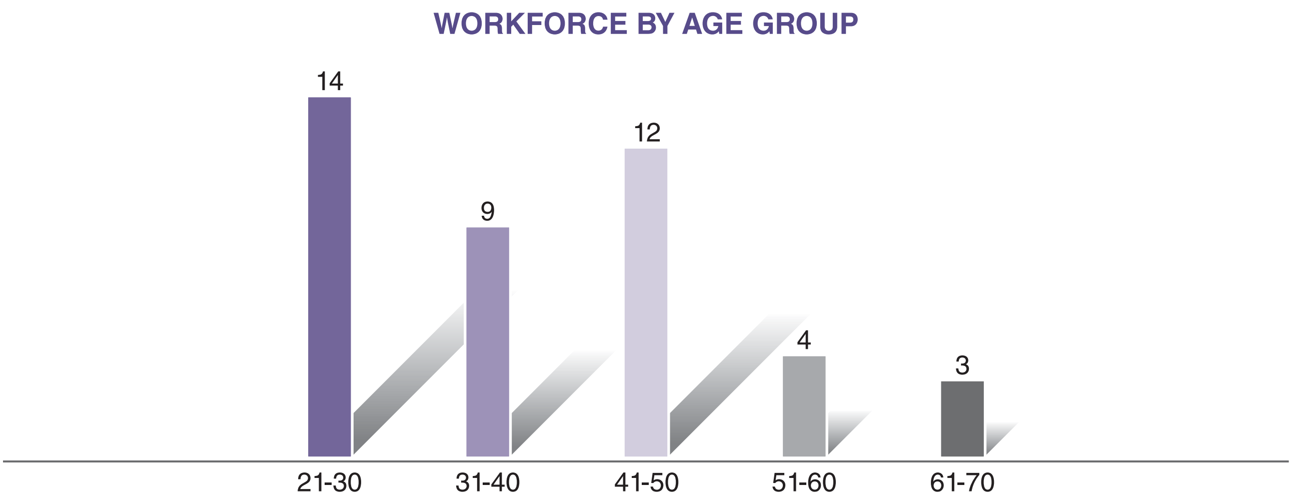
- Compensation and dismissal
- Recruitment and promotion
- Working hours
- Rest periods
- Equal opportunities
- Diversity
- Anti-discrimination
- Welfare and other benefits
- Health and safety
- Protection of client information
- Anti-money laundering
- Sexual harassment

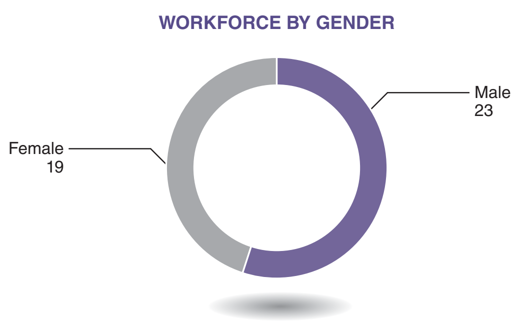
During the Year, there was no non-compliance with relevant laws and regulations that had a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination, other benefits and welfare and preventing child and forced labour.

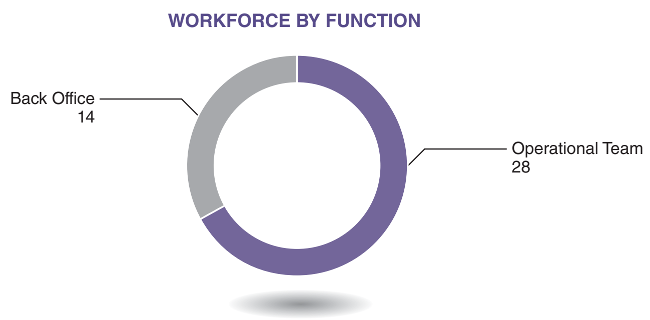
The Group's essential policies and procedures are included in the Human Resources Manual which is reviewed and updated regularly. The Group discourages and disallows any behavior that violates policies under the Human Resources Manual. Offenders will receive a warning and the Group has the right to terminate employment of offenders for serious violations. During the Year, the Group complied with Employment Ordinance and Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and did not find significant violations of laws and regulations relating to employment.

Employment

The Group had a total number of 42 employees as at 31 March 2018, representing 23 males and 19 females. The Group endeavours to provide a supportive working environment by treating employees fairly and equally. Gender and age equality are observed by the Group with approximately equal ratio of males and females employed and a diverse workforce established from different age groups.







Employee Departure

The Group handles employee departure (whether by resignation or dismissal) in compliance with applicable employment laws and regulations. An exit interview will be arranged with employees who resign to understand the reasons for his/her departure and consider any suggestions for improvement.

Annual Turnover Rate (%)	
Total	10.3

Turnover by Gender (%)	Male	Female
Total	4.8	16.7

Remuneration and Employee Benefits

Employees are remunerated at a competitive level and are rewarded according to their contribution, work performance and experience. The promotion and remuneration of employees are subject to review on an annual basis. The Group has adopted a five-day work week. Employees are entitled to the Group's Medical Insurance Scheme, MPF Scheme (namely the HSBC Mandatory Provident Fund — SuperTrust Plus), Share Option Schemes, discretionary bonus and various types of paid leave (examination, paternity and maternity) in addition to annual leave and sick leave. Events such as a birthday party are held for celebration with employees every month.

Equal Opportunity and Anti-Discrimination

The Group treats the employees with respect and fairness and encourages a culture of equal opportunity regardless of age, sex, physical or mental health status, marital status, family status, race, skin color, nationality, religion, political affiliation, sexual orientation and other factors.

The Human Resources Manuals outlines the terms and conditions of employment, expectation for employees' conducts and behaviour, employees' rights and benefits, which are in compliance with the requirements of the legislation on anti-discrimination in Hong Kong, including Sex Discrimination Ordinance, Disability Discrimination Ordinance, Family Status Discrimination Ordinance and Race Discrimination Ordinance. All staff have the right to lodge a complaint if he or she has been subjected to any form of discrimination. Any substantiated discrimination complaints may result in disciplinary proceedings.

Occupational Health and Safety

Providing a safe workplace and promoting the wellness of the employees are major concerns to ensure that employees can give their best performance at work. The Group upholds the Occupational Safety and Health Ordinance and has guidelines on occupational health and safety in place which are updated from time to time to minimise workplace risk and enhance the employees' awareness of occupational health and safety.

The Group has also assigned a responsible person in the administration department to identify any actual and potential hazards and risks to each individual and work towards safe and hygienic work environment in order to ensure that office and work environment is in line with or higher than requirements of relevant laws. The Group has a no smoking policy on the premises. The building management office arranges rescue, fire and evacuation drills to improve staff safety awareness. Employees are expected to comply with the policies and procedures, and cooperate in all safety training. During the Year, the Group did not find any case of violation of laws and regulations in relation to the health and safety of the workplace, no work-related fatality nor work injury occurred.

Development and Training

Improvement of employee competency is key to the Group's development. The Group believes that cultivating its highly skilled workforce and supporting employees' long-term career goals are integral to sustaining and strengthening our economic performance.

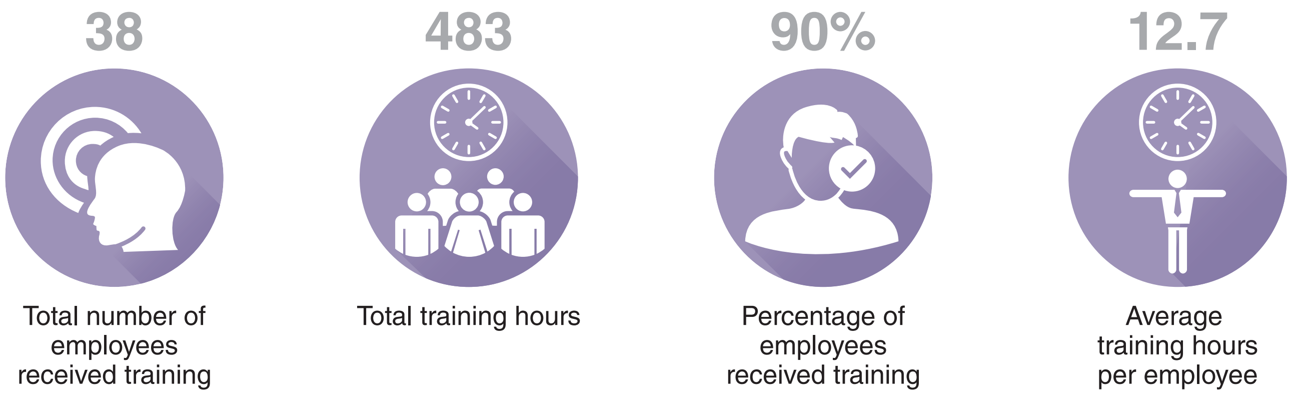
The Group is committed to providing comprehensive on-the-job coaching programs, which collectively serve as a platform to encourage employees to develop expertise and to identify areas for improvement. The Group has established an employee appraisal system, which aims to help the Group and the employees (i) identifying needs, (ii) charting progress, (iii) building relationships and (iv) motivating employees.

Internal training facilitated by the senior management of the Group are held from time to time. Such sessions will usually provide a detailed explanation and discussion of technical knowledge and practical difficulties encountered by employees in recent engagements as well as the updates on regulatory framework/industry practice. The Group encourages employees to attend internal training to develop personal skills and knowledge, and improve their core competence. During the Year, the Group held 5 internal training sessions covering topics of regulatory changes as well as updates on prevailing corporate finance practices.

The Group's employees are also encouraged to attend outside seminars and trainings to enrich their knowledge in discharging their duties. The Group provides allowance and permission to all professional employees to attend seminars and training organised by professional bodies, (e.g. Hong Kong Institute of Certified Public Accountants, The Law Society of Hong Kong and the Hong Kong Securities and Investment Institute) relevant to their duties and the Group's regulated activities and business.

Professional employees are required to comply with continuing professional training and examination requirements as stipulated in relevant regulations. The Group provides all professional employees with allowances and permission to attend seminars and training and encourages them to take examinations relevant to their professional qualification. All professional employees in the Group are properly licensed and registered with the Securities and Futures Commission (the "SFC") in Hong Kong.

EMPLOYEE TRAINING



Labour Standards

The Group is committed to comply with local labour legislation to safeguard staff rights and interests for preventing forced labour issue from occurring. During the recruitment process, the identity documents of candidates are checked to ensure no child labour being employed. If any violation is discovered, it will be dealt with in the light of the circumstances as stated in the Group's Human Resources Manual.

In addition, the Group has strictly complied with the Employment Ordinance and does not tolerate any form of sexual harassment or abuse in the workplace.

The Group is committed to complying with the relevant labour laws. There have been no cases of child labour, forced labour or prosecution due to violation of the relevant laws during the Year.

PROVIDING QUALITY AND RELIABLE SERVICES

As one of the leading corporate financial advisory groups in Hong Kong, the Group seeks to deliver a high quality of service to its clients at all times. The Group believes that market reputation and clients' confidence in the Group's services are critical to its success.

Service Responsibility

Service Quality

The Group's business is regulated by the SFC and Somerley Capital Limited is a licensed corporation under Securities and Future Ordinance. As at 31 March 2018, all professional employees were properly licensed and registered with the SFC. 10 employees were Responsible Officers and 18 were Licensed Representatives. All Responsible Officers have more than 10 years of relevant experience, mostly with the Group (Somerley International Limited prior to 2014).

The Group gains new business through marketing initiatives, referrals from existing clients and professional firms and the personal connections of directors or employees of the Group. In this regard, the Group places great emphasis on building clients' loyalty by providing them with prompt, competent and unbiased professional services.

Throughout its operations, the Group conforms to the requirements of the rules and regulations of the HKSAR, the SFC, the SEHK and other regulatory authorities, such as the Prevention of Bribery Ordinance, the Code of Conduct for Persons Licensed by or Registered with the SFC, the Corporate Finance Adviser Code of Conduct, the Guidelines on Competence, and the Hong Kong Sponsor Due Diligence Guidelines. When conducting the Group's business activities, all employees are required to be aware of the Group's reputation and conduct its affairs with the highest level of integrity and professional ethics.

Privacy of Client Information and Data Protection

The Group respects and values the privacy of all client information. In compliance with the Personal Data (Privacy) Ordinance, the Group collects and uses client information in a responsible and non-discriminatory manner, restricting the use of the client information as required by the confidentiality clause included in the mandate. All employees shall maintain strict confidentiality about the affairs of the Group. Employees are not allowed to disclose to other individuals or third parties, directly or indirectly, exploit or use confidential information concerning the Group and its clients.

Since the Listing, the Group has taken proactive steps to improve overall data protection, including (i) implementation of a high-end storage system, (ii) migration of data-server hosting to a renowned service provider and (iii) enhancement of networking security systems. Security measures in our email system which have been tested will further secure the information flows with clients.

During the Year, there have been neither cases nor complaints in relation to violation of relevant confidentiality laws.

Client Feedback Handling

Feedback and suggestions from clients provide an opportunity for the Group to enhance the quality of its services in a sustainable manner. The Group is committed to responding and resolving all clients' enquiries and comments promptly and with care in order to maintain and improve our reputation in the corporate finance advisory industry. In compliance with the Group's internal guidelines on complaint handling procedures, the Group is required to investigate each case, work out a solution and provide a written response to the complainant promptly upon receipt of a complaint.

For the Year, the Group did not receive any material complaints regarding the services it provided.

Anti-corruption

The Group is committed to achieving and maintaining the highest standards of openness, probity and accountability. Employees at all levels are expected to conduct business with integrity, impartiality and honesty. It is every employee's responsibility and in the interest of the Company to avoid any inappropriate behaviour or organisational malpractice that compromises the interest of the shareholders, investors, clients and the wider public.

The Group has adopted a "Compliance and Internal Procedures Manual — Corporate Finance Activities" that includes provisions relating to conflicts of interest, privacy and confidentiality of information, use of computer software control, bribery and anti-corruption. A whistle-blowing policy is in place to encourage employees and others who have concerns about any aspect of the Group's work to come forward and disclose suspected misconduct, illegal acts or failure to act. Employees who breach anti-corruption policy will face disciplinary action, which could result in dismissal for serious misconduct.

The Group has organised anti-money laundering training provided by the Independent Commission Against Corruption and the Hong Kong Business Ethics Development Centre to address ethical issues faced by businessmen and professionals in order to enhance the integrity of the Group's business organisation. During the Year, no litigation regarding bribery, extortion, fraud or money laundering has been instituted against the Group or its employees.

Supply Chain Management

Due to the nature of its principal business activities, the Group has no major suppliers. To integrate the environmental vision into the procurement of office supplies, the Group avoids disposable products and chooses suppliers who provide durable products with less packaging materials, and priority is given to environmentally friendly products, such as refillable ballpoint pens and mechanical pencils, and environment-friendly paper.

CONTRIBUTING TO THE COMMUNITY

As a socially responsible organisation, the Group is committed to participating in events for the improvement of community well-being and social services. The Group believes that by encouraging employees to participate in a wide range of charitable events, concern for the community will be raised.

Community Investment

During the Year, the Group has donated 8 retired desktops and 14 liquid-crystal display monitors to Caritas Computer Workshop for refurbishment. The Caritas Computer Refurbish Project aims to narrow digital barriers in the society; only deprived people or non-profit making organisations are eligible to receive the products. Unusable computers and unwanted parts would be dismantled fully or partially in an environmental-friendly way. Superfluous computers and accessories would be sold to government-registered recyclers.

In addition, during the Year, the Group participated in The 2018 Community Chest Corporate Challenge 10K Run with 12 runners and donated HK$54,000 to The Community Chest of Hong Kong to help the mentally ill and handicapped individuals. The Group donated HK$5,000 to The Samaritans which is a non-profit organisation in Hong Kong which provides confidential support to people who are suicidal or in emotional distress. In addition, HK$1,000 was donated to World Green Organisation for environmental support.

PROTECTING THE ENVIRONMENT

Environmental challenges such as climate change and resource depletion are contemporary problems faced by all people. As a provider of corporate finance advisory services, direct impacts to the environment may not be anticipated. The Group attaches great importance to doing what it can towards environmental protection and is aware of the indirect environmental impact created from the operation of working office. Thus the Group encourages employees to not just think green, but also act green.

The Group strives to comply with relevant laws and regulations of Environmental Protection Department in Hong Kong. Due to the nature of its business, the Group's commitment to the environment focuses on the conservation of energy, reduction of paper usage and reduction of waste by recycling.

Emissions

Since business of the Group does not involve any manufacturing process and it does not own any vehicles, no gaseous fuel consumption or air emission was directly produced by the Group during the Year.

The Group's main carbon footprint is the greenhouse gas emission from indirect emission including the use of electricity, such as lighting system, air-conditioning, computers, printers and other office equipment, business travel and paper consumption in the office. To minimise the need for air travel and increase the quality of video conferencing, the Group is installing high quality video equipment in its main conference room. The Group does not engage in any discharges of wastes into water or land or generate significant amount of hazardous wastes. During the Year, the Group had 100.80 tonnes of carbon dioxide equivalent (the "CO_2e") greenhouse gases (mainly carbon dioxide, methane and nitrous oxide) indirectly emitted as a result of the Group's operation.

Emission Sources	2017-18 CO_2e Emission (in tonnes)
Indirect Emission	
Purchased Electricity	75.10
Other Indirect Emission	
Business Travel	10.48
Paper Consumption	15.22
Total	100.80

Energy Usage

The Group's operation generates greenhouse gases indirectly by electricity consumed to power its facilities. The Group is committed to minimising energy usage. While complying with all the laws and regulations relating to environmental protection and pollutant control of the HKSAR, the Group also endeavors to reduce carbon footprint and maintains a sustainable utilisation of resources by employing various initiatives in its day-to-day operations, such as:

- Dividing the office area into different light zones and partly installing light-emitting diodes;
- Deploying natural light as much as possible;
- Turning off the lights and air conditioners when leaving the office;
- Setting electronics facilities to automatic sleeping mode when idle;
- Energy efficient lightings and cooling system are installed across the office; and
- Upgrading the computer equipment, server and monitors to energy efficient models.

	2017-18
Electricity	
Consumption (kWh)	**95,060**
Intensity (per employee)	**2,336.77**
Intensity (per sq. ft.)	**10.44**

Note: The weighted average number of employees during the Year was 40.68 and the office area is 9,106 square feet.

Paper Reduction and Other Waste Treatment

Consumption of paper significantly draws negative impact to the world. Voluminous paper consumption leads to deforestation. Serious efforts are needed to ensure that the environment is protected. With the aim of minimising the impact of the business operation on the environment, the Group has implemented measures that minimise paper usage at the office.

The Group strives to use paper in the most efficient way and make it convenient for employees and clients to do so. During the Reporting Period, the Group has committed to:

- Disseminating administrative notices through emails instead of paper documents;
- Introducing eco printing modes for employees and encouraging them to make doubled-sided copies when possible;
- Encouraging employees to use electronic communications for directories, forms, reports and storage when possible;
- Providing recycling bins to collect used paper products, such as waste paper, carton box and envelope, including all non-confidential documents; and
- Replacing all disposable cups and wooden stirrers with items, such as ceramic cups and reusable spoons.

	2017-18
Paper	
Consumption (tonnes)	**3.17**
Intensity (per employee)	**0.08**

Note: The weighted average number of employees during the Year was 40.68.

The waste produced by the Group's operation is mainly generated in daily life and by the operation of the office, including paper, plastic, glass, and kitchen waste. The Group assigned an administrative staff to manage the wastes and recyclables for both garbage and recycled waste pick-ups.

The administrative staff's duties include but not limit to the following:

- Organising and maintaining the garbage and recycled waste holding areas;
- Placing appropriate signage on walls and bins stating what type of waste or recyclable should be placed in the bin;
- Ordering toner cartridges and paper prudently to avoid overstock and collecting all used toner and ink-jet cartridges for recycling; and
- Sorting recycled waste into appropriate receptacles and informing employees on sorting methods if needed.

In addition to the administrative staff's duty, employees are encouraged to maximise lifespan of office stationary, such as reusing pen shafts by using refills instead of throwing away the whole ballpoint pen.

Water Conservation and Use of Packaging Materials

The Group's main source of water usage comes from toilet flushing and washing. The Group is committed to managing water usage across the office. Employees are encouraged to always turn taps off tightly so they do not drip. The Group's business does not involve high water consumption and its principal office operates in leased premises for which both the water supply and discharge are solely controlled by the building management of the leased premises. Therefore, the provisions of water withdrawal and discharge data or sub-meter are not available for disclosure.

In addition, due to the nature of the Group's business, the Group does not have physical products for sale and therefore no use of packaging materials is involved. Therefore, this disclosure is not applicable to the Group.

SUSTAINABILITY

The Group understands the importance of achieving economic, environmental and social sustainability. Sustainability guidelines lay out the group's principles and actions for managing and performing ethically and sustainably, throughout its operational flow. The Group will continue to deliver safe and quality services without endangering the environment. The Group will also continue to contribute to the community through charitable and other activities.

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE MEMBERS OF SOMERLEY CAPITAL HOLDINGS LIMITED
(incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Somerley Capital Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 71 to 119, which comprise the consolidated statement of financial position as at 31 March 2018, and 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 for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment on trade receivable

Refer to note 18 to the consolidated financial statements and the accounting policies on pages 90 to 91.

The key audit matter	How the matter was addressed in our audit
The Group had balance of trade receivables amounted to approximately HK$9,679,000 as at 31 March 2018. We identified the valuation of trade receivables as a key audit matter due to the use of estimates which involved high degree of judgement by management in considering the nature and timing which might affect the recoverability assessment.	We reviewed the ageing analysis of the trade receivables throughout the year to understand the settlement patterns by the customer. We discussed the indicators of possible impairment of the trade receivables with the finance management team and, where such indicators were identified, assessed whether the management performed impairment assessment. We assessed the reasonableness of recoverability of trade receivables with reference to the credit history included default or delay in payments, settlement records, subsequent settlements and aging analysis of each individual customer.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND OUR AUDITOR'S REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for assessing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Pang Wai Hang.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number: P05044
Hong Kong

22 June 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE

For the year ended 31 March 2018

	NOTES	2018 HK$'000	2017 HK$'000
Revenue	8	**71,995**	67,901
Other income	9	**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	10	**6,891**	128
Income tax expense	11	**(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	15		
— 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	16	**2,737**	1,089
Deferred tax asset	17	**—**	38
		2,737	1,127
Current assets			
Trade receivables	18	**9,679**	10,253
Prepayments, deposits and other receivables	18	**995**	508
Amount due from ultimate holding company	22	**78**	—
Financial asset at fair value through profit or loss	20	**955**	—
Tax recoverable		**210**	—
Cash and cash equivalents	19	**95,472**	90,540
		107,389	101,301
Current liabilities			
Other payables and accruals	21	**5,494**	4,662
Amount due to ultimate holding company	22	**—**	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	23	**305**	350
Deferred tax liability	17	**249**	—
		554	350
Net assets		**104,078**	96,455

As at 31 March 2018

	NOTES	**2018 HK$'000**	2017 HK$'000
Capital and reserves			
Share capital	24	**1,386**	1,350
Reserves		**102,692**	95,105
Total equity		**104,078**	96,455

The consolidated financial statements on pages 71 to 119 were approved and authorised for issued by the board of directors on 22 June 2018 and are signed on its behalf by:

Sabine Martin Nevil **Chow Wai Hung Kenneth**

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 24(ii))	100	—	—	—	—	—	100
Recognition of equity-settled share-based payments (note 31(a))	—	—	—	—	2,228	—	2,228
Contribution from shareholder (note 31(b))	—	—	—	4,179	—	—	4,179
Transfer upon Reorganisation	(9,900)	—	—	—	—	9,900	—
Issue of shares pursuant to public offering (note 24(iii))	350	71,400	—	—	—	—	71,750
Issue of shares by capitalisation of share premium account (note 24(iii))	800	(800)	—	—	—	—	—
Expenses incurred in connection with issue of new shares (note 24(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 24(iv))	36	2,090	—	—	(1,110)	—	1,016
Recognition of equity-settled share-based payments (note 31(a))	—	—	—	—	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").

CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended 31 March 2018

	2018 HK$'000	2017 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**6,891**	128
Adjustments for:		
Depreciation of property and equipment	**721**	258
Bank interest income	**(206)**	—
Provision for long service payments	**(45)**	68
Bad debt expenses in respect of trade receivables	**180**	—
Share-based payment expenses	**719**	6,407
Fair value gains on financial asset at fair value through profit or loss	**(565)**	—
Corporate finance advisory service fee income received in the form of equity securities (note 29(i))	**(390)**	—
Operating cash flow before movements in working capital	**7,305**	6,861
Decrease (increase) in trade receivables	**394**	(2,724)
(Increase) decrease in prepayments, deposits and other receivables	**(394)**	131
Increase (decrease) in other payables and accruals	**832**	(4,839)
Decrease in amount due to a fellow subsidiary	**—**	(489)
Increase in amount due from ultimate holding company	**(78)**	—
Decrease in amount due to ultimate holding company	**(423)**	(94)
Cash generated from (used in) operations	**7,636**	(1,154)
Hong Kong profits tax paid	**(1,464)**	(1,798)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**6,172**	(2,952)
INVESTING ACTIVITIES		
Purchase of property and equipment	**(2,369)**	(719)
Interest received	**113**	—
NET CASH USED IN INVESTING ACTIVITIES	**(2,256)**	(719)
FINANCING ACTIVITIES		
Proceeds from issuance of shares	**1,016**	71,750
Dividend paid	**—**	(8,000)
Share issued expenses	**—**	(5,420)
NET CASH FROM FINANCING ACTIVITIES	**1,016**	58,330
NET INCREASE IN CASH AND CASH EQUIVALENTS	**4,932**	54,659
CASH AND CASH EQUIVALENT AT THE BEGINNING OF YEAR	**90,540**	35,881
CASH AND CASH EQUIVALENT AT THE END OF YEAR, represented by bank balances and cash	**95,472**	90,540

1. GENERAL

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

The Company is principally engaged in investment holding. The Group's only operating subsidiary is mainly engaged in the provision of corporate finance advisory services. Particulars of the subsidiaries are set out in note 32.

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.

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

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.

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

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 9 (2014) Financial Instruments (Continued)

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.

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

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 9 (2014) Financial Instruments (Continued)

- 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.

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

New and revised HKFRSs issued but not yet effective (Continued)

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.

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

New and revised HKFRSs issued but not yet effective (Continued)

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.

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

New and revised HKFRSs issued but not yet effective (Continued)

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 as disclosed in note 28. 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. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements are prepared under the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial information of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

The consolidated statement of financial position of the Group as at 31 March 2017 had been prepared to present the assets and liabilities of the companies now comprising the Group, which was resulting from the Reorganisation from the entities directly and/or beneficially owned by the same beneficial owners before and after the Reorganisation and was effectively interspersing a shell company over the subsidiaries and there was a continuation of risks and benefits to the ultimate beneficial owners, as if the current group structure had been in existence as at 31 March 2017.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is recognised at the fair value of the consideration received or receivable, and represents the amounts receivable for services provided in the normal course of business. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when revenue can be measured reliably, on the following basis:

- corporate finance advisory service fee income, when the underlying services have been rendered or the underlying transactions have been completed, in accordance with the terms of service agreements;

- interest income, on an accrual basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition; and

- management fee income, when relevant services have been rendered.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Property and equipment

Property and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Lump sum long service amounts payable on cessation of employment

The Group's net obligation in respect of lump sum long service amounts payable on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method, discounted to its present value and reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group. The discount rate is the yield at the end of the reporting period on high quality corporate bonds (where there is no deep market in such corporate bonds, government bonds) that have maturity dates approximating the terms of the Group's obligations. Changes in carrying amount of the relevant net obligation are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the date of grant is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

Shares transferred from shareholder to employees

The fair value of services received determined by reference to the fair value of shares transferred at the date of transfer, net of consideration received, is recognised as employee benefits costs, with a corresponding increase in equity (shareholder contribution reserve).

Cash and cash equivalents

Cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash as defined above.

Investment in a subsidiary

Investment in a subsidiary is stated on the statement of financial position of the Company at cost less accumulated impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets designated as at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

Financial assets at fair value through profit or loss

Financial assets at FVTPL of the Group are held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the other gains and losses line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 6.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, deposits and other receivables, amount due from group companies and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than financial assets at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter into bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio as well as observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the financial assets' original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account, if applicable. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

The Group's financial liabilities are classified into other financial liabilities including other payables and accruals and amount due to group companies and are subsequently measured at the amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities and equity instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the assets' carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Fair value measurement

When measuring fair value except for the Group's share-based payment transactions, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occurs between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

Impairment loss on non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss is recognised as income immediately.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3 above, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key source of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment loss on trade and other receivables

The policy for making impairment loss on trade and other receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss may be required. As at 31 March 2018, the carrying amounts of the trade receivables were HK$9,679,000 (2017: HK$10,253,000), while the carrying amount of prepayments, deposits and other receivables was approximately HK$995,000 (2017: HK$508,000). No impairment allowance has been recognised during year ended 31 March 2018 (2017: nil). More details are given in note 18.

Useful lives and impairment of property and equipment

Property and equipment are stated at cost less accumulated depreciation and identified impairment losses. The estimation of useful lives impacts the level of annual depreciation expenses recorded. Property and equipment are evaluated for possible impairment on specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the relevant asset's carrying amount is written down to the recoverable amount and the amount of the write-down is charged against the consolidated statement of profit or loss. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2018, the carrying amount of property and equipment was approximately HK$2,737,000 (2017: HK$1,089,000). No impairment has been recognised during the year ended 31 March 2018 (2017: nil).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key source of estimation uncertainty (Continued)

Provision for long service payment

The Group's provision for long service payments is determined with reference to statutory requirements, the employees' remuneration, their years of service and age profile, and demographic assumptions including: pre-retirement termination, involuntary termination, early retirement, normal retirement, death and disability rate. The basis of estimation is reviewed on an on-going basis and revised where appropriate. Any changes to these assumptions will impact the carrying amount of provision for long service payments and the results and financial position of the Group. As at 31 March 2018, the carrying amount of long service payment obligations was approximately HK$305,000 (2017: HK$350,000).

Equity settled share-based payments

The Group measures the costs of equity-settled transactions with its directors, employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. Estimating the fair value for share-based payments requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the options, volatility and dividend yield and making assumptions about them. The assumptions and models used for the estimation of the fair value for share-based payments are disclosed in note 31. As at 31 March 2018, the balance of share option reserves of the Group was approximately HK$1,837,000 (2017: HK$2,228,000). As at 31 March 2018, the balance of shareholder contribution of the Group was approximately HK$4,179,000 (2017: HK$4,179,000).

5. CAPITAL RISK MANAGEMENT

Capital comprises share capital and reserves stated in the Group's statement of financial position. The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for the shareholders and benefits for other stakeholders, by pricing commensurately with the level of risk and by securing access to finance at a reasonable cost.

The directors of the Company manage capital by regularly monitoring its current and expected liquidity requirements rather than using debt/equity analysis. Neither the Company nor subsidiaries, except for Somerley Capital Limited ("Somerley Capital"), is subject to externally imposed capital requirements. Somerley Capital is regulated by the Securities and Futures Commission ("SFC") and is required to comply with certain minimum capital requirements according to the Securities and Futures Ordinance.

The management monitors Somerley Capital's liquid capital daily to ensure it meets the minimum liquid capital requirement in accordance with the Securities and Futures (Financial Resources) Rules ("FRR") adopted by the SFC. Under the FRR, Somerley Capital must maintain its liquid capital in excess of HK$3,000,000. The required information is filed with SFC on a monthly basis. Somerley Capital was in compliance with the capital requirements imposed by FRR during the year ended 31 March 2018. Other than this, the Company and other subsidiaries are not subject to externally imposed capital requirements.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

a) Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
Financial asset at FVTPL	955	—
Loans and receivables (including cash and cash equivalents)	105,425	100,839
	106,380	100,839
Financial liability		
Financial liabilities at amortised cost	5,494	5,085

b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits and other receivables, cash and cash equivalents, amount due from ultimate holding company, other payables and accruals and amount due to ultimate holding company.

Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments included market risk (interest rate risk, currency risk and equity price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors those exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Credit risk

The trade receivables and cash and cash equivalents represent the Group's major exposure to the credit risk arising from the default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets in the consolidated statement of financial position.

The trade receivables from clients arising from corporate finance advisory services are due upon the issuance of invoice and the responsible officers of the Group are responsible for overall monitoring of the credit risk of their clients. Individual impairment assessment has been performed as of each reporting date.

The Group has a concentration of credit risk on trade receivables arising from corporate finance advisory services. As at 31 March 2018, the top three trade receivables of the Group from corporate finance advisory services constituted approximately 54% of the entire balance (2017: 38%).

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

b) Financial risk management objectives and policies (Continued)

(i) Credit risk (Continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty rather than the industry or country in which debtors operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual debtors.

All of the balances with bank were deposited in a reputable large commercial bank with high credit rating.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to its variable-rate bank balances. Variable interest bearing financial instruments exposed to interest rate risk are mainly bank balances carrying interest at prevailing market rates.

The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider necessary action if significant interest rate exposure is anticipated.

The Group's exposure to interest rate risk in relation to variable-rate bank balances is minimal due to the Group's interest bearing bank balances being insignificant. Hence, management considers that the effect of interest rate change does not have significant impact on the Group and no sensitivity analysis is prepared.

(iii) Currency risk

Currency risk is the risk of loss due to adverse movements in foreign exchange rates relating to financial instruments denominated in foreign currency. During the years ended 31 March 2018 and 2017, the Group's transactions were mainly in Hong Kong dollars and US dollars. As Hong Kong dollars are pegged to US dollars, the Group's exposure to currency risk is considered minimal.

(iv) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

All financial liabilities are non-interest bearing and their maturity dates are either within one year or repayable on demand.

All carrying amounts of financial liabilities are equal to the undiscounted cash flows.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

b) Financial risk management objectives and policies (Continued)

(v) Equity price risk

The Group's exposure to equity price risk relates principally to the Company's investment in a listed equity security. Management managed this exposure by reviewing the share price movement of its listed investment regularly.

If the price of the respective listed equity investments had been 10% higher/lower, with all other variables held constant, the Company's profit before tax for the year would have increased/decreased by approximately HK$96,000 (2017: nil) as a result of the changes in the fair value of financial asset at FVTPL.

c) Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring and non-recurring measurement, grouped into Levels 1 to 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

	2018			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial asset				
Financial asset at fair value through profit or loss				
— Listed equity investment	955	—	—	955

During the year ended 31 March 2018, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2017: nil)

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

c) Fair value measurements recognised in the consolidated statement of financial position (Continued)

The valuation techniques and input used in the fair value measurement of financial instrument are as set out below:

Financial asset	Fair value of	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs
Financial asset at FVTPL	Listed equity investment — HK$955,000 (2017: nil)	Level 1	Quoted closing price in an active market	N/A

The Group did not have any financial assets measured at fair value as at 31 March 2017.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their corresponding fair value due to short-term maturities as at 31 March 2018 and 31 March 2017.

7. SEGMENT INFORMATION

Information reported to the management of the Group, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performances focuses on advisory business. During the year ended 31 March 2018 and 2017, the Group focused on advisory business and all the assets and major revenue are located and derived in Hong Kong. Accordingly, no segment analysis is prepared.

Information about major customers

No customer accounted for 10% or more of the Group's revenue for the years ended 31 March 2018 and 2017.

8. REVENUE

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

	2018 HK$'000	2017 HK$'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

9. OTHER INCOME

	2018 HK$'000	2017 HK$'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

10. PROFIT BEFORE TAX

	2018 HK$'000	2017 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments (note 12)		
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.

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11. INCOME TAX EXPENSE

	2018 HK$'000	2017 HK$'000
Current tax:		
Hong Kong	735	2,842
Over provision in prior years:		
Hong Kong	(19)	—
Deferred taxation (note 17)	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 HK$'000	2017 HK$'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.

Details for deferred taxation are set out in note 17.

12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the directors of the Company (including emoluments for services provided as employee/directors of the group entities prior to becoming the directors of the Company) during the years ended 31 March 2018 and 2017 were as follows:

	2018 HK$'000	2017 HK$'000
Fees	**720**	9
Other emoluments:		
Salaries, allowances and benefits in kind	**9,936**	9,744
Discretionary bonuses	**—**	242
Share-based payments	**278**	2,449
Pension scheme contributions	**36**	36
	10,250	12,471
	10,970	12,480

	Fees HK$'000	**Salaries, allowances and benefits in kind HK$'000**	**Discretionary bonuses HK$'000**	**Share-based payment HK$'000**	**Pension scheme contributions HK$'000**	**Total HK$'000**
2018						
Executive directors						
Mr. SABINE Martin Nevil	—	3,936	—	—	—	3,936
Mr. CHOW Wai Hung Kenneth	—	3,000	—	207	18	3,225
Mr. CHEUNG Tei Sing Jamie	—	3,000	—	71	18	3,089
Independent non-executive directors						
Mr. CHENG Yuk Wo	240	—	—	—	—	240
Mr. HIGGS James Jeremy	240	—	—	—	—	240
Mr. YUEN Kam Tim Francis	240	—	—	—	—	240
	720	9,936	—	278	36	10,970

12. DIRECTORS' EMOLUMENTS (Continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Share-based payment HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2017						
Executive directors						
Mr. SABINE Martin Nevil	—	3,936	—	—	—	3,936
Mr. CHOW Wai Hung Kenneth	—	2,904	242	1,822	18	4,986
Mr. CHEUNG Tei Sing Jamie	—	2,904	—	627	18	3,549
Independent non-executive directors						
Mr. CHENG Yuk Wo	3	—	—	—	—	3
Mr. HIGGS James Jeremy	3	—	—	—	—	3
Mr. YUEN Kam Tim Francis	3	—	—	—	—	3
	9	9,744	242	2,449	36	12,480

Notes:

(i) The discretionary bonus is determined based on the financial results of the subsidiary.

(ii) During the years ended 31 March 2018 and 2017, no director has been appointed as chief executive of the Company.

(iii) No director and Chief Executive waived or agreed to waive any emoluments paid by the Group during the years ended 31 March 2018 and 2017.

(iv) No emoluments have been paid by the Group to the directors or supervisors as an inducement to join or upon joining the Group, or as compensation for loss of office in any of the years ended 31 March 2018 and 2017.

13. EMPLOYEES EMOLUMENTS

The five individuals with the highest emoluments in the Group include three directors of the Company whose emoluments are included in note 12 above for the year ended 31 March 2018 (2017: three). The emoluments of the remaining two individuals for the years ended 31 March 2018 and 2017 were as follows:

	2018 **HK$'000**	2017 HK$'000
Salaries, allowances, and other benefits	**3,420**	3,348
Discretionary bonuses	**1,098**	698
Share-based payments	**82**	729
Contributions to defined contribution retirement benefits scheme	**36**	36
	4,636	4,811

Their emoluments were within the following bands:

	2018 **Number of employees**	2017 Number of employees
HK$2,000,001 to HK$3,000,000	**2**	2

During the year ended 31 March 2018, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2017: nil).

In prior year, share options were granted to non-director and non-chief executive highest paid employees in respect of services to the Group, further details of which are included in the disclosures in note 31. The fair value of such options, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

14. 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.

15. 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 **HK$'000**	2017 HK$'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

15. EARNINGS (LOSS) PER SHARE (Continued)

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 HK$'000	2017 HK$'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 set out in note 31 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 set out in note 31 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.

16. PROPERTY AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Total HK$'000
COST			
1 April 2016	3,116	1,104	4,220
Additions for the year	—	719	719
At 31 March 2017 and 1 April 2017	3,116	1,823	4,939
Additions for the year	—	2,369	2,369
At 31 March 2018	3,116	4,192	7,308
ACCUMULATED DEPRECIATION			
At 1 April 2016	3,116	476	3,592
Charged for the year	—	258	258
At 31 March 2017 and 1 April 2017	3,116	734	3,850
Charged for the year	—	721	721
At 31 March 2018	3,116	1,455	4,571
CARRYING VALUES			
At 31 March 2018	—	2,737	2,737
At 31 March 2017	—	1,089	1,089

Depreciation is recognised so as to write off the cost of property and equipment less their residual value, if any, using the straight-line method over their estimated useful lives and at the rates per annum as follows:

Leasehold improvements	Over the lease term
Furniture and equipment	20%

17. DEFERRED TAX ASSET (LIABILITY)

The movements in deferred tax asset (liability) during the years are as follows:

	Accelerated tax depreciation HK$'000
At 1 April 2016	131
Deferred tax charged to profit or loss	(93)
At 31 March 2017 and 1 April 2017	38
Deferred tax charged to profit or loss	(287)
At 31 March 2018	(249)

18. TRADE RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 **HK$'000**	2017 HK$'000
Trade receivables	**9,679**	10,253
Prepayments, deposits and other receivables	**995**	508

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

18. TRADE RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

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.

19. CASH AND CASH EQUIVALENTS

	2018	2017
	HK$'000	HK$'000
Cash at bank and in hand	**55,472**	90,540
Short-term bank deposits	**40,000**	—
	95,472	90,540

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

20. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018	2017
	HK$'000	HK$'000
Financial asset at fair value through profit or loss		
Listed equity security, outside Hong Kong	**955**	—

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21. OTHER PAYABLES AND ACCRUALS

	2018 **HK$'000**	2017 HK$'000
Bonus payables	**4,248**	2,216
Other payables	**560**	1,818
Accruals	**686**	628
	5,494	4,662

22. AMOUNTS DUE FROM/TO ULTIMATE HOLDING COMPANY

The amounts due from/to ultimate holding company are unsecured, non-interest bearing and repayable on demand.

23. PROVISION FOR LONG SERVICE PAYMENT

Details of the provision for long service payments of the Group are as follows:

	2018 **HK$'000**	2017 HK$'000
At beginning of the year	**350**	282
Movements (credited) charged to profit or loss	**(45)**	68
At end of the year	**305**	350

The Group makes provision for probable future long service payment to employees in accordance with the Hong Kong Employment Ordinance. Pursuant to Chapter 10 of the Hong Kong Employment Ordinance, the long service payment is to be offset with the accrued benefits derived from the Group's contributions made to MPF Scheme for the employees and subject to a cap of HK$390,000 per employee. As at 31 March 2018, the provision for long service payment recognised by the Group was approximately HK$305,000 (2017: HK$350,000). The provision represents the management's best estimate of the Group's liability at the end of each reporting period. The most recent long service payment valuation was carried out as at 31 March 2018 by Greater China Appraisal Limited, an independent valuer. The present value of the long service payment and the related service cost were measured using the projected unit credit method.

24. 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.

25. RETIREMENT BENEFITS SCHEME

The Group operates an MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. Under the MPF Scheme, the Group is required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the scheme vest immediately. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

During the year ended 31 March 2018, the total amount contributed by the Group to the scheme and charged to the consolidated statement of profit or loss and other comprehensive income was approximately HK$652,000 (2017: HK$552,000).

26. RELATED PARTY TRANSACTIONS

(a) Transactions

	Notes	2018 HK$'000	2017 HK$'000
Somerley International Limited			
— Rental and other premises expenses	(i)	—	3,873
— Management fee income	(ii)	—	2,191
Somerley Group Limited			
— Rental and other premises expenses	(iii)	7,912	2,711
— Management fee income	(iv)	117	22
A director of a former fellow subsidiary			
— Introduction expenses	(v)	68	881

(i) During the year ended 31 March 2017, the Group was charged by Somerley International Limited ("SIL"), then a former fellow subsidiary, rental and other premises expenses of approximately HK$3,873,000. It is calculated based on the office areas occupied and sharing of common area by the Group. The recharge ceased and was replaced by the office sharing agreement with SGL as mentioned in note iii below and no further rental and other premises expenses were charged by SIL subsequently.

(ii) During the year ended 31 March 2017, the Group charged SIL the management fee of approximately HK$2,191,000 as reimbursement of expenses incurred for the senior management, executive oversight and other administrative services as provided to SIL. No further management fee was charged to SIL during the year ended 31 March 2018.

(iii) During the year ended 31 March 2018, the Group was charged by SGL, the ultimate holding company, rental and other premises expenses of approximately HK$7,912,000 (2017: HK$2,711,000). It is calculated based on the office areas occupied and sharing of common area by the Group.

26. RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions (Continued)

(iv) During the year ended 31 March 2018, the Group charged SGL the management fee of approximately HK$117,000 (2017: HK$22,000) as reimbursement of expenses incurred for the senior management, executive oversight and other administrative services as provided to SGL.

(v) During the years ended 31 March 2018 and 2017, the Group entered into a consultancy agreement with a former director of a former fellow subsidiary, under which the Group agreed to pay introduction expenses in respect of projects introduced by the former director of a former fellow subsidiary.

SGL is the ultimate holding company of the Company and SIL was then a former fellow subsidiary of the Company. The transactions were conducted in the ordinary and usual course of business at prices and terms as agreed between the transacting parties.

(b) Balances

Details of the Group's non-trade outstanding balances with related parties are set out in the consolidated statement of financial position and in note 22.

(c) Compensation of key management personnel

Other than the emoluments paid to the directors of the Company, who are also considered as the key management of the Company as set out in note 12, the Company did not have any other compensation to the key management personnel.

The emoluments of the directors of the Company and key executives are determined with regards to the performance of individuals.

	2018 **HK$'000**	2017 HK$'000
Short-term benefits	**10,656**	9,995
Share-based payments	**278**	2,449
Post-employment benefits	**36**	36
	10,970	12,480

27. COMMITMENTS

	2018 HK$'000	2017 HK$'000
Capital expenditure in respect of acquisition of property and equipment contracted for but not provided in the consolidated financial statements	—	1,800

28. OPERATING LEASE COMMITMENTS

At the end of reporting period, the Group had total commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	6,402	—
In the second to fifth year inclusive	19,205	—
	25,607	—

Operating lease payments represent rentals payable by the Group for its office properties. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years.

29. MAJOR NON-CASH TRANSACTIONS

(i) During the year ended 31 March 2018, the Group provided financial advisory service and the consideration was settled by the equity securities of the customer at its fair value, which amounted to approximately HK$390,000.

(ii) On 26 April 2016, SGL transferred 955,065 shares of Somerley Capital to employees of Somerley Capital and directors of the Company and the amount of approximately HK$4,179,000 had been recognised as employee benefits costs in the profit or loss, and the corresponding shareholder's contribution had been recognised in equity. More details are given in note 31.

(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.

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2018 HK$'000	2017 HK$'000
Non-current asset			
Investment in subsidiaries		39,380	39,380
Current assets			
Amount due from subsidiary	(b)	353	—
Amount due from ultimate holding company	(b)	67	80
Prepayments and other receivables		456	290
Cash and cash equivalents		54,954	54,808
		55,830	55,178
Current liabilities			
Amounts due to subsidiaries	(b)	—	91
Other payables and accruals		416	1,540
		416	1,631
Net current assets		55,414	53,547
Net assets		94,794	92,927
Capital and reserves			
Share capital		1,386	1,350
Reserves	(a)	93,408	91,577
Total equity		94,794	92,927

For the year ended 31 March 2018

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

(a) Movement in reserves

	Share premium HK$'000	Share options reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Issued upon incorporation	—	—	—	—	—
Other reserve arising from Reorganisation	—	—	39,280	—	39,280
Recognition of equity-settled share-based payment	—	2,228	—	—	2,228
Issue of shares pursuant to public offering	71,400	—	—	—	71,400
Issue of shares by capitalisation of share premium account	(800)	—	—	—	(800)
Expenses incurred in connection with issue of new shares	(5,939)	—	—	—	(5,939)
Loss and total comprehensive expense for the year	—	—	—	(14,592)	(14,592)
At 31 March 2017	64,661	2,228	39,280	(14,592)	91,577
At 1 April 2017	64,661	2,228	39,280	(14,592)	91,577
Recognition of equity-settled share-based payment	—	719	—	—	719
Issue of shares upon exercise of share options	2,090	(1,110)	—	—	980
Profit and total comprehensive income for the year	—	—	—	132	132
At 31 March 2018	66,751	1,837	39,280	(14,460)	93,408

(b) The amounts due from/to ultimate holding company and subsidiaries are unsecured, non-interest bearing and repayable on demand.

31. SHARE-BASED PAYMENT TRANSACTIONS

(a) Pre-IPO Share Option Scheme

On 19 May 2016, the Company entered into the conditional granted options under Pre-IPO Share Option Scheme (the "Scheme") to directors, employees and other staff of the Group as the grantees ("Grantees"), pursuant to a written resolution passed on 11 May 2016. Pursuant to the Scheme, in consideration of HK$1 paid by each Grantee, the Company granted share options to the Grantees. The exercise of these share options would entitle the Grantees to purchase, in aggregate, 13,061,735 shares of the Company.

The share options are valid after the listing date of the Company to 10 May 2024. According to the Scheme, not more than 5,524,294 Shares comprised in the options under the Scheme shall vest unto the Grantees and become exercisable with price of HK$0.28 during the period commencing from the listing date of the Company and ending on expiry of the option period ("1st vesting period") and the remaining Shares comprised in the options under the Scheme (being not more than 7,537,441 Shares) shall vest unto the Grantees and become exercisable during the period commencing on (i) the date on which the listing date of the Company of the Shares is transferred to the Main Board; or (ii) 1 January 2020, whichever is earlier, and ending on the expiry of the option period ("2nd vesting period").

The estimated fair value of the options granted on the grant date is approximately HK$4,485,000. During year ended 31 March 2018, the Group recognised the total expense of approximately HK$719,000 (2017: HK$2,228,000) in relation to share options granted by the Company.

The fair value was calculated using the Binomial model. The inputs into the model were as follow:

Share options granted on 19 May 2016:	
Weighted average share price at grant date	HK$0.54
Exercise price	HK$0.28
Option life	96 months
Expected volatility	64.92%
Risk-free interest rate	1.32%
Expected dividend yield	0%

Expected volatility was determined by using the average of industry annualised historical stock price volatility.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the director's best estimate. The value of an option varies with different variables of certain subjective assumptions.

The valuation has been performed by Greater China Appraisal Limited, who is independent from the Group.

31. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Pre-IPO Share Option Scheme (Continued)

The following table discloses movements of the Company's share options held by the Grantees:

	Outstanding as at 1 April 2016	Granted during the year	Exercised during the year (note)	Lapsed during the year	Outstanding as at 31 March 2017
1st vesting period	—	5,524,294	(119,674)	(480,532)	4,924,088
2nd vesting period	—	7,537,441	—	(240,266)	7,297,175
	—	13,061,735	(119,674)	(720,798)	12,221,263
Exercisable at the end of the year					4,924,088

	Outstanding as at 1 April 2017	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 March 2018
1st vesting period	4,924,088	—	(3,512,214)	(266)	1,411,608
2nd vesting period	7,297,175	—	—	(345,383)	6,951,792
	12,221,263	—	(3,512,214)	(345,649)	8,363,400
Exercisable at the end of the year					1,411,608

Note: On 31 March 2017, the Company received the share option exercise notice from the option holder in relation to the exercise of 119,674 share options for the share of the Company, the allotment and registration of the Company's share had not yet completed as at year ended date until 5 April 2017.

(b) Transfer of shares of SCL

On 26 April 2016, SGL transferred 955,065 shares of Somerley Capital (representing approximately 9.6% of the entire issued share capital of Somerley Capital) to Ms. Leung Lim Ng Jenny, Ms. Tam Sze Ka, Mr. Ching David, Mr. Cheng Yat Wai, Mr. Wong C-Tsun and Ms. Chow Chung Yan Stephanie, employees of Somerley Capital, and Mr. Chow Wai Hung Kenneth and Mr. Cheung Tei Sing Jamie, directors of the Company, at a consideration of HK$2.80 per share of Somerley Capital, payments of which were made on 22 April 2016. The price was determined with reference to the net asset value per share of Somerley Capital as at 31 March 2016. During the year ended 31 March 2017, an amount of approximately HK$4,179,000 had been recognised as employee benefits costs in the profit or loss, and the corresponding shareholder's contribution had been recognised in equity. There is no such transfer during the year ended 31 March 2018.

32. LIST OF SUBSIDIARIES

The Company has direct and indirect interests in the following subsidiaries comprising the Group:

Name of subsidiaries	Place and date of incorporation/ operation	Issued and fully paid share capital/registered capital	Percentage of equity interest attributable to the Group		Principal activities
			31 March 2018	31 March 2017	
Somerley Capital Limited	Hong Kong 3 January 2013	HK$10,000,000	**100%**	100%	Provision of corporate finance advisory services
Somerley (BVI) Limited	British Virgin Islands 22 April 2016	HK$1	**100%**	100%	Investment holding

None of the subsidiaries has issued any debt securities at the end of both years.

33. EVENT AFTER THE REPORTING PERIOD

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

FINANCIAL SUMMARY

For the year ended 31 March 2018

RESULTS

For the year ended 31 March	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Revenue	**71,995**	67,901	67,945	78,175
Profit before taxation	**6,891**	128	11,483	21,819
Income tax expense	**(1,003)**	(2,935)	(2,184)	(3,621)
Profit (loss) for the year attributable to owners of the Company	**5,888**	(2,807)	9,299	18,198

ASSETS AND LIABILITIES

As at 31 March	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Total assets	**110,126**	102,428	45,314	51,402
Total liabilities	**(6,048)**	(5,973)	(18,889)	(20,276)
Total equity	**104,078**	96,455	26,425	31,126

Note: The financial information for the years ended 31 March 2015 and 2016 was extracted from the Prospectus.