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

2018-19

ANNUAL REPORT

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. YUEN Kam Tim Francis
Mr. LAW Cheuk Kin Stephen

BOARD COMMITTEES

Audit Committee

Mr. CHENG Yuk Wo *(Chairman)*
Mr. YUEN Kam Tim Francis
Mr. LAW Cheuk Kin Stephen

Nomination Committee

Mr. SABINE Martin Nevil *(Chairman)*
Mr. YUEN Kam Tim Francis
Mr. LAW Cheuk Kin Stephen

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

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China Building
29 Queen's Road Central
Central
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

COMPLIANCE ADVISER

Halcyon Capital Limited
11th Floor
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 was able to report that a profit had been made and a first dividend paid to Shareholders. For the year ended 31 March 2019, we have been able to build on this start, with revenue up 24%, profit before tax up 70% and proposed dividend per Share up 43%.

REVENUE

I am pleased to report that the Group recorded revenue of HK$89 million for the year ended 31 March 2019, an increase of 24% over the previous year's revenue of HK$72 million. The increase was largely due to a steady performance by all our corporate finance teams supplemented by the completion of one marquee transaction generating revenue of HK$9.2 million and one substantial transaction generating revenue of HK$7.5 million. Revenue from acting as compliance adviser also grew to approximately HK$11.9 million owing to an increased numbers of mandates, while sponsor revenue declined as one substantial mandate was completed in 2017–18 which was not replicated in 2018–19.

PROFITS

Owing principally to the increased revenue, Group profit before tax was HK$11.7 million (2018: HK$6.9 million), an increase of 70%. Group profit after tax was HK$9.5 million (2018: HK$5.9 million), an increase of 61%, equivalent to earnings per Share of approximately HK7 cents. This demonstrates the benefits of incremental revenue for our Group at the margin — the increase in profitability is substantially greater than the increase in revenue. This is because a large proportion of our costs (basic salaries and rent) are fixed and do not increase in line with increased revenue. It also demonstrates the importance of being able to complete one or two large transactions each year.

COSTS AND EXPENSES

Our major cost item continues to be employee benefits, which amounted to approximately HK$57.0 million (2018: approximately HK$49.6 million). Rental and other premises-related cost of approximately HK$10.6 million were the major part of other operating expenses of approximately HK$19.0 million.

BALANCE SHEET

Our balance sheet continues to be strong, with net assets of HK$114.5 million and cash and cash equivalents of HK$102.0 million.

DIVIDEND

Owing to this strong liquidity position and our increased profits, the Board recommends a final dividend of HK5 cents per share (2018: HK3.5 cents).

EISAL

The acquisition of a 74.8% interest in Environmental Investment Services Asia Limited ("EISAL") was completed in December 2018. EISAL is a licensed corporation under the Securities and Futures Ordinance to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities. EISAL's expertise is in "green" fund management, an area which is attracting increased attention from Governments and investors.

OUTLOOK AND PROSPECTS

The performance of the Hong Kong and China stock markets in terms of price and turnover tends to effect our level of business with a lag. The typical projects handled by our corporate finance teams may take some months to plan and some further months to execute. Business in the second half of the calendar year 2018 (i.e. July to December) was still strong, because most of the projects had started in the more helpful climate of the first half of 2018.

Conditions in the markets in the second half of 2018 had an impact on our results for the last quarter of our financial year ended 31 March 2019, when we experienced some declines or delays in projects coming towards completion. These factors have to some extent continued in the first quarter (ending 30 June 2019) of our current financial year, affecting the progress of some IPO-related projects in particular. The prospects for the full year ending 31 March 2020 are hard to guage at this stage. Some caution is no doubt merited but our business has always been subject to financial cycles and we have succeeded in adapting to such conditions in the past.

We have been devoting considerable time and effort to two of our recent commercial initiatives, our entry into "green" fund management through EISAL and the launch of our Beijing subsidiary. It may be a while before these two businesses make a significant contribution to profitability but we are confident of the long term benefits of extending the scope of our activities, and intend to make further studies in this direction.

As I commented in the 2018 Interim Report, experience shows that the best response to uncertain conditions is to concentrate on what can be done, not to worry too much about what cannot be done and maintain a keen focus on quality execution of projects. That is what our teams are doing and I thank them for their hard work and commitment. To our shareholders, I would like to express my appreciation for their interest and support which we hope to reward with further progress.

Yours sincerely,
Martin Sabine
Chairman

BUSINESS REVIEW

The Group is principally engaged in providing (i) corporate finance services in Hong Kong and through its subsidiaries in Hong Kong and Beijing; and (ii) asset management services through a newly acquired subsidiary in Hong Kong, as detailed below.

The corporate finance advisory 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"); (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 offerings and listings of shares of companies on the Stock Exchange in Hong Kong (the "IPO") and advising on secondary equity issues in Hong Kong.

During the year ended 31 March 2019 (the "Year"), the Group completed a marquee financial advisory transaction with revenue of approximately HK$9.2 million and a substantial financial advisory transaction with revenue of approximately HK$7.5 million. Together with a steady performance from the rest of corporate finance advisory business, the Group recorded total revenue of approximately HK$89.1 million for the Year, representing an increase of approximately 23.8% as compared with the total revenue of approximately HK$72.0 million last year.

In addition, the acquisition of a 74.8% equity interest in Environmental Investment Services Asia Limited ("EISAL") was completed in December 2018. EISAL is a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities. EISAL is a founding member of the Hong Kong Green Finance Association, an initiative to position Hong Kong as a leading international green finance hub. EISAL, in collaboration with WWF Hong Kong, is presently working towards the launch of an innovative climate impact fund focused on low carbon listed equity investments in the Asian region. The acquisition of EISAL will extend our activities and should complement the Group's efforts in participating in initial public offerings and developing an equity capital markets capability.

In respect of expenses, as a result of the increases in salaries and bonuses, an expansion in office area and increased number of staff, including the new Beijing subsidiary and EISAL, operating expenses (excluding a fair value loss on a financial asset through profit or loss of approximately HK$0.8 million) increased to approximately HK$78.2 million, representing an increase of approximately 18.3% as compared with approximately HK$66.1 million last year.

Profit after tax for the Year increased to approximately HK$9.5 million from approximately HK$5.9 million for the year ended 31 March 2018, primarily due to the increase in revenue and an improvement in operating margins as a considerable portion of the Group's expenses are fixed.

FINANCIAL REVIEW

Revenue

The Group's total revenue increased by approximately 23.8% to approximately HK$89.1 million for the Year from approximately HK$72.0 million for the year ended 31 March 2018.

Revenue generated from acting as financial adviser ("FA") and as independent financial adviser ("IFA") for the Year amounted to approximately HK$69.0 million (2018: approximately HK$53.5 million), accounting for approximately 77.4% of the Group's total revenue (2018: approximately 74.3%). The increase was largely due to the completion of a marquee financial advisory transaction with revenue of approximately HK$9.2 million and a substantial financial advisory transaction with revenue of approximately HK$7.5 million during the Year. FA and IFA activities are expected to remain the major source of the Group's revenue in the immediate future.

Revenue generated from acting as compliance adviser for the Year amounted to approximately HK$11.9 million (2018: approximately HK$7.4 million), accounting for approximately 13.4% of the Group's total revenue (2018: approximately 10.3%). Based on Report on Initial Public Offering Applications, Delisting and Suspensions as at 31 December 2018 published by Hong Kong Exchanges and Clearing Limited, the number of newly listed companies in Hong Kong (excluding transfer from GEM to Main Board) was 224 in 2018 (2017: 184). All these newly listed companies are required to appoint a compliance adviser. The Group has been successful in securing additional compliance advisory mandates which led to the increase in revenue from acting as compliance advisor for the Year.

Revenue generated from acting as sponsor and underwriter for the Year amounted to approximately HK$4.2 million (2018: approximately HK$10.6 million), accounting for approximately 4.7% of the Group's total revenue (2018: approximately 14.7%). The decrease was due to one major assignment being completed for the year ended 31 March 2018, which was not replicated during the Year. As at 31 March 2019, the Group is working on 2 sponsorship engagements (2018: 1).

Other revenue, mainly arising from the provision of asset management services, litigation support services, pitch support services and merger & acquisition advisory services during the Year, amounted to approximately HK$4.0 million (2018: approximately HK$0.4 million).

Other Income

Other income mainly represented bank interest income, reimbursement of out-of-pocket expenses from customers, management service fee income from Somerley Group Limited ("SGL"), rental income and reimbursement of other premise expenses from SGL. Other income increased to approximately HK$1.6 million for the Year from approximately HK$0.4 million for the year ended 31 March 2018, primarily due to (i) increase in interest income from bank as a result of increases in interest rates; and (ii) office sharing income and reimbursement of other premises expenses from SGL starting from 1 July 2018.

Employee Benefits Costs

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

	For the year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Salaries, allowances and other benefits	**45,197**	40,881
Discretionary bonuses	**10,394**	7,365
Share-based payments	**490**	719
Retirement benefits scheme contributions	**943**	652
	57,024	49,617

Employee benefits costs increased by approximately 14.9% to approximately HK$57.0 million for the Year from approximately HK$49.6 million for the year ended 31 March 2018, primarily due to the combined effects of (i) the increments in basic salaries and additional executives hired during the Year; (ii) an increase in bonuses due to increased profitability; and (iii) increase in headcount as a result of establishment of a new subsidiary in Beijing and acquisition of EISAL.

Other Operating Expenses

Other operating expenses were mainly rental expenses, recurring GEM listing expenses, travelling expenses, professional fees and other expenses, including utility expenses, building management fees, telecommunication expenses, information technology related expenses, data intelligence service subscription fees and insurance expenses.

	For the year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Rental expenses and other premises expenses	**10,609**	8,211
Travelling expenses	**883**	722
Written off in respect of trade receivables	**—**	180
Impairment loss recognised in respect of trade receivables	**63**	—
Recurring GEM listing expenses (excluding remuneration of independent non-executive directors)	**2,318**	2,147
Acquisition costs	**341**	—
Others	**4,820**	3,692
	19,034	14,952

The Group's other operating expenses increased by approximately 26.7% to approximately HK$19.0 million for the Year from approximately HK$15.0 million for the year ended 31 March 2018. The increase was mainly due to (i) the increase in rental expenses as a result of (a) the office expansion and the execution of new lease in Hong Kong and (b) a new office in Beijing; (ii) the recognition of business continuity plan expenses; (iii) the increase in legal and professional expenses due to specific needs of certain advisory engagements; and (iv) the increase in general operating expenses as a result of establishment of a new subsidiary in Beijing and acquisition of EISAL.

Income Tax Expenses

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 18.9% (2018: approximately 14.6%) and was higher than the Hong Kong profits tax rate of 16.5% mainly because of the fair value loss on financial asset at fair value at profit or loss, share-based payments and certain professional fees incurred for acquisition of EISAL not being deductible for tax purpose in Hong Kong.

Profit for the Year

For the Year, the Group made a profit before tax of approximately HK$11.7 million (2018: approximately HK$6.9 million), representing an increase of approximately 69.6% and after-tax profit was approximately HK$9.5 million (2018: approximately HK$5.9 million), representing an increase of approximately 61.0%. The increases were primarily due to the combined effects of (i) approximately HK$17.1 million increase in revenue; (ii) approximately HK$7.4 million increase in employee benefits costs; (iii) the increase in depreciation for property and equipment and other operating expenses; and (iv) the recognition of fair value loss on financial asset at fair value through profit or loss.

Liquidity, Financial Resources and Capital Structure

The Group's working capital and other capital requirements were principally satisfied by cash generated from the Group's operations.

As at 31 March 2019, the Group's net current assets amounted to approximately HK$101.4 million (2018: approximately HK$101.9 million), and its liquidity as represented by current ratio was approximately 13.4 times (2018: approximately 19.5 times). The cash and cash equivalents amounted to approximately HK$102.0 million as at 31 March 2019 (2018: approximately HK$95.5 million). The functional currency of the Group is Hong Kong dollars. As at 31 March 2019, approximately HK$6.0 million of the Group's cash and cash equivalents was denominated in the other currencies (2018: approximately HK$1.0 million), including Renminbi, United States Dollars, Euro, Great Britain Pounds, Thai Baht and Malaysia Ringgit.

The Group's equity consists of ordinary shares of the Company (the "Shares"). The Group had neither banking facilities nor borrowings as at 31 March 2018 and 2019.

The Directors are of the view that the Group's financial resources are fully sufficient to support its business and operations.

Foreign Exchange Exposure

The majority of the Group's revenue is denominated in Hong Kong dollars and the Group's accounts are prepared in Hong Kong dollars. Consequently, exposure to the risk of foreign exchange rate fluctuations for the Group is not material.

Future Plans for Material Investments or Capital Assets

The Group had capital commitments of approximately HK$0.2 million as at 31 March 2019 (2018: nil), in respect of information technology enhancement for its Hong Kong office. Save for the business plan disclosed in the prospectus of the Company dated 15 March 2017 (the "Prospectus"), announcement of, among others, change in use of proceeds published on 22 June 2018 or as otherwise disclosed in this annual report, the Group did not have plans for making material investments or acquiring capital assets as at 31 March 2019.

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

Save as disclosed in this annual report, there were no material acquisitions and disposals of subsidiaries, associates or joint ventures by the Group during the Year.

Significant Investments

During the Year, the Company and EISAL agreed terms and conditions (the "Agreements") for the Company to become the majority shareholder in EISAL. EISAL is a Hong Kong-based investment management company specialising in the Asian low carbon environmental sector. EISAL is a licensed corporation under the SFO to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities. EISAL is a founding member of the Hong Kong Green Finance Association. The Agreements are structured through: (i) the cash subscriptions of 1,140,000 new ordinary shares in EISAL ("EISAL Shares") at an issue price of US$0.60 per EISAL Share; and (ii) the acquisition of 1,333,334 existing EISAL Shares from certain existing shareholders at a consideration of US$0.60 per EISAL Share settled in US$0.30 cash and 1.14 new Shares issued by the Company.

Immediately prior to the entering into of the Agreements, EISAL was held as to approximately 32.7% by Mr. HIGGS Jeremy James ("Mr. Higgs") and the remaining was held by six independent third parties as at the date of the transaction. Mr. Higgs was an independent non-executive Director at the time of entering into the Agreements and consequently the transactions contemplated under the Agreements constituted connected transactions for the Company pursuant to Chapter 20 of the GEM Listing Rules.

On 10 July 2018, the first subscription of 240,000 new EISAL Shares was completed. On 14 December 2018, the second subscription of 900,000 new EISAL Shares and the acquisition of 1,333,334 existing EISAL Shares were completed. Following the completion, the Company issued and allotted an aggregate of 1,516,000 new ordinary Shares for the acquisition of EISAL and the Company holds 2,473,334 EISAL Shares, representing 74.8% of the share capital of EISAL as enlarged by the completion of the first subscription and the second subscription.

Except for investments in subsidiaries and the investment in EISAL as stated above, the Company did not hold any significant investments during the Year (2018: nil).

Charge on Assets & Contingent Liabilities

As at 31 March 2019, the Group did not have any charges on its assets (2018: nil) or material contingent liabilities (2018: nil).

Gearing Ratio

As at 31 March 2019, the Group did not have any borrowings (2018: nil) and hence gearing ratio was not applicable.

Dividend

The board of Directors (the "Board") has recommended the payment of a final dividend of HK5.0 cents per Share for the Year (2018: HK3.5 cents per Share), subject to the approval of the shareholders at the forthcoming annual general meeting.

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 2019, the Group employed 48 employees (2018: 42).

For the Year, employee benefits costs of the Group (including the Directors' emoluments) were approximately HK$57.0 million (2018: approximately HK$49.6 million). Remuneration is determined with reference to market terms, the financial results of the Group and the performance, qualifications and experience of employees. Apart from basic remuneration, share options may be granted under the share option scheme of the Company to eligible employees by reference to the Group's performance as well as the individual's contribution. The Directors believe that the compensation packages offered by the Group to its staff are competitive in comparison with market standards and practices.

Comparison between Business Objectives and Actual Business Progress

A comparison of the business objectives as stated in the Prospectus and the announcement of, among others, change in use of proceeds published on 22 June 2018 with our Group's actual business progress up to 31 March 2019 is set out below:

Business objectives up to 31 March 2019	Actual business progress up to 31 March 2019
Expansion of the corporate finance advisory business	The expansion of corporate finance advisory teams was completed
Development of the equity capital market operations	A IPO execution team was established and the Group had 2 work-in-progress sponsorship engagements as at 31 March 2019
Enhancement of the information technology systems of the Group	The enhancement of the Group's information technology ("IT") infrastructure and the implementation of the business continuity plan are almost completed, but further upgrading and updating of IT is a continuing requirement
Expansion of office	Renovation of office was completed
Exploration of new investment opportunities	During the Year, the Company acquired 74.8% equity interest in EISAL and established a subsidiary in Beijing to enter into the asset management business and enhance its presence in China.

Use of net proceeds

The net proceeds from the Group's listing on GEM of the Stock Exchange on 28 March 2017 (the "Listing") were approximately HK$55.9 million. The Group adjusted the use of net proceeds in the same manner as stated in the Prospectus and approximately HK$27.7 million were utilised as at 31 March 2018.

The Group announced the change in use of net proceeds of approximately HK$28.2 million on 22 June 2018 and the details of application for the Year are as follows:

	Adjusted use of proceeds for the Year HK$'million	**Actual use of proceeds for the Year** HK$'million
Expansion of corporate finance advisory business	4.5	4.5
Development of the equity capital markets operation	6.9	6.9
Enhancement of the information technology systems of the Group *(note)*	3.0	0.7
Expansion of office	1.8	1.8
Exploration of new investment opportunities	12.0	12.0
	28.2	25.9

Note: The remaining proceeds will be used for further upgrading and updating IT for the year ending 31 March 2020.

As disclosed in the Prospectus, to the extent that the net proceeds from the Listing were not immediately required for the above purposes, they have been placed on short-term interest bearing deposits with authorised financial institutions in Hong Kong. In the event that any part of the business plans of the Group does not materialise or proceed as planned, the Directors will carefully evaluate the situation and may reallocate the intended funding to other business plans and/or to new projects of the Group and/or hold the funds as short-term interest bearing deposits so long as the Directors consider it to be in the best interests of the Company and the shareholders.

Principal Risks and Uncertainties

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

(i) The main operating subsidiary of the Group at present is Somerley Capital 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 market conditions affecting the pipeline of transactions and the timing of transaction completions and hence recognition of revenue;

(iii) Profit margins may be squeezed;

(iv) Delays or terminations of transactions or defaults or delays in payments by clients may have an adverse impact on the Group's financial performance;

(v) Somerley Capital is reliant on key management personnel to conduct its business. Failure to retain and motivate them or to attract suitable replacements would have an adverse impact on operations;

(vi) The Group may be exposed to risks from equity capital markets business in cases where the securities underwritten by the Group are undersubscribed or the placing exercises fail to complete. No underwriting obligations are currently outstanding;

(vii) The trademark used by Somerley Capital is subject to the trademark usage agreement and such non-exclusive trademark may be adversely affected by acts of SGL;

(viii) Potential employee misconduct could damage the Group's reputation, financial position and current and future business relationships with clients;

(ix) Potential exposure to professional liability and litigation;

(x) Future business plans may or may not materialise or may not materialise in full;

(xi) The Group's internal control system may be subject to failures and limitations;

(xii) The Group may experience failure in or disruption to its computer systems and data storage;

(xiii) The Group is operating in a strictly regulated business environment, and any non-compliance with rules and regulations may have material and adverse impact and consequences;

(xiv) The corporate finance industry in Hong Kong has a significant number of existing participants and potential new entrants, and is in general highly competitive; and

(xv) EISAL's asset management fees may decrease if the investments EISAL manages perform poorly, or EISAL's clients withdraw assets under EISAL's management.

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 environmental policies and performance of the Group are set out in the Environmental, Social and Governance Report on pages 53 to 55.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

RELATIONSHIPS WITH EMPLOYEES AND CLIENTS

An account of the key relationships of the Group with its employees and clients is contained in the Environmental, Social and Governance Report on pages 48 to 52.

OUTLOOK AND PROSPECTS

The Group delivered a 61.0% growth in profit for the Year and the goals previously set, including the expansion into asset management through investment in EISAL and the launch of the Beijing subsidiary and establishment of an executive team in Beijing, were largely achieved. The performance of the Hong Kong and China stock markets tends to affect the Group's level of business with a lag. After a strong performance for the first three quarters of the Year, the Group experienced some slow down in deal flow and delays in project completion during the last quarter of the Year. The Group continued to explore opportunities in IPO sponsorship and underwriting business during the Year but the slowdown in financial markets during the second half of 2018 and growing international trade tensions have hindered the progress of IPO-related projects.

The economic climate for the year ending 31 March 2020 is challenging. The Directors are taking a pragmatic approach in response to the uncertain market environment by focusing on our existing pipeline and the delivery of quality and innovative corporate finance advisory services to our clients. Revenue from acting as compliance adviser, a relatively stable source of income for the Group, increased by approximately 60.8% to HK$11.9 million during the Year. The increase in more stable revenue tends to alleviate the fluctuation in income from corporate finance projects which are less predictable by nature.

The Group's professional teams remain hard working and committed and the Group's position in the market remains robust. The Group has been able to adapt to various financial cycles in the past and the Directors believe the Group's business can continue to achieve value for shareholders.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving good corporate governance practices and procedures. The Directors believe that good corporate governance practices are essential to enhance stakeholders' confidence and support. During the Year, the Company has complied with the code provisions prescribed in the establishment and implementation of the corporate governance guidelines containing principles and code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules except as regards the following:

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive of the Company should be separate and should not be performed by the same individual. During the Year, the role of the chairman of the Company (the "Chairman") was performed by Mr. SABINE Martin Nevil. The office of the chief executive of the Company was not filled; Mr. CHOW Wai Hung Kenneth performed the role of managing director of the Company's operating subsidiary in Hong Kong, Somerley Capital, and the chairman of the Company's operating subsidiary in China, Somerley Capital (Beijing) Limited. Within the Company, decisions are made collectively by the executive Directors and are discussed with senior management from time to time. The Board believes that this arrangement enables the Company to make decisions and implement follow up actions quickly and helps achieve the Company's objectives efficiently and effectively in response to the changing environment. The Board also believes that the Company has a strong corporate governance structure in place to ensure effective oversight of management. The Board will review the current structure of the Board from time to time.

Following the resignation of Mr. Higgs on 14 December 2018, the Board no longer comprised three independent non-executive Directors, the audit committee of the Company (the "Audit Committee") no longer comprised three members and the nomination committee of the Company (the "Nomination Committee") no longer comprised three members with a majority of independent non-executive Directors, which deviated from rules 5.05(1) and 5.28 of the GEM Listing Rules and the code provision A.5.1 of the CG Code respectively. On 15 February 2019, the Company appointed Mr. LAW Cheuk Kin Stephen as an independent non-executive Director to fill the casual vacancy due to the resignation of Mr. Higgs, complying with the requirements in GEM Listing Rules as the appointment was made within three months from the date of Mr. Higgs ceasing to be an independent non-executive Director.

THE BOARD OF 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 *(Chairman)*
Mr. CHEUNG Tei Sing Jamie
Mr. CHOW Wai Hung Kenneth

Independent non-executive Directors

Mr. CHENG Yuk Wo
Mr. HIGGS Jeremy James *(resigned on 14 December 2018)*
Mr. YUEN Kam Tim Francis
Mr. LAW Cheuk Kin Stephen *(appointed on 15 February 2019)*

Each of Mr. CHENG Yuk Wo and Mr. YUEN Kam Tim Francis, 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. Mr. LAW Cheuk Kin Stephen, an independent non-executive Director appointed on 15 February 2019, has entered into a service agreement with the Company for an initial term of three years commencing from 15 February 2019 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 and Mr. LAW Cheuk Kin Stephen, two of three independent non-executive Directors, possess the appropriate professional qualifications, or accounting or related financial management expertise as required under rule 5.05(2) of the GEM Listing Rules. All the 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 providing 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 83 of the articles and association of the Company, Directors appointed by the Board shall hold office only until the next following general meeting and shall be eligible for re-election. Accordingly, Mr. LAW Cheuk Kin Stephen shall hold office only until the forthcoming general meeting and, being eligible, offers himself for re-election at the forthcoming general meeting.

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. SABINE Martin Nevil and Mr. YUEN Kam Tim Francis 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 drawing up the strategies to be adopted. 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 27 to 28 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 carry out his duties effectively and efficiently. There is no material 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 experience, 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:	The Company places value on 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 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 the Nomination Committee with specific written terms of reference in line with the code provisions under the CG Code. During the Year and up to the date of this annual report, the members of the Nomination Committee have been and are:

Mr. SABINE Martin Nevil *(Chairman) (appointed as Chairman on 14 December 2018)*
Mr. HIGGS Jeremy James *(Former Chairman) (resigned on 14 December 2018)*
Mr. YUEN Kam Tim Francis
Mr. LAW Cheuk Kin Stephen *(appointed on 15 February 2019)*

The primary duties of the Nomination Committee are 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 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 2 meetings. The Nomination Committee reviewed the structure, size and composition of the Board and considered the replacement of the independent non-executive Director.

NOMINATION POLICY

The nomination policy of the Company was adopted by the Board and became effective on 31 December 2018.

Selection Criteria

The Nomination Committee shall endeavor to find individuals of high integrity who have a solid record of accomplishment in their chosen fields and who possess the qualifications, qualities and skills to effectively represent the best interests of all shareholders. Candidates will be selected for their ability to exercise good judgment to provide practical insights and diverse perspectives. The Nomination Committee considers the following qualifications in recommending suitable candidates to the Board:

- high professional and personal ethics;
- independence;
- compliance with legal and regulatory requirements;
- ability to provide insights and practical wisdom based on their experience and expertise relevant to the Company's business;
- commitment to enhancing shareholder value; and
- ability to develop a good working relationship with the Directors and contribute to the Board's working relationship with senior management of the Company.

These qualifications are for reference and not all suitable candidates may fulfil all of them. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

Proposed candidates will be asked to submit the necessary personal information in a prescribed form, together with their written consent to be appointed as Director and to the public disclosure of their personal data on documents or the relevant websites for the purpose of or in relation to their standing for election as Director.

The Nomination Committee may request candidates to provide additional information and documents, if considered necessary.

Nomination Procedure

A joint or sole company secretary of the Board shall call a meeting of the Nomination Committee, and invite nominations of candidates, if any, from Board members for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by Board members.

For filling a causal vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

Until the issue of the relevant shareholder circular, the nominated persons shall not assume that they have been proposed by the Board to stand for election at a general meeting.

In order to provide information concerns the candidates nominated by the Board to stand for election at a general meeting, and to invite nominations from shareholders, a circular will be sent to shareholders. The circular will set out the lodgment period for shareholders to make the nominations. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular to shareholders.

A shareholder can serve a notice to the company secretary of the Board within the lodgment period of intention to propose a resolution to elect a certain person as Directors, without the Board's recommendation or the Nomination Committee's nomination, other than those candidates set out in the shareholder circular. The particulars of the candidate(s) so proposed will be sent to all shareholders for information by a supplementary circular.

A candidate is allowed to withdraw his/her candidature at any time before the general meeting by serving a notice in writing to the company secretary of the Board.

The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

As there may be more candidates than the vacancies available, and the 'gross-vote' method will be used to determine who shall be elected as Director. Shareholder proposed resolutions shall therefore take the same form as the resolutions proposed for the candidates recommended by the Board.

The Nomination Committee shall ensure that the composition of the Board is in conformity with the provisions of all applicable laws and regulations.

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. During the Year and up to the date of this annual report, the members of the Remuneration Committee have been and are:

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

The primary duties of the Remuneration Committee are 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. The Remuneration Committee reviewed the remuneration packages of the Directors and senior management of the Group.

SENIOR MANAGEMENT'S REMUNERATION

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

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

AUDIT COMMITTEE

The Company has established the Audit Committee with specific written terms of reference formulated in accordance with the requirements of rules 5.28 to 5.29 of the GEM Listing Rules. During the Year and up to the date of this annual report, the members of the Audit Committee have been and are:

Mr. CHENG Yuk Wo *(Chairman)*
Mr. HIGGS Jeremy James *(resigned on 14 December 2018)*
Mr. YUEN Kam Tim Francis
Mr. LAW Cheuk Kin Stephen *(appointed on 15 February 2019)*

The primary duties of the Audit Committee are reviewing the annual reports and accounts, half-year reports and quarterly reports of the Group, making recommendations to the Board on the appointment and dismissal of external auditors, providing advice in respect of financial reporting, supervising risk management and internal control systems of the Group, reviewing the effectiveness of the internal audit function and monitoring any continuing connected transaction.

During the Year, the Audit Committee held 4 meetings. The Audit Committee reviewed, assessed and commented on the audited consolidated financial statements for the year ended 31 March 2018, the unaudited consolidated financial statements for the three months ended 30 June 2018, six months ended 30 September 2018 and nine months ended 31 December 2018, respectively. It has also reviewed the effectiveness of the risk management and internal control systems and internal audit functions of the Group, the continuing connected transactions and the policy on anti-money laundering and counter-terrorist financing. The preparation of the consolidated results is in compliance with applicable accounting principles and practices adopted by the Company and the requirements of the Stock Exchange, and adequate disclosure has been made.

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

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	6/6	—	—	2/2	1/1
Mr. CHEUNG Tei Sing Jamie	6/6	—	2/2	—	1/1
Mr. CHOW Wai Hung Kenneth	6/6	—	—	—	1/1
Independent Non-executive Directors:					
Mr. CHENG Yuk Wo	6/6	4/4	2/2	—	1/1
Mr. HIGGS Jeremy James *(resigned on 14 December 2018)*	5/5	3/3	—	1/1	1/1
Mr. YUEN Kam Tim Francis	6/6	4/4	2/2	2/2	1/1
Mr. LAW Cheuk Kin Stephen *(appointed on 15 February 2019)*	—	—	—	—	—

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	466
Non-audit services	322

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. 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 a sufficient public float as at the date of this annual report.

NON-COMPETITION UNDERTAKING

SGL, Mr. SABINE Martin Nevil, Mr. CHEUNG Tei Sing Jamie and Mr. FLETCHER John Wilfred Sword (the "Controlling Shareholders") have 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' 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.

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.

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 monitor the residual risks.

Based on the risk assessments conducted in the Year, 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 the Year, 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 an 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; and (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 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.

DIVIDEND POLICY

The dividend policy of the Company (the "Dividend Policy") was adopted by the Board and became effective on 31 December 2018. The Group places great importance on a consistent and maintainable level of dividends. This means that in a good year the regular dividend may be increased, but not beyond the level the Group considers maintainable for future years. In particularly good years, a "special" dividend may be paid in addition to the regular dividend, and will be flagged as "special", i.e. not normally to be repeated. In a poor year, the Group will endeavour to maintain the regular dividend level, even if, in an extreme case, it exceeds profits, provided that the Group's financial position, such as liquidity and net assets, remains sound.

Subject to above circumstances, the Group intends to provide Shareholders with dividends of at least 40% of the Group's annual consolidated net income attributable to Shareholders. In proposing any dividend payout, the Board shall take into account, inter alia:

(a) the Group's financial performance for the current financial year;

(b) the Group's expected financial performance in the coming financial year;

(c) retained earnings and distributable reserves of the Group and each of the subsidiaries;

(d) the level of the Group's liquidity and net assets;

(e) the Group's working capital requirements and future commitments at the time of declaration of dividend;

(f) general economic conditions, the business cycle of the Group's corporate finance advisory business and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and

(g) any other factors that the Board deem appropriate.

The Dividend Policy and the declaration and/or payment of future dividends under the Dividend Policy are subject to the Board's continuing determination that the Dividend Policy and the declaration and/or payment of dividends would be in the best interests of the Group and Shareholders and are in compliance with all applicable laws and regulations. The Board endeavours to maintain a balance between meeting Shareholders' expectations and prudent capital management with a sustainable policy.

JOINT COMPANY SECRETARIES

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 ("Mr. Pang"), the financial controller of the Group and the other joint Company Secretary. Ms. Lam and Mr. Pang have taken no less than 15 hours of relevant professional training to update their skills and knowledge during the Year.

EXECUTIVE DIRECTORS

Mr. SABINE Martin Nevil ("Mr. Sabine"), aged 71, 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 the chairman 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 relationships, 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 Somerley International Limited ("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 48, 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 48, 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 20 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 of the Stock Exchange from 1997 to 1999 and Deloitte Touche Tohmatsu from 1993 to 1996.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHENG Yuk Wo ("Mr. Cheng"), aged 58, 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: 1827) 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. YUEN Kam Tim Francis ("Mr. Yuen"), aged 65, 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 and was awarded the Chartered Governance Professional Qualification in September 2018.

Mr. LAW Cheuk Kin Stephen ("Mr. Law"), aged 56, was appointed as an independent non-executive Director on 15 February 2019. He is also a member of the Audit Committee and Nomination Committee. Mr. Law is currently the managing director of ANS Capital Limited, an investment holding company. He is also currently an independent non-executive director of China Everbright Limited (stock code: HK165), a member of the board of directors of SOW (Asia) Foundation and a council member of Hong Kong Business Accountants Association. Mr. Law served as the finance director and a member of the executive directorate of MTR Corporation Limited (stock code: HK66) ("MTR") from July 2013 to July 2016. Prior to joining MTR, he was the chief financial officer of Guoco Group Limited (stock code: HK53). Prior to that, Mr. Law had served as the managing director of TPG Growth Capital (Asia) Limited and had also held various senior positions in the Morningside Group and the Wheelock Group. He was also previously, from March 2011 to September 2012, a non-executive director of China NT Pharma Group Company Limited (stock code: HK1011), from June 2010 to September 2012, an alternate director in MIE Holdings Corporation (stock code: HK1555) and, from July 2016 to September 2018, an independent non-executive director of AAG Energy Holdings Limited (stock code: HK2686). He was a council member of the Hong Kong Institute of Certified Public Accountants from 2010 to 2017 and also served as an adjunct professor of Hong Kong Polytechnic University from 2015 to 2017. He is currently a member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales. Mr. Law has been appointed by the Ministry of Finance of the People's Republic of China (the "MOF") as an expert consultant to provide advice on finance and management accounting to the MOF. Mr. Law holds a Bachelor's degree in Science (Civil Engineering) from the University of Birmingham, the United Kingdom and also received a Master's degree in Business Administration from the University of Hull, the United Kingdom.

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 ("Mr. Ng"), aged 69, 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.

Mr. WONG C-Tsun ("Mr. Wong"), aged 39, joined SIL as manager in October 2007 and has served as director since February 2014. He has acted as a managing director of Somerley Capital since April 2019, 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. He 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 16 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 his last position as assistant manager.

Ms. LEUNG Lim Ng Jenny ("Ms. Leung"), aged 49, 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 19 years of experience in corporate finance. In the past, she held senior positions with a number of corporate finance advisory firms and brokerage houses 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 has handled various IPOs, merger(s) and acquisition(s) transactions and fund raising exercises.

Ms. TAM Sze Ka ("Ms. Tam"), aged 41, 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 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 from the University of London, United Kingdom, through long-distance learning in August 2007.

Ms. Tam has over 18 years of experience in corporate finance and has worked in various financial institutions involved in corporate finance. Prior to joining SIL, Ms. Tam worked in RexCapital (Hong Kong) Limited from October 2004 to May 2007, with her last position as senior manager — corporate finance.

Mr. CHENG Yat Wai ("Mr. Cheng"), aged 42, 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 18 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 his last position as staff accountant and his main role 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 his last position as senior associate and main role in charge of group audits. From June 2004 to April 2005, he worked in Platinum Management Services Limited, which is principally engaged in corporate finance business, with his last position as manager and main role of execution of corporate finance projects.

Ms. CHOW Chung Yan Stephanie ("Ms. Chow"), aged 42, joined SIL as manager in September 2007. She has served 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. She 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 15 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 her last position as senior accountant.

Mr. HESSE Jakob Fabian ("Mr. Hesse"), aged 36, has served as a director of Somerley Capital since 23 May 2018 and acted as a Responsible Officer for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 23 May 2018. He is responsible for supervising and leading the execution of corporate finance projects as well as the Group's mergers & acquisitions activities.

Mr. Hesse has advised on public and private transactions, including IPOs, capital raises, acquisitions, privatisations, restructurings and fairness opinions. He started his career at J.P. Morgan in London, before moving to the renewable energy investment banking group at Jefferies and subsequently joining SIL in July 2011. Mr. Hesse holds a Bachelor degree (with Merit) from Munich University of Technology and a Master degree (with Distinction) from the London School of Economics and Political Science.

Mr. CHENG Koon Yung Clifford ("Mr. Cheng"), aged 36, joined SIL in May 2010. He has served as a director of Somerley Capital Limited since April 2019, and has acted as a Responsible Officer for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 19 February 2019. He is responsible for supervising and leading execution of corporate finance projects.

Mr. Cheng obtained a Bachelor degree in Business Administration in Professional Accountancy from the Chinese University of Hong Kong in 2005. He has been a member of HKICPA since September 2009. Mr. Cheng has over 13 years of experience in corporate finance, accounting and auditing. He worked in the audit and assurance division of KPMG from August 2005 to April 2010.

Mr. CHAU Fai ("Mr. Chau"), aged 36, joined SIL in June 2010. He has acted as a director of Somerley Capital since April 2019, and has acted as a Responsible Officer for Type 6 (advising on corporate finance) regulated activity since 1 March 2019. He is responsible for supervising Hong Kong IPO sponsorship projects.

Mr. Chau graduated from the University of Hong Kong with a Bachelor degree in Economics and Finance in December 2006. Prior to joining Somerley, Mr. Chau worked in the corporate finance department of Innoform Ashfield Capital Limited. His corporate finance advisory experience covers IPOs, capital raises and mergers and acquisitions.

Mr. PANG Mo Cheung ("Mr. Pang"), aged 34, 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 work.

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 his 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 ("Ms. Lam"), aged 52, 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 and was awarded the Chartered Governance Professional Qualification. Ms. Lam has over 20 years of experience in company secretarial services and commercial solutions and is currently a director of BMI Listed Corporate Services Limited 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 AND SEGMENTAL ANALYSIS OF OPERATION

The Group is principally engaged in providing corporate finance advisory and asset management services. An analysis of the Group's performance for the Year by business segments is set out in note 5 to the consolidated financial statements.

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 page 12 of this annual report and the Corporate Governance Report on pages 14 to 26 of this annual report.

RESULTS AND DIVIDEND

The financial performance of the Group for the Year and the financial position of the Group as at 31 March 2019 are set out in the consolidated financial statements from pages 60 to 62 of this annual report.

The Board has recommended the payment of a final dividend of HK5.0 cents per share for the Year (2018: HK3.5 cents), subject to the approval of the shareholders at the forthcoming annual general meeting. Such proposed dividend will be payable on or around 26 September 2019 to the shareholders whose names appear on the register of members of the Company at close of business on 18 September 2019. The final dividend will absorb approximately HK$7.0 million (2018: 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 Thursday, 5 September 2019.

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 Wednesday, 18 September 2019.

CHARITABLE DONATIONS

Charitable and other donations made by the Group during the Year amounted to HK$116,300 (2018: HK$60,000).

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the top five customers together accounted for approximately 29.0% (2018: approximately 22.3%) of the Group's revenue and the Group's largest customer accounted for approximately 11.4% (2018: approximately 6.8%) 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.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 116.

SHARE CAPITAL AND EQUITY-LINKED AGREEMENTS

Details of movements in the Company's share capital during the Year are set out in note 26 to the consolidated financial statements.

Save as disclosed in the sections headed "Share Option Scheme" and "Significant Investments" of this annual report, no equity-linked agreement was entered into by the Company during the Year.

PROPERTY AND EQUIPMENT

Details of movements in the Group's property and equipment during the Year are set out in note 14 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, 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 2019, the Company did not have any reserve available for cash distribution (2018: 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.

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 *(resigned on 14 December 2018)*
Mr. YUEN Kam Tim Francis
Mr. LAW Cheuk Kin Stephen *(appointed on 15 February 2019)*

As a result of the completion of the share and connected transaction as disclosed in this annual report, Mr. Higgs was no longer regarded as independent and tendered his resignation as an independent non-executive Director to the Board with effect from 14 December 2018. Mr. Higgs has confirmed that there is no disagreement with the Board and there are no matters that need to be brought to the attention of the Shareholders or the Stock Exchange in relation to his resignation. Mr. LAW Cheuk Kin Stephen has been appointed as an independent non-executive Director with effect from 15 February 2019 to fill the casual vacancy created by the resignation of Mr. Higgs.

Pursuant to article 83 of the articles and association of the Company, Directors appointed by the Board shall hold office only until the next following general meeting and shall be eligible for re-election. Accordingly, Mr. LAW Cheuk Kin Stephen shall hold office only until the forthcoming general meeting and, being eligible, offers himself for re-election at the forthcoming general meeting.

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. SABINE Martin Nevil and Mr. YUEN Kam Tim Francis, will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

Biographical information on the Directors of the Group is set out on pages 27 to 28 of the annual report.

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 10 and 11 to the consolidated financial statements, respectively.

DIRECTORS' SERVICE AGREEMENTS

Each of the executive Directors and Mr. CHENG Yuk Wo and Mr. YUEN Kam Tim Francis, the 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. Mr. LAW Cheuk Kin Stephen, an independent non-executive Director has entered into a service agreement with the Company for an initial term of three years commencing from 15 February 2019 which shall continue thereafter unless and until terminated by not less than three months' notice in writing. 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' INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in the sections "Share and Connected Transaction" and "Continuing Connected Transaction" and note 27 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).

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 2019, 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.

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 number of issued shares of the Company
SABINE Martin Nevil	Interest of a controlled corporation	93,633,350 *(Note 1)*	—	66.41%
	A concert party to an agreement to buy shares described in s317(1)(a)	2,233,440 *(Note 2)*	—	1.58%
		—	645,717 *(Notes 2 & 3)*	0.46%
CHEUNG Tei Sing Jamie	Beneficial owner	2,233,440	—	1.58%
		—	645,717 *(Note 3)*	0.46%
	A concert party to an agreement to buy shares described in s317(1)(a)	93,633,350 *(Notes 1 & 2)*	—	66.41%
CHOW Wai Hung Kenneth	Beneficial owner	3,754,170	—	2.66%
		—	1,877,083 *(Note 3)*	1.33%

Notes:

1. SGL is directly interested in 93,633,350 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.

Long positions in the ordinary shares of 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 number of 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 an associated corporation 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 2019, none of the Directors and Chief Executive 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.

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

As at 31 March 2019, 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 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	93,633,350 *(Note 1)*	—	66.41%
SABINE Maureen Alice ("Dr. Sabine")	Interest of a spouse	95,866,790 *(Note 2)*	—	68.00%
		—	645,717 *(Note 2)*	0.46%
FLETCHER John Wilfred Sword	A concert party to an agreement to buy shares described in s317(1)(a)	95,866,790 *(Note 1)*	—	68.00%
		—	645,717 *(Note 1)*	0.46%
FLETCHER Jacqueline ("Mrs. Fletcher")	Interest of a spouse	95,866,790 *(Note 3)*	—	68.00%
		—	645,717 *(Note 3)*	0.46%
CHOI Helen Oi Yan ("Mrs. Cheung")	Interest of a spouse	95,866,790 *(Note 4)*	—	68.00%
		—	645,717 *(Note 4)*	0.46%

Notes:

1. SGL is directly interested in 93,633,350 Shares and SGL is wholly-owned by Mr. Sabine, Mr. Fletcher, Mr. Cheung and Ms. FONG Sau Man Cecilia, of whom 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 2019, 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 section "Continuing Connected Transaction" and note 27 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 determined in its absolute discretion, had made a valuable contribution to the business of the Group, or was regarded as 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:

				Number of share options					
Name or category of grantees	**Date of grant of share options**	**Exercise Price (HK$)**	**Exercise Period**	**Balance as at 01.04.2018**	**Granted during the Year**	**Exercised during the Year**	**Lapsed during the Year**	**Cancelled during the Year**	**Balance as at 31.3.2019**
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	1,411,608	—	840,667 *(Note)*	119,675	—	451,266
	19/5/2016	0.28	Second Vesting Period	4,428,992	—	—	855,719	—	3,573,273
Total				8,363,400	—	840,667	975,394	—	6,547,339

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$1.83 per Share.

Share Option Scheme:

The purpose of the Share Option Scheme is to provide an 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 director and non-executive director (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 an 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 2019, the total number of Shares available for issue under the Share Option Scheme is 13,500,000 Shares, representing approximately 9.58% 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.

COMPETING INTERESTS

The Directors are not aware that any of the Directors, the controlling shareholders of the Company and their respective close associates (as defined in the GEM Listing Rules) competes or may compete with the business of the Group and has or may have any other conflict of interest with the Group during the Year.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the Year are set out in note 27 to the consolidated financial statements of this annual report.

The related party transaction as disclosed in note 27(a)(i) 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 27(a)(ii) and (a)(iii) 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 27(a)(iv) 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.

SHARE AND CONNECTED TRANSACTION

Details of the share and connected transaction are set out in the Management Discussion and Analysis on page 10 of this report.

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") for a term from 1 November 2016 to 30 June 2018 (both dates inclusive), which constituted a continuing connected transaction for the Group under Chapter 20 of the GEM Listing Rules.

Details of the Office Sharing Agreement are set out in the section headed "Connected Transactions in the Prospectus. The maximum aggregate annual amount payable under Office Sharing Agreement for each of the years ended 31 March 2017, 31 March 2018 and 31 March 2019 did 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$2,163,000 for the Year (2018: approximately HK$7,912,000).

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.

The Company entered into a new office sharing agreement with SGL commencing from 1 July 2018 which constituted a fully exempt connected transaction in accordance with the rule 20.74 of GEM Listing Rule.

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.

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 has continued 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 2019.

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 Corporate Governance Report. A report on the principal corporate governance practices adopted by the Company is set out from pages 14 to 26 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

There is no material subsequent event undertaken by the Company or by the Group after 31 March 2019 and up to the date of this annual report.

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 shares arising in or derived from Hong Kong may 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 2019 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 11:30 a.m. on Thursday, 12 September 2019 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, 21 June 2019

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 society or the environment. 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 2019 (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.

Given that the Company is an investment holding company and two subsidiaries were either newly acquired or established during the Year, the contents of this ESG Report cover primarily the operations of Somerley Capital Limited, the main operating subsidiary of the Company in the Hong Kong Special Administrative Region (the "HKSAR") during the Year.

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.

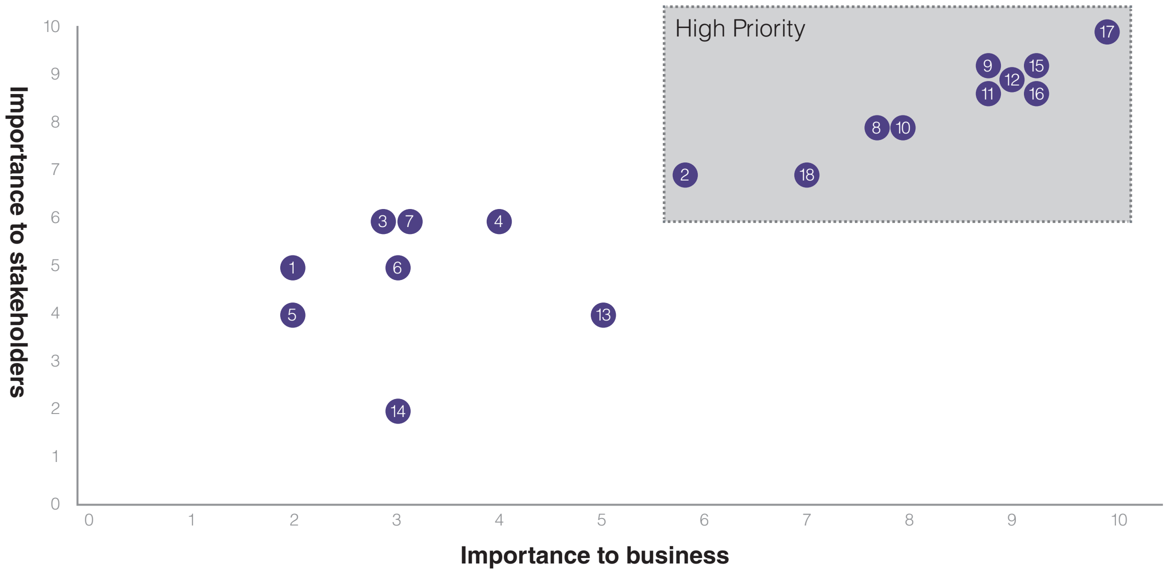
Stakeholder Groups	Engagement channels	Possible concerned issues
Investors	• General meetings • Regular corporate publications including financial reports • Circulars and announcements • Corporate website • Direct communication • Meetings and responses to phone and written enquiries	• Business strategies 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 • Fulfillment of promises • Payment schedule
Government and other regulatory authorities	• Statutory filings and notification • Regulatory or voluntary disclosures	• Compliance with law 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 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:

MATERIALITY MATRIX



Amongst various environmental and social issues based on the ESG Reporting Guide within the scope of sustainability, the list of issues that are considered to be material and relevant to the Group are set out below. 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 that 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
- Working hours
- Equal opportunities
- Anti-discrimination
- Health and safety
- Anti-money laundering
- Recruitment and promotion
- Rest periods
- Diversity
- Welfare and other benefits
- Protection of client information
- 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.

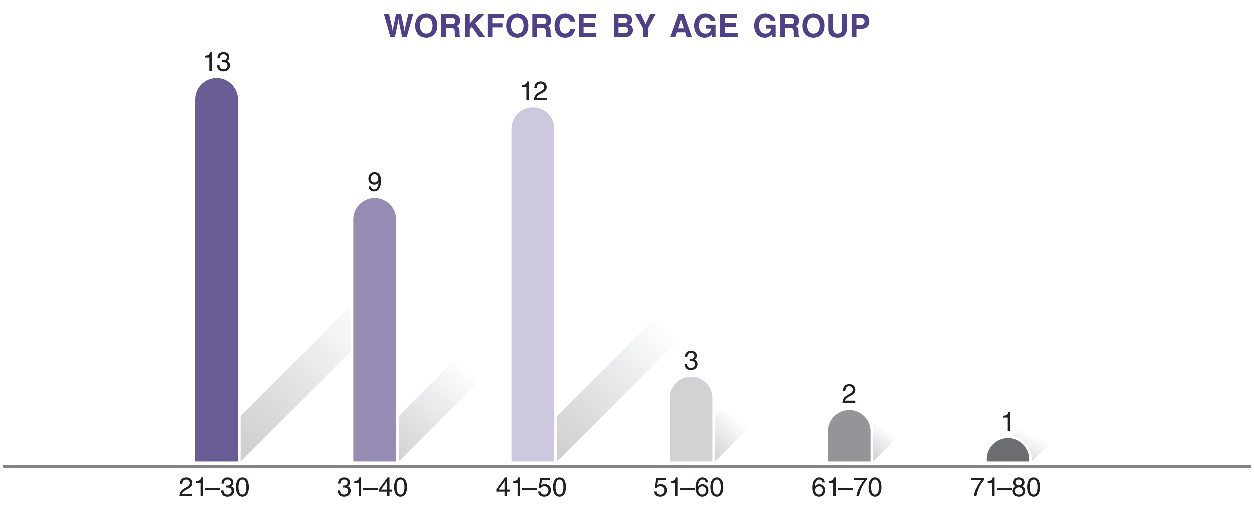
The Group's essential policies and procedures are included in the Human Resources Manual which is reviewed and updated regularly. The Group discourages and disallows any behavior that violates policies under the Human Resources Manual. Offenders will receive a warning and the Group has the right to terminate 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

Somerley Capital Limited had a total number of 40 employees as at 31 March 2019, representing 22 males and 18 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.

WORKFORCE BY GENDER

WORKFORCE BY FUNCTION



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.

The following tables illustrate the annual turnover rates of Somerley Capital Limited during the Year:

Annual Turnover Rate (%)	
2019 Total	17.1

Turnover by Gender (%)	Male	Female
2019 Total	27.3	5.3

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 of Somerley Capital Limited are entitled to the 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 Manual 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.

Somerley Capital Limited 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. Somerley Capital Limited 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, Somerley Capital Limited 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. Somerley Capital Limited 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 sessions facilitated by the senior management of the Group and external training specialist 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, Somerley Capital Limited held 7 internal training sessions.

The Group's employees are also encouraged to attend outside seminars and training session 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.

The following figures show the employee training statistic of Somerley Capital Limited during the Year:

EMPLOYEE TRAINING

28	239	70%	8.5
Total number of employees received training	Total training hours	Percentage of employees received training	Average training hours per employee

Labour Standards

The Group is committed to comply with local labour legislation to safeguard staff rights and interests to prevent forced labour issue occurring. During the recruitment process, the identity documents of candidates are checked to ensure no child labour is 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. 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 2019, all professional employees of Somerley Capital Limited were properly licensed and registered with the SFC. 11 employees were Responsible Officers and 20 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 Stock Exchange 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 act 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 are required to 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 an external service provider and (iii) enhancement of networking security systems. Security measures in our email system have been tested and will further secure information flows with clients.

During the Year, there have been no cases or 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, Somerley Capital Limited 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 Group to avoid any inappropriate behaviour or organisational malpractice that compromises the interest of the shareholders, investors, clients and the wider public.

Somerley Capital Limited 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 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.

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, Somerley Capital Limited participated in The 2019 Community Chest Corporate Challenge 10K Run with 14 runners and donated HK$52,800 to The Community Chest of Hong Kong to enhance the rehabilitation & aftercare service supported by The Community Chest. In addition, Somerley Capital Limited also participated in Oxfam Trailwalker 2018 and donated HK$50,000 to Oxfam Hong Kong to support Oxfam's various poverty alleviation and emergency relief projects in Africa and Asia. Furthermore, HK$3,500 and HK$10,000 were donated to Sowers Action for educational aid support and The Chinese Merits Foundation Limited for supporting school reconstruction in mountainous area in China respectively.

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, a direct impact on the environment is not likely to occur. The Group attaches great importance to doing what it can towards environmental protection and is aware of the indirect environmental impact created from the office operations.

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 emissions 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 has installed 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, Somerley Capital Limited has estimated that 109.65 tonnes of carbon dioxide equivalent (the "CO_2e") greenhouse gases (mainly carbon dioxide, methane and nitrous oxide) were indirectly emitted as a result of the Group's operations.

Emission Sources	CO_2e Emission (in tonnes) 2018–19
Indirect Emission	
Purchased Electricity	**83.07**
Other Indirect Emission	
Business Travel	**9.69**
Paper Consumption	**16.89**
Total	**109.65**

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; and
- Upgrading the computer equipment, server and monitors to energy efficient models.

The following table illustrates the energy consumption and intensity of Somerley Capital Limited during Year:

	2018–19
Electricity	
Consumption (kWh)	**105,149**
Intensity (per employee)	**2,484.03**
Intensity (per sq.ft.)	**11.55**

Note: The weighted average number of employees during the Year was 42.33 and the office area is 9,106 square feet.

Paper Reduction and Other Waste Treatment

Consumption of paper has a negative impact. Voluminous paper consumption can lead to deforestation. With the aim of minimising the impact of its business operations 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.

The following table illustrates the paper consumption and intensity of Somerley Capital Limited during the Year:

	2018–19
Paper	
Consumption (tonnes)	**3.52**
Intensity (per employee)	**0.08**

Note: The weighted average number of employees during the Year was 42.33.

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

The administrative staff's duties include 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. 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, details of water withdrawal and discharge data 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. Disclosure on this report 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.

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.

信永中和 ShineWing

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

TO THE SHAREHOLDERS OF SOMERLEY CAPITAL HOLDINGS LIMITED
新百利融資控股有限公司
(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 (hereinafter collectively referred to as the "Group") set out on pages 60 to 115, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 2019, 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 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 receivables

Refer to note 19 to the consolidated financial statements and the accounting policies on pages 78 to 80.

The key audit matter	How the matter was addressed in our audit
The Group had balance of trade receivables amounted to approximately HK$5,810,000, net of accumulated credit losses of trade receivables is HK$112,000 as at 31 March 2019. Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of impairment based on information including credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances. Management also considered forward looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses ("ECL") for the impairment assessment We focused on this area as the impairment assessment of trade receivables under the ECL model involved the use of significant management judgements and estimates.	Our audit procedures were designed to challenge the assumptions and critical judgements of the Group's forward-looking expected credit losses model on impairment assessment of trade receivables. We have assessed, on a sample basis, whether items in the trade receivable ageing report were classified within the appropriate ageing category by comparing individual items in the report with relevant invoices; tested the reasonableness of the historical default data and evaluated whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and tested the subsequent settlements of trade receivables as at 31 March 2019.

Impairment of intangible asset

Refer to note 16 to the consolidated financial statements and the accounting policies on page 85.

The key audit matter	How the matter was addressed in our audit
As at 31 March 2019, the Group has intangible asset of HK$9,000,000. The recoverable amount of the intangible asset has been determined based on fair value less cost of disposal. The selection of valuation method and adoption of key assumptions may be subject to management judgement and changes in these assumptions may result in significant financial impact. We consider the impairment of intangible asset as a key audit matter since significant judgements and estimates have been used in the fair value estimations by the management at the end of the reporting period.	In order to address this matter in our audit, we obtained management's assessment and challenged the reasonableness of the valuation method. We have reviewed the management's estimation in determining the fair value of the intangible asset with reference to the latest transactions. We have also involved our internal specialists to review the reasonableness of the fair value.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises 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 disclosure requirements of 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.

Audit Committee is responsible for overseeing 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 engagements, 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.

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

- 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.

- 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 the 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

21 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	**2019** **HK$'000**	2018 HK$'000
Revenue	*6*	**89,069**	71,995
Other income	*7*	**1,571**	397
		90,640	72,392
Employee benefits costs		**(57,024)**	(49,617)
Fair value (loss) gains on financial asset at fair value through profit or loss		**(791)**	565
Depreciation for property and equipment		**(1,592)**	(721)
Introduction expenses		**(511)**	(776)
Other operating expenses		**(19,034)**	(14,952)
Profit before tax	*8*	**11,688**	6,891
Income tax expense	*9*	**(2,207)**	(1,003)
Profit for the year		**9,481**	5,888
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**4**	—
Total comprehensive income for the year		**9,485**	5,888
Profit for the year attributable to:			
Owners of the Company		**9,616**	5,888
Non-controlling interests		**(135)**	—
		9,481	5,888
Total comprehensive income for the year attributable to:			
Owners of the Company		**9,620**	5,888
Non-controlling interests		**(135)**	—
		9,485	5,888
Earnings per share			
— basic (HK cents)	*13*	**6.88**	4.27
— diluted (HK cents)	*13*	**6.85**	4.21

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property and equipment	*14*	**4,659**	2,737
Goodwill	*15*	**1,123**	—
Intangible asset	*16*	**9,000**	—
Rental deposits	*19*	**2,577**	—
Deferred tax asset	*17*	**17**	—
		17,376	2,737
Current assets			
Trade receivables	*19*	**5,810**	9,679
Prepayments, deposits and other receivables	*19*	**1,796**	995
Amount due from ultimate holding company	*27(b)*	**10**	78
Financial asset at fair value through profit or loss	*20*	**—**	955
Tax recoverable		**—**	210
Cash and cash equivalents	*18*	**101,961**	95,472
		109,577	107,389
Current liabilities			
Contract liability	*21*	**210**	—
Other payables and accruals	*22*	**6,438**	5,494
Tax payable		**1,543**	—
		8,191	5,494
Net current assets		**101,386**	101,895
Total assets less current liabilities		**118,762**	104,632
Non-current liabilities			
Provision for long service payment	*23*	**267**	305
Provision for reinstatement cost	*24*	**2,300**	—
Deferred tax liabilities	*17*	**1,688**	249
		4,255	554
Net assets		**114,507**	104,078

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Capital and reserves			
Share capital	26	**1,410**	1,386
Reserves		**110,077**	102,692
Equity attributable to owners of the Company		**111,487**	104,078
Non-controlling interests		**3,020**	—
Total equity		**114,507**	104,078

The consolidated financial statements on page 60 to 115 were approved and authorised for issued by the board of directors on 21 June 2019 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 2019

	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$'000	Translation reserve HK$'000	Other reserve (Note) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2017	1,350	65,180	13,618	4,179	2,228	—	9,900	96,455	—	96,455
Profit and total comprehensive income for the year	—	—	5,888	—	—	—	—	5,888	—	5,888
Issue of shares upon exercise of share options *(note 35)*	36	2,090	—	—	(1,110)	—	—	1,016	—	1,016
Recognition of equity-settled share-based payments *(note 35)*	—	—	—	—	719	—	—	719	—	719
At 31 March 2018	1,386	67,270	19,506	4,179	1,837	—	9,900	104,078	—	104,078
Impact of adopting HKFRS 9 *(note 2)*	—	—	(41)	—	—	—	—	(41)	—	(41)
At 1 April 2018	**1,386**	**67,270**	**19,465**	**4,179**	**1,837**	**—**	**9,900**	**104,037**	**—**	**104,037**
Profit for the year	**—**	**—**	**9,616**	**—**	**—**	**—**	**—**	**9,616**	**(135)**	**9,481**
Other comprehensive income:										
Exchange differences arising from translation of foreign operation	**—**	**—**	**—**	**—**	**—**	**4**	**—**	**4**	**—**	**4**
Total comprehensive income (expenses) for the year	**—**	**—**	**9,616**	**—**	**—**	**4**	**—**	**9,620**	**(135)**	**9,485**
Issue of shares upon exercise of share options *(note 35)*	**8**	**488**	**—**	**—**	**(261)**	**—**	**—**	**235**	**—**	**235**
Acquisition of a subsidiary *(note 32)*	**16**	**1,971**	**—**	**—**	**—**	**—**	**—**	**1,987**	**3,155**	**5,142**
Dividends recognised as distribution	**—**	**(4,882)**	**—**	**—**	**—**	**—**	**—**	**(4,882)**	**—**	**(4,882)**
Recognition of equity-settled share-based payments *(note 35)*	**—**	**—**	**—**	**—**	**490**	**—**	**—**	**490**	**—**	**490**
Lapse of share options	**—**	**—**	**37**	**—**	**(37)**	**—**	**—**	**—**	**—**	**—**
At 31 March 2019	**1,410**	**64,847**	**29,118**	**4,179**	**2,029**	**4**	**9,900**	**111,487**	**3,020**	**114,507**

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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES		
Profit before tax	11,688	6,891
Adjustments for:		
Depreciation of property and equipment	1,592	721
Bank interest income	(645)	(206)
Reversal of provision for long service payment	(38)	(45)
Written off expenses in respect of trade receivables	—	180
Impairment loss recognised in respect of trade receivables	63	—
Share-based payment expenses	490	719
Fair value loss (gains) on financial asset at fair value through profit or loss	791	(565)
Corporate finance advisory service fee income received in the form of equity securities *(note 33)*	—	(390)
Operating cash flow before movements in working capital	13,941	7,305
Decrease in trade receivables	3,794	394
Increase in prepayments, deposits and other receivables	(3,080)	(394)
Increase in contract liability	210	—
Increase in other payables and accruals	843	832
Decrease (increase) in amount due from ultimate holding company	68	(78)
Decrease in amount due to ultimate holding company	—	(423)
Cash generated from operations	15,776	7,636
Hong Kong profits tax paid	(509)	(1,464)
NET CASH FROM OPERATING ACTIVITIES	15,267	6,172
INVESTING ACTIVITIES		
Purchases of property and equipment	(1,214)	(2,369)
Interests received	464	113
Acquisition of a subsidiary *(note 32)*	(2,416)	—
Purchase of financial asset at fair value through other comprehensive income	(1,133)	—
Proceeds from disposal of financial asset at fair value through profit or loss	164	—
NET CASH USED IN INVESTING ACTIVITIES	(4,135)	(2,256)
FINANCING ACTIVITIES		
Proceeds from issuance of shares	235	1,016
Dividend paid	(4,882)	—
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(4,647)	1,016
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,485	4,932
CASH AND CASH EQUIVALENT AT THE BEGINNING OF YEAR	95,472	90,540
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	4	—
CASH AND CASH EQUIVALENT AT THE END OF YEAR, represented by bank balances and cash	101,961	95,472

For the year ended 31 March 2019

1. GENERAL

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

The Company is principally engaged in investment holding. The Group's operating subsidiaries are mainly engaged in the provision of corporate finance advisory services and asset management services. Particulars of the subsidiaries are set out in note 36.

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, for its first time, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and related Amendments
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration

The impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers have been summarised below. The application of other new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 superseded HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised. The Group has elected to adopt the modified retrospective approach for contracts with customers that are not completed as the date of initial application (i.e. 1 April 2018) with the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings and comparative information is not restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue.

The Group's accounting policies for its revenue streams are disclosed in detail in note 3 below.

The impact of adoption of HKFRS 15 was insignificant on the retained earnings and each financial statement line item of the consolidated statement of financial position at 1 April 2018.

For the year ended 31 March 2019

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

HKFRS 15 Revenue from Contracts with Customers (Continued)

The adoption of HKFRS 15 did not have material impact on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2019, by comparing the amounts reported under HKAS 18 and related interpretations that were in effect before the change. The adoption of HKFRS 15 did not have material impact on the Group's operating, investing and financing cash flows. If HKFRS 15 had not been adopted, the receipt in advance of HK$210,000 as at 31 March 2019, currently classified as contract liability, would not be disclosed on the consolidated statement of financial position as a separate line item.

HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group has applied HKFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 April 2018) in accordance with the transition provisions under HKFRS 9, and chosen not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities on initial application are recognised in retained earnings as at 1 April 2018.

The Group's accounting policies for the classification and measurement of financial instruments and the impairment of financial assets are disclosed in detail in note 3 below.

(i) Classification and measurement of financial instruments

The directors of the Company reviewed and assessed the Group's existing financial assets and liabilities as at 1 April 2018 based on the facts and circumstances that existed at that date and concluded that all recognised financial assets and financial liabilities that are within the scope of HKFRS 9 are continued to measure as the same basis as were previously measured under HKAS 39.

(ii) Loss allowance for ECL

The adoption of HKFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss model with a forward-looking ECL model. As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement HKFRS 9.

As at 1 April 2018, an additional allowance on the Group's trade receivables of approximately HK$49,000 have been recognised, thereby reducing the opening retained earnings by approximately HK$41,000, net of their related deferred tax impact of approximately HK$8,000.

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

HKFRS 9 Financial Instruments (Continued)

(iii) Summary of effects arising from initial application of HKFRS 9

The table below summarises the impact of transition to HKFRS 9 on retained earnings at 1 April 2018.

	Retained earnings HK$'000
Balance at 31 March 2018 as originally stated	19,506
Recognition of additional expected credit losses	(49)
Related tax impact	8
Total change as a result of adoption of HKFRS 9 on 1 April 2018	41
Balance at 1 April 2018 as restated	19,465

New and revised HKFRSs issued but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)–Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[3]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2020.
3 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
4 Effective for annual periods beginning on or after 1 January 2021.
5 Effective for annual periods beginning on or after a date to be determined.

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

For the year ended 31 March 2019

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

As at 31 March 2019, the Group has non-cancellable operating lease commitments approximately HK$19,849,000 as disclosed in note 28. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases, unless they qualify for low value or short-term leases upon the application of HKFRS 16, after taking into account of discounting.

The directors of the Company are in the process to determine the amounts of right-of-use assets and lease liabilities to be recognised in the consolidated statement of financial position, after taking into account all practical expedients and recognition exemption under HKFRS 16. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 on 1 April 2019 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information will not be restated.

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 the Stock Exchange ("Listing Rules") and by Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and 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 incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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.

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

Businesses combinations are accounted for by applying the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs incurred to effect a business combination are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination are recognised and measured in accordance with HKAS 12 Income Taxes;

- assets or liabilities related to the acquiree's employee benefit arrangements are recognised and measured in accordance with HKAS 19 Employee Benefits;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of the acquiree's share-based payment transactions with the share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain on bargain purchase.

Non-controlling interests, unless as required by another standards, are measured at acquisition-date fair value except for non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are recognised on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash generating unit (the "CGU") (or groups of CGU) that is expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a prorate basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets other than goodwill below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Revenue recognition

Policy applicable to the year ended 31 March 2019 (with application of HKFRS 15)

Revenue is recognised 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. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Policy applicable to the year ended 31 March 2019 (with application of HKFRS 15) (Continued)

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- The Group's performance creates and enhances an asset that the customer controls as the asset is created and enhanced; or

- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services.

Revenue is measured based on the consideration specified in a contract with a customer, excluding amounts collected on behalf of third parties, discounts and sales related taxes.

Contract assets and contract liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The Group recognised revenue from the following major sources:

- Financial advisory and independent financial advisory fee income

- Compliance advisory fee income

- Sponsor and underwriting fee income

- Asset management services

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Policy applicable to the year ended 31 March 2019 (with application of HKFRS 15) (Continued)

Provision of services

Financial advisory, independent financial advisory, compliance advisory, underwriting, sponsor and other fee income, or the relevant services have been rendered or recognised over time or at a point in time with reference to the detailed terms of transactions as stipulated in the contracts entered into with customers and counterparties.

The Group recognises the revenue from asset management services overtime as the service is provided. Fees for asset management services are calculated based on a fixed rate of the value of funds managed.

Policy applicable to the year ended 31 March 2018

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 statement 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.

For the year ended 31 March 2019

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 statement 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 consolidated financial statements 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 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. 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.

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 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 translation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 option 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 option 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 option 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.

For the year ended 31 March 2019

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 and financial liabilities at FVTPL) 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 or financial liabilities at FVTPL are recognised immediately in profit or loss.

A financial asset and a financial liability is offset and the net amount presented in the consolidated statement of financial position when, and only when the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Under HKFRS 9 (applicable on or after 1 January 2018)

Financial assets

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.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVTOCI") and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the 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.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

(i) Amortised cost and 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.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), 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) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

(i) Amortised cost and effective interest method (Continued)

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "Other income" line item (note 7).

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Financial assets at FVTPL (Continued)

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 31.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or

- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or

- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on trade receivable. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

<u>Significant increase in credit risk</u>

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 365 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Definition of default (Continued)

The Group considers that default has occurred when a financial asset is more than 365 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The Group recognises an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Derecognition of financial assets

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 party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

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

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

<u>Financial liabilities subsequently measured at amortised cost</u>

Financial liabilities that are not (1) contingent consideration of an acquirer in a business combination, (2) held-for-trading, or (3) designated as at FVTPL, are subsequently measured at amortised cost using the 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 amortised cost of a financial liability.

<u>Derecognition of financial liabilities</u>

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKAS 39 (applicable on or before 1 January 2018)

Financial assets

The Group's financial assets are classified into financial assets designated as at 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 FVTPL

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.

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. Fair value is determined in the manner described in note 31.

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 rental deposit, trade receivables, deposits and other receivables, amount due from ultimate holding company 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).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKAS 39 (applicable on or before 1 January 2018) (Continued)

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 reorganisation; 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.

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.

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.

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities

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

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 is recognised in profit or loss.

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

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).

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.

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 tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an 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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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.

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Judgments in determining the timing of satisfaction of performance obligations

The recognition of each of the Group's revenue stream requires judgment by the directors in determining the timing of satisfaction of performance obligations.

In making their judgment, the directors of the Company considered the detailed criteria for recognition of revenue set out in HKFRS 15 and in particular, whether the Group has satisfied all the performance obligations over time or at a point in time with reference to the details terms of transaction as stipulated in the contracts entered into with its customers.

For certain of the Group's fee income from acting as financial adviser, independent financial adviser and sponsor and underwriter, the directors of the Company have determined that the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Therefore, the directors of the Company have satisfied that the performance obligation is satisfied over the service period.

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 of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2019, the carrying amount of goodwill is approximately HK$1,123,000 (2018: nil).

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

Key source of estimation uncertainty (Continued)

Impairment of trade receivables

The impairment provisions for trade receivables are based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, bases on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income. At 31 March 2019, the carrying amount of trade receivables is approximately HK$5,810,000 (1 April 2018: HK$9,630,000), net of accumulated impairment losses of trade receivables is HK$112,000 (1 April 2018: HK$49,000).

Impairment of intangible asset

The Group assesses whether there are any impairment for an intangible asset at the end of each reporting period. An impairment exists when the carrying value of an intangible asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The recoverable amount of intangible asset has been determined with reference to the recent transaction prices for similar intangible assets in the similar conditions and locations where the Group's usage of the intangible asset is situated. As at 31 March 2019, the carrying amount of intangible asset is HK$9,000,000.

Estimated useful life 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 and other comprehensive income. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2019, the carrying amount of property and equipment was approximately HK$4,659,000 (2018: HK$2,737,000). No impairment has been recognised during the year ended 31 March 2019 (2018: nil).

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 2019, the carrying amount of long service payment obligations was approximately HK$267,000 (2018: HK$305,000).

For the year ended 31 March 2019

5. SEGMENT INFORMATION

Information reported to the management of the Group, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of services provided. The directors of the Company have chosen to organise the Group around differences in services. During the year ended 31 March 2018, the Group focused on corporate finance advisory service business and all the assets and major revenue were located in and derived from Hong Kong. Accordingly, no segment analysis was prepared. During the year ended 31 March 2019, the directors of the Company have organised the Group into different segments by types of services provided, of which the "Asset management service" was a new segment identified after Environmental Investment Services Asia Limited ("EISAL") was acquired as a subsidiary.

Specifically, the Group's reportable segments are as follows:

1. Corporate finance advisory service

2. Asset management service

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segment.

For the year ended 31 March 2019

	Corporate finance advisory service HK$'000	Asset management service HK$'000	Total HK$'000
Segment revenue	**88,813**	**256**	**89,069**
Segment profit (loss)	**16,104**	**(538)**	**15,566**
Interest income			**645**
Corporate and other unallocated expenses			**(4,523)**
Profit before tax			**11,688**

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned from each segment without allocation of interest income central administration costs. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

For the year ended 31 March 2019

5. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

	Corporate finance advisory service HK$'000	Asset management service HK$'000	Total HK$'000
Segment assets	67,708	14,668	82,376
Elimination of intersegment receivables			(45)
Corporate and other unallocated assets			44,622
Total assets			126,953
Segment liabilities	9,089	1,562	10,651
Elimination of intersegment liabilities			(1,015)
Corporate and other unallocated liabilities			2,810
Total liabilities			12,446

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than certain of property and equipment, cash and cash equivalent, prepayment deposits and other receivables; and
- all liabilities are allocated to operating segments other than provision for reinstatement cost, certain of other payables and accruals and tax payable.

Other segment information

	Corporate finance advisory service HK$'000	Asset management service HK$'000	Corporate HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to intangible asset	—	9,000	—	9,000
Additions to property and equipment	641	—	2,873	3,514
Depreciation of property and equipment	899	—	693	1,592
Impairment loss recognised in respect of trade receivables	63	—	—	63

For the year ended 31 March 2019

5. SEGMENT INFORMATION (Continued)

Geographical information

No geographical segment analysis on revenue and assets are provided as substantially all of the Group's revenue is derived from Hong Kong and non-current assets are located in Hong Kong.

Information about major customers

Revenue of approximately HK$10,185,000 from one major customer (from corporate finance advisory service segment) accounted for 10% or more of the Group's revenue for the year ended 31 March 2019. No customer accounted for 10% or more of the Group's revenue for the year ended 31 March 2018.

6. REVENUE

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

	2019 HK$'000	2018* HK$'000
Fee income from acting as financial adviser	**34,687**	18,895
Fee income from acting as independent financial adviser	**34,342**	34,604
Fee income from acting as compliance adviser	**11,852**	7,427
Fee income from acting as sponsor and underwriter	**4,200**	10,634
Asset management fee income	**256**	—
Others	**3,732**	435
	89,069	71,995

* The amounts for the year ended 31 March 2018 were recognised under HKAS 18.

Disaggregation of revenue by timing of recognition:

	2019 HK$'000
Timing of revenue recognition	
Over time	**72,324**
At a point in time (fee income from acting as financial adviser)	**16,745**
	89,069

Transaction price allocated to the remaining performance obligations

As at 31 March 2019, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially satisfied) is approximately HK$27,504,000. The amount represents revenue expected to be recognised in the future from corporate finance advisory service. The Group will recognise this revenue as the service is provided, which is expected to occur over the next 37 months.

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

7. OTHER INCOME

	2019 HK$'000	2018 HK$'000
Bank interest income	645	206
Exchange gain, net	—	74
Management fee income from ultimate holding company	100	117
Office sharing income and reimbursement of other premises expenses from ultimate holding company	518	—
Others	308	—
	1,571	397

8. PROFIT BEFORE TAX

	2019 HK$'000	2018 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments *(note 10)*	11,108	10,970
Other employees' emoluments		
Salaries, allowances and benefits in kinds	34,441	30,270
Discretionary bonuses	10,394	7,365
Share-based payments	212	441
Contributions to retirement benefits scheme *(note 25)*	907	616
Reversal of provision for long service payment *(note 23)*	(38)	(45)
Total employee benefits costs	57,024	49,617
Auditor's remuneration	606	554
Exchange loss, net	17	—
Written off expenses in respect of trade receivables	—	180
Impairment loss recognised in respect of trade receivables	63	—
Operating lease rental payments for rented premises	8,802	6,558

For the year ended 31 March 2019

9. INCOME TAX EXPENSE

	2019 **HK$'000**	2018 HK$'000
Current tax:		
Hong Kong	**2,284**	735
Over provision in prior years:		
Hong Kong	**(22)**	(19)
Deferred taxation *(note 17)*	**(55)**	287
	2,207	1,003

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. For the year ended 31 March 2019, Hong Kong profits tax of the qualified entity of the group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%. For the year ended 31 March 2018, Hong Kong profits tax was calculated at a flat rate of 16.5% of the estimated assessable profits.

Under the Law of the People's Republic of China ("PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25%.

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

	2019 **HK$'000**	2018 HK$'000
Profit before tax	**11,688**	6,891
Tax at domestic income tax rate of 16.5% (2018: 16.5%)	**1,929**	1,137
Tax effect of expenses not deductible	**392**	3
Tax effect of income not taxable for tax purpose	**(106)**	(132)
Over provision in respect of prior years	**(22)**	(19)
Tax effect of tax loss not recognised	**224**	14
Tax effect of different tax rates of a subsidiary operating in other jurisdiction	**(45)**	—
Tax effect of two tier profits tax rates regime	**(165)**	—
Income tax expense	**2,207**	1,003

At the end of the reporting period, the Group has estimated tax losses arising in Hong Kong of approximately HK$13,675,000 (2018: HK$85,000) that are available indefinitely for offsetting against future taxable profits of the company in which the losses arose. The Group also has estimated tax losses arising in the PRC of approximately HK$537,000 (2018: nil) that will expire in one to five years for offsetting against future taxable profits. Deferred tax asset has not been recognised due to the unpredictability of future profit streams. Details for deferred taxation are set out in note 17.

10. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the directors of the Company during the years ended 31 March 2019 and 2018 were as follows:

	2019 HK$'000	2018 HK$'000
Fees	**678**	720
Other emoluments:		
Salaries, allowances and benefits in kind	**10,116**	9,936
Share-based payments	**278**	278
Contributions to retirement benefits scheme	**36**	36
	10,430	10,250
	11,108	10,970

(a) Executive directors

	Salaries, allowances and benefits in kind HK$'000	**Share-based payment HK$'000**	**Pension scheme contributions HK$'000**	**Total HK$'000**
2019				
Mr. SABINE Martin Nevil	**3,936**	**—**	**—**	**3,936**
Mr. CHOW Wai Hung Kenneth	**3,090**	**207**	**18**	**3,315**
Mr. CHEUNG Tei Sing Jamie	**3,090**	**71**	**18**	**3,179**
	10,116	**278**	**36**	**10,430**
2018				
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
	9,936	278	36	10,250

For the year ended 31 March 2019

10. DIRECTORS' EMOLUMENTS (Continued)

(b) Independent non-executive directors

	2019 HK$'000	2018 HK$'000
Mr. CHENG Yuk Wo	**240**	240
Mr. HIGGS James Jeremy (resigned on 14 December 2018)	**168**	240
Mr. LAW Cheuk Kin Stephen (appointed on 15 February 2019)	**30**	—
Mr. YUEN Kam Tim Francis	**240**	240
	678	720

Notes:

(i) No director waived or agreed to waive any emoluments paid by the Group during the years ended 31 March 2019 and 2018.

(ii) No emoluments have been paid by the Group to the directors 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 2019 and 2018.

11. EMPLOYEES EMOLUMENTS

The five individuals with the highest emoluments in the Group include three (2018: three) directors of the Company whose emoluments are included in note 10 above for the year ended 31 March 2019. The emoluments of the remaining two individuals for the years ended 31 March 2019 and 2018 were as follows:

	2019 HK$'000	2018 HK$'000
Salaries, allowances, and other benefits	**2,906**	3,420
Discretionary bonuses	**3,108**	1,098
Share-based payments	**(36)**	82
Contributions to retirement benefits scheme	**32**	36
	6,010	4,636

Their emoluments were within the following bands:

	2019 Number of employees	2018 Number of employees
HK$2,000,001 to HK$2,500,000	**—**	1
HK$2,500,001 to HK$3,000,000	**1**	1
HK$3,000,001 to HK$3,500,000	**1**	—

During the year ended 31 March 2019, 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 (2018: nil).

For the year ended 31 March 2019

12. DIVIDENDS

	2019 HK$'000	2018 HK$'000
Dividends recognised as distribution during the year:		
2019 Interim — nil (2018: 2018 interim dividend — nil) per share	—	—
2018 Final — HK3.5 cents (2018: 2017 final dividend — nil) per share	4,882	—
	4,882	—

Subsequent to the end of the reporting period, a final dividend of HK5.0 cents per share in respect of the year ended 31 March 2019 has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

13. EARNINGS PER SHARE

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

	2019 HK$'000	2018 HK$'000
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation:	9,616	5,888

	Number of shares 2019	 2018
Shares		
Weighted average number of ordinary shares during the year used in the basic earnings per share calculation ('000)	139,748	137,945
Effect of dilutive potential ordinary shares:		
— Share options ('000)	554	1,799
Weighted average number of ordinary shares during the year used in the diluted earnings per share calculation ('000)	140,302	139,744

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14. PROPERTY AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Total HK$'000
COST			
At 1 April 2017	3,116	1,823	4,939
Additions for the year	—	2,369	2,369
At 31 March 2018 and 1 April 2018	3,116	4,192	7,308
Additions for the year	2,873	641	3,514
At 31 March 2019	5,989	4,833	10,822
ACCUMULATED DEPRECIATION			
At 1 April 2017	3,116	734	3,850
Charged for the year	—	721	721
At 31 March 2018 and 1 April 2018	3,116	1,455	4,571
Charged for the year	693	899	1,592
At 31 March 2019	3,809	2,354	6,163
CARRYING VALUES			
At 31 March 2019	2,180	2,479	4,659
At 31 March 2018	—	2,737	2,737

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%

15. GOODWILL

	2019 HK$'000	2018 HK$'000
Cost and net carrying amount		
Acquisition of a subsidiary *(note 32)* and at the end of the year	**1,123**	—

For the purposes of impairment testing, goodwill set out above has been allocated to one CGU, which is included in the asset management segment.

During the year ended 31 March 2019, management of the Group determines that there is no impairment on goodwill.

16. INTANGIBLE ASSET

	2019 HK$'000	2018 HK$'000
Arising on acquisition of a subsidiary *(note 32)* and at the end of the year	**9,000**	—

The intangible assets represent for the acquisition of licences for regulated activities issued by the SFC ("Licences"). The intangible assets are stated at cost less any impairment losses.

The Licences are considered by the directors of the Company as having indefinite useful lives because it is expected that the Licences will continue to be valid and will contribute net cash inflows for the Group in the foreseeable future. The Licences will not be amortised until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired.

The recoverable amounts of Licences have been determined based on fair value less costs of disposal and is classified under Level 3 in the fair value measurement hierarchy. During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3. In the opinion of the directors, the valuation of the fair value of intangible assets was determined using a market approach.

For the year ended 31 March 2019

17. DEFERRED TAX ASSET (LIABILITIES)

The following is the analysis of the deferred tax asset (liabilities), after set off of certain deferred tax asset against deferred tax liabilities of the same taxable entity, for financial reporting purposes:

	2019 **HK$'000**	2018 HK$'000
Deferred tax asset	**17**	—
Deferred tax liabilities	**(1,688)**	(249)
	(1,671)	(249)

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

	Accelerated tax depreciation HK$'000	**Impairment of financial assets** HK$'000	**Other** HK$'000	**Total** HK$'000
At 1 April 2017	38	—	—	38
Deferred tax charged to profit or loss	(287)	—	—	(287)
At 31 March 2018	(249)	—	—	(249)
Impact of adopting HKFRS 9	—	8	—	8
At 1 April 2018	(249)	8	—	(241)
Deferred tax credited to profit or loss	44	11	—	55
Acquisition of a subsidiary *(note 32)*	—	—	(1,485)	(1,485)
At 31 March 2019	(205)	19	(1,485)	(1,671)

18. CASH AND CASH EQUIVALENTS

	2019 **HK$'000**	2018 HK$'000
Cash at banks and in hand	**46,961**	55,472
Short-term bank deposits	**55,000**	40,000
	101,961	95,472

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term bank 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.

19. TRADE RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 March 2019 HK$'000	1 April 2018 HK$'000	31 March 2018 HK$'000
Trade receivables from			
— Corporate finance advisory service *(note i)*	5,847	9,679	9,679
— Asset management service *(note ii)*	75	—	—
	5,922	9,679	9,679
Less: Impairment allowance on trade receivables from corporate finance advisory service *(note i)*	(112)	(49)	—
	5,810	9,630	9,679

At as 31 March 2019, the gross amount of trade receivable arising from contracts with customers amounted to HK$5,922,000 (1 April 2018: HK$9,679,000).

	2019 HK$'000	2018 HK$'000
Prepayments, deposits and other receivables		
— non-current assets (rental deposits)	2,577	—
— current assets	1,796	995
	4,373	995

Note i: Trade receivables — Corporate finance advisory service

The trade receivables are, in general, due upon the issuance of invoices. The Group does not hold any collateral over these balances. The following is an ageing analysis of trade receivables net of allowance for impairment of trade receivables presented based on the invoice date.

	2019 HK$'000	2018 HK$'000
Within 90 days	5,232	8,782
91–180 days	384	897
Over 180 days	119	—
Total	5,735	9,679

As at 31 March 2018, 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.

Starting from 1 April 2018, the Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

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

Note i: Trade receivables — Corporate finance advisory service (Continued)

	Weighted average expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Less than 31 days past due	0.27	3,327	9
31–60 days past due	0.27	938	3
61–90 days past due	0.27	982	3
91–180 days past due	4.06	400	16
More than 180 days past due	40.70	200	81
		5,847	112

During the year ended 31 March 2018, trade receivables amounted to approximately HK$180,000 were written off directly to profit or loss.

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

	2019 **HK$'000**	2018 HK$'000
At the beginning of the year	**—**	—
Effect on adoption of HKFRS 9	**49**	—
Impairment losses recognised on trade receivables	**63**	—
At the end of the year	**112**	—

Note ii: Trade receivables — Asset management service

Trade receivables related to one independent customer. No impairment loss allowance has been provided for trade receivables as the related allowances were considered immaterial and there was no credit default history. The trade receivables are aged within 90 days based on the invoice date.

20. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 **HK$'000**	2018 HK$'000
Financial asset at fair value through profit or loss		
Listed equity security, outside Hong Kong	**—***	955

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

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21. CONTRACT LIABILITY

	2019 **HK$'000**	2018 HK$'000
Contract liability	**210**	—

Contract liability includes receipt in advance to provide financial advisory services. The Group received part of the contract value as receipt in advance from financial advisory services projects when service contracts are signed. The receipts in advance payment result in contract liability and relevant revenue is recognised over the financial advisory services project period.

22. OTHER PAYABLES AND ACCRUALS

	2019 **HK$'000**	2018 HK$'000
Bonus payables	**5,109**	4,248
Other payables	**854**	560
Accruals	**475**	686
	6,438	5,494

23. PROVISION FOR LONG SERVICE PAYMENT

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

	2019 **HK$'000**	2018 HK$'000
At beginning of the year	**305**	350
Credited to profit or loss	**(38)**	(45)
At end of the year	**267**	305

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 2019, the provision for long service payment recognised by the Group was approximately HK$267,000 (2018: HK$305,000). 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 2019 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.

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24. PROVISION FOR REINSTATEMENT COST

Details of the provision for reinstatement cost of the Group are as follows:

	2019	2018
	HK$'000	HK$'000
At beginning of the year	**—**	—
Additional provision made	**2,300**	—
At end of the year	**2,300**	—

Under the tenancy agreement entered during the year ended 31 March 2019 for one of the Group's office premises, the Group has a contractual obligation to restore the premise to its original condition upon the expiry of the tenancy agreement. Therefore, the Group applies the "liability approach" and recognises a provision for these reinstatement cost over the period of the lease, based on the best estimate of the expected reinstatement cost in respect of the modifications made to the office premise. The expected timing of utilising the provision is when the Group terminates the tenancy agreement, which is not expected to happen until at least 2021 when the tenancy agreement expires.

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.

Employees of the subsidiaries in the PRC are members of the state-managed retirement benefit plan operated by the government of the PRC. The subsidiaries are required to contribute a specific percentage of payroll costs to the retirement benefit to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the required contributions.

During the year ended 31 March 2019, 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$943,000 (2018: HK$652,000).

26. SHARE CAPITAL

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

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 April 2017, 31 March 2018, 1 April 2018 and 31 March 2019	200,000	2,000
Issued and fully paid:		
At 1 April 2017	135,000	1,350
Exercise of share options *(note i)*	3,632	36
At 31 March 2018	138,632	1,386
Exercise of share options *(note ii)*	841	8
Issued in consideration for the acquisition a subsidiary *(note iii) (note 32)*	1,516	16
At 31 March 2019	140,989	1,410

Notes:

(i) 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.

(ii) During the year ended 31 March 2019, share options were exercised at subscription prices HK$0.28 per ordinary share, resulting in the issue of 840,667 ordinary shares for proceeds of approximately HK$235,000. An amount of approximately HK$261,000 was transferred from share option reserve to the share premium account upon exercise of the share options.

(iii) On 14 December 2018, the Company allotted and issued 1,516,200 ordinary shares for settlement of the consideration of the acquisition of EISAL amounted to approximately HK$1,987,000.

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27. RELATED PARTY TRANSACTIONS

(a) Transactions

	Notes	2019 HK$'000	2018 HK$'000
Somerley Group Limited			
— Rental and other premises expenses	*(i)*	**2,163**	7,912
— Office sharing income and recharge of other premises expenses	*(ii)*	**518**	—
— Management fee income	*(iii)*	**100**	117
A director of a former fellow subsidiary			
— Introduction expenses	*(iv)*	**—**	68

Notes:

(i) During the year ended 31 March 2019, the Group was charged by SGL, the ultimate holding company, rental and other premises expenses of approximately HK$2,163,000 (2018: HK$7,912,000) It is calculated based on the office areas occupied and sharing of common area by the Group. The recharge arrangement was ceased in July 2018 and was replaced by the office sharing agreement with SGL as mentioned in note ii below and no further rental and other premises expenses were charged by SGL subsequently.

(ii) During the year ended 31 March 2019, the Group charged SGL rental and other premises expenses of approximately HK$518,000. It is calculated based on the office areas occupied and sharing of common area by SGL.

(iii) During the year ended 31 March 2019, the Group charged SGL the management fee of approximately HK$100,000 (2018: HK$117,000) as reimbursement of expenses incurred for the senior management, executive oversight and other administrative services as provided to SGL.

(iv) During the year ended 31 March 2018, 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. No such transaction occurred during the year ended 31 March 2019.

(b) Balances with related parties

The amount due from ultimate holding company is unsecured, non-interest bearing and repayable on demand.

(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 10, 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.

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:

	2019	2018
	HK$'000	HK$'000
Within one year	**9,180**	6,402
In the second to fifth year inclusive	**10,669**	19,205
	19,849	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. COMMITMENTS

	2019	2018
	HK$'000	HK$'000
Capital expenditure in respect of acquisition of property and equipment contracted for but not provided in the consolidated financial statements	**180**	—

30. CAPITAL RISK MANAGEMENT

Capital comprises share capital and reserves stated in the consolidated 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") and EISAL, is subject to externally imposed capital requirements. Somerley Capital and EISAL are regulated by the Securities and Futures Commission ("SFC") and are required to comply with certain minimum capital requirements according to the Securities and Futures Ordinance.

The management monitors Somerley Capital's and EISAL'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 and EISAL must maintain its liquid capital in excess of HK$3,000,000 and HK$100,000 respectively. The required information is filed with SFC on a monthly basis. Somerley Capital and EISAL were in compliance with the capital requirements imposed by FRR during the year ended 31 March 2019. Other than this, the Company and other subsidiaries are not subject to externally imposed capital requirements.

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial asset at FVTPL	—	955
Financial assets at amortised cost/loans and receivables (including cash and cash equivalents)	111,050	105,425
	111,050	106,380
Financial liability		
Financial liabilities at amortised cost	6,438	5,494

(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, financial asset at FVTPL and other payables and accruals.

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 bank balances and cash 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 and asset management services are, in general, due upon the insurance of invoice and the responsible officers of the Group are responsible for overall monitoring of the credit risk of their clients.

The Group has a concentration of credit risk on trade receivables arising from corporate finance advisory services. As at 31 March 2019, the top three trade receivables of the Group from corporate finance advisory services constituted approximately 24% of the entire balance (2018: 54%).

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.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Financial risk management objectives and policies (Continued)

(i) Credit risk (Continued)

Starting from 1 April 2018, for trade receivable the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other non-trade related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to its variable-rate 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 low current market saving interest rate for bank balances. 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 year ended 31 March 2019 and 2018, 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 bank balances and cash 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 approximate to the undiscounted cash flows.

(v) Equity price risk

The Group's exposure to equity price risk relates principally to the Group'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 Group's profit before tax for the year would have insignificant impact (2018: increased/decreased by HK$96,000) as a result of the changes in the fair value of financial asset at FVTPL.

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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

As at 31 March 2019, listed equity investment, amounted to less than HK$500, classified as financial asset at fair value through profit or loss was grouped into level 1 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

As at 31 March 2018, 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.

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

During the year ended 31 March 2019, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2018: nil).

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 outsides Hong Kong	— *(note)* (2018: 955,000)	Level 1	Quoted closing price in an active market	N/A

Note: The balance represents an amount less than HK$500.

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 2019 and 31 March 2018.

32. ACQUISITION OF A SUBSIDIARY

On 10 July 2018, subscription of 240,000 new ordinary shares in EISAL by the Group was completed, with consideration of approximately HK$1,133,000 and accounted for as financial asset at FVTOCI as it is not held for trading. On 14 December 2018, the second subscription of 900,000 new ordinary shares in EISAL and the acquisition of 1,333,334 existing EISAL ordinary shares from its shareholders were completed with total consideration of approximately HK$9,355,000, of which approximately HK$7,368,000 and HK$1,987,000 was satisfied by cash and equity respectively. Following the completion, the Company holds 2,473,334 EISAL shares, representing 74.8% of the entire share capital of EISAL. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was approximately HK$1,123,000. EISAL is a Hong Kong-based investment management company specialising in the Asian low carbon environmental sector.

Consideration transferred:

	HK$'000
Cash	7,368
Fair value of previously held equity interest	1,133
Equity instruments issued	1,987
	10,488

As part of the consideration for the acquisition of EISAL, 1,516,000 ordinary shares of the Company with par value of HK$0.01 each were issued. The fair value of the ordinary shares of the Company with HK$1.31 each, determined using the published price available at the date of the acquisition, amounted to approximately HK$1,987,000.

Acquisition-related costs amounting to approximately HK$341,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the other operating expenses in the consolidated statement of profit or loss and other comprehensive income.

Fair value of assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Intangible asset	9,000
Bank balances and cash	4,952
Trade receivables	37
Other receivables	117
Other payable	(101)
Deferred tax liability	(1,485)
	12,520

32. ACQUISITION OF A SUBSIDIARY (Continued)

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	10,488
Plus: non-controlling interests (25.2% in EISAL)	3,155
Less: net assets acquired	(12,520)
Goodwill arising on acquisition	1,123

The non-controlling interests (25.2%) in EISAL recognised at the acquisition date was measured by reference to the fair value of the non-controlling interests and amounted to approximately HK$3,155,000.

Net cash outflow on acquisition of EISAL:

	HK$'000
Cash	7,368
Less: cash and cash equivalent balances acquired	(4,952)
	2,416

Included in the profit for the year are losses of approximately HK$538,000 attributable to the additional business generated by EISAL. Revenue for the year includes approximately HK$256,000 generated from EISAL.

Had the acquisition been completed on 1 April 2018, total revenue of the Group for the year would have been approximately HK$89,746,000, and profit for the year would have been approximately HK$8,324,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2018, nor is it intended to be a projection of future results.

33. 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 fair value which amounted to approximately HK$390,000.

(ii) On 14 December 2018, the Company allotted and issued 1,516,000 ordinary shares of HK$0.1 each for settlement of the consideration of the acquisition of EISAL. Details of acquisition of EISAL are set out in note 32.

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34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Investment in subsidiaries	*36*	**49,868**	39,380
Property and equipment		**2,180**	—
Rental deposit		**2,373**	—
Deferred tax asset		**17**	—
		54,438	39,380
Current assets			
Amount due from subsidiaries	*(b)*	**1,070**	353
Amount due from ultimate holding company	*(b)*	**—**	67
Prepayments and other receivables		**519**	456
Cash and cash equivalents		**39,534**	54,954
		41,123	55,830
Current liabilities			
Other payables and accruals		**456**	416
Tax payable		**66**	—
		522	416
Net current assets		**40,601**	55,414
Total assets less current liabilities		**95,039**	94,794
Non-current liability			
Provision for reinstatement cost		**2,300**	—
Net assets		**92,739**	94,794
Capital and reserves			
Share capital		**1,410**	1,386
Reserves	*(a)*	**91,329**	93,408
Total equity		**92,739**	94,794

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

Notes:

(a) Movement in reserves

	Share premium HK$'000	Share option reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2017	64,661	2,228	39,280	(14,592)	91,577
Profit and total comprehensive income for the year	—	—	—	132	132
Recognition of equity-settled share-based payment	—	719	—	—	719
Issue of shares upon exercise of share options	2,090	(1,110)	—	—	980
At 31 March 2018 and 1 April 2018	66,751	1,837	39,280	(14,460)	93,408
Profit and total comprehensive income for the year	**—**	**—**	**—**	**115**	**115**
Recognition of equity-settled share-based payment	**—**	**490**	**—**	**—**	**490**
Issue of shares upon exercise of share options	**488**	**(261)**	**—**	**—**	**227**
Lapse of share options	**—**	**(37)**	**—**	**37**	**—**
Acquisition of a subsidiary	**1,971**	**—**	**—**	**—**	**1,971**
Dividends recognised as distribution	**(4,882)**	**—**	**—**	**—**	**(4,882)**
At 31 March 2019	**64,328**	**2,029**	**39,280**	**(14,308)**	**91,329**

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

35. SHARE-BASED PAYMENT TRANSACTIONS

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 (i.e. 29 March 2017) 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 2019, the Group recognised the total expense of approximately HK$490,000 (2018: HK$719,000) 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.

For the year ended 31 March 2019

35. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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 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

	Outstanding as at 1 April 2018	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Outstanding as at 31 March 2019**
1st vesting period	**1,411,608**	**—**	**(840,667)**	**(119,675)**	**451,266**
2nd vesting period	**6,951,792**	**—**	**—**	**(855,719)**	**6,096,073**
	8,363,400	**—**	**(840,667)**	**(975,394)**	**6,547,339**
Exercisable at the end of the year					**451,266**

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.

For the year ended 31 March 2019

36. 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 31 March 2019	Percentage of equity interest attributable to the Group 31 March 2018	Principal activities
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
Somerley (Hong Kong) Limited	Hong Kong/ 12 April 2018	HK$1	**100%**	—	Investment holding
Somerley Capital (Beijing) Limited	The People's Republic of China/ 11 June 2018	RMB685,460	**100%**	—	Provision of consultancy service
Environmental Investment Services Asia Limited	Hong Kong/ 25 March 2009	HK$18,342,295	**75%**	—	Provision of asset management service

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

FINANCIAL SUMMARY

RESULTS

For the year ended 31 March	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Revenue	**89,069**	71,995	67,901	67,945	78,175
Profit before taxation	**11,688**	6,891	128	11,483	21,819
Income tax expense	**(2,207)**	(1,003)	(2,935)	(2,184)	(3,621)
Profit (loss) for the year	**9,481**	5,888	(2,807)	9,299	18,198
Profit (loss) attributable to:					
Owners of the Company	**9,616**	5,888	(2,807)	9,299	18,198
Non-controlling interests	**(135)**	—	—	—	—
	9,481	5,888	(2,807)	9,299	18,198

ASSETS AND LIABILITIES

As at 31 March	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Total assets	**126,953**	110,126	102,428	45,314	51,402
Total liabilities	**(12,446)**	(6,048)	(5,973)	(18,889)	(20,276)
Total equity	**114,507**	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.