



SOMERLEY CAPITAL HOLDINGS LIMITED

Somerley Capital Holdings Limited

新百利融資控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8439)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2024

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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

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This announcement, for which the directors of Somerley Capital Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company and its subsidiaries (together, the “Group”). The directors of the Company (the “Directors”), having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

FINANCIAL HIGHLIGHTS

- The Group's total revenue increased by approximately 10.5% to approximately HK\$67.4 million for the year ended 31 March 2024 (the "Year") from approximately HK\$61.0 million for the year ended 31 March 2023.
- Revenue generated from acting as financial adviser ("FA") and as independent financial adviser ("IFA") for the Year amounted to approximately HK\$43.0 million (2023: approximately HK\$33.6 million), accounting for approximately 63.8% of the Group's total revenue (2023: approximately 55.1%).
- Revenue generated from acting as compliance adviser ("CA") for the Year amounted to approximately HK\$24.2 million (2023: approximately HK\$27.2 million), accounting for approximately 35.9% of the Group's total revenue (2023: approximately 44.6%).
- During the Year, the Group recorded a loss before tax of approximately HK\$3.6 million (2023: approximately HK\$6.9 million). The reduction in loss, from the previous year, was due to an approximately HK\$6.4 million increase in revenue from corporate finance advisory businesses, an approximately HK\$1.1 million increase in bank interest income and an approximately HK\$0.6 million decrease in the exchange loss, partially offset by an approximately HK\$3.4 million net increase in employee benefits costs and an approximately HK\$1.4 million increase in the impairment loss recognised in respect of trade receivables arising from corporate finance advisory businesses.
- Net assets decreased to approximately HK\$78.5 million as at 31 March 2024 from approximately HK\$85.0 million as at 31 March 2023 mainly due to the loss for the Year of approximately HK\$3.6 million and distribution of 2022–2023 final dividend of approximately HK\$3.6 million.
- The board of Directors (the "Board") has recommended the payment of a final dividend of HK2.5 cents per share for the Year (2023: HK2.5 cents per share), subject to the approval of the shareholders of the Company (the "Shareholders") at the forthcoming annual general meeting. Such proposed dividend will be payable on 30 September 2024 to the Shareholders whose names appear on the register of members of the Company at close of business on 17 September 2024. The final dividend will absorb approximately HK\$3.7 million (2023: approximately HK\$3.6 million) as at the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

The corporate finance advisory business carried on by Somerley Capital Limited (“SCL”) and Somerley Capital (Beijing) Limited is the Group’s core business segment. The Group’s corporate finance advisory services mainly include (i) acting as financial adviser to Hong Kong public listed companies, major shareholders and investors of these companies and parties seeking to control or invest in listed companies in Hong Kong, mostly in transactions which involve the Rules Governing the Listing of Securities on the Stock Exchange, the GEM Listing Rules and/or the Codes on Takeovers and Mergers and Share Buy-backs; (ii) acting as independent financial adviser to independent board committees and/or independent shareholders of listed companies in Hong Kong; (iii) acting as compliance adviser, for newly listed and existing listed companies in Hong Kong; (iv) acting as sponsor to initial public offerings and listings of shares of companies on the Stock Exchange in Hong Kong and advising on secondary equity issues in Hong Kong; and (v) acting as adviser to cross-border mergers and acquisitions.

During the Year, the market environment for Hong Kong corporate finance remained challenging due to subdued Hong Kong capital markets and squeezed margins brought about by keen competition. To combat these factors, the Group is committed to delivering high-quality advisory services to new and existing clients. The Group reported a year-on-year increase of approximately 10.5% in revenue from approximately HK\$61.0 million for the year ended 31 March 2023 to approximately HK\$67.4 million for the Year. Discretionary bonuses of approximately HK\$3.8 million were awarded to the Group’s employees in recognition of their hard work and resilience during challenging times. Excluding the effects of share-based payment expenses and discretionary bonuses,

the Group achieved an adjusted profit before tax of approximately HK\$0.8 million as compared to an adjusted loss before tax of approximately HK\$5.9 million last financial year.

	For the year ended 31 March 2024			For the year ended 31 March 2023		
	1st half	2nd half	Total	1st half	2nd half	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	<u>32,413</u>	<u>34,961</u>	<u>67,374</u>	<u>25,278</u>	<u>35,725</u>	<u>61,003</u>
Investment income (loss)	1,914	1,099	3,013	(264)	1,333	1,069
Other income and (loss) gain	(381)	471	90	(367)	633	266
Employee benefits costs	(25,485)	(27,872)	(53,357)	(24,626)	(25,381)	(50,007)
Depreciation	(3,959)	(3,934)	(7,893)	(3,979)	(3,909)	(7,888)
Other operating expenses	(5,178)	(5,441)	(10,619)	(4,998)	(5,046)	(10,044)
Others*	<u>(303)</u>	<u>(1,885)</u>	<u>(2,188)</u>	<u>(514)</u>	<u>(748)</u>	<u>(1,262)</u>
(Loss) profit before tax	(979)	(2,601)	(3,580)	(9,470)	2,607	(6,863)
Adjustment for bonus and share-based payment	655	3,768	4,423	—	963	963
Adjusted (loss) profit before tax	<u>(324)</u>	<u>1,167</u>	<u>843</u>	<u>(9,470)</u>	<u>3,570</u>	<u>(5,900)</u>

* Including share of losses of associates, finance costs, and impairment losses recognised in respect of intangible asset and trade receivables.

During the Year, the Group recorded a loss before tax of approximately HK\$3.6 million (2023: approximately HK\$6.9 million). The reduction in loss, from the previous year, was due to an approximately HK\$6.4 million increase in revenue from corporate finance advisory businesses, an approximately HK\$1.1 million increase in bank interest income and an approximately HK\$0.6 million decrease in the exchange loss, partially offset by an approximately HK\$3.4 million net increase in employee benefits costs and an approximately HK\$1.4 million increase in the impairment loss recognised in respect of trade receivables arising from corporate finance advisory businesses.

The corporate finance advisory business segment recorded revenue of approximately HK\$67.4 million (2023: approximately HK\$61.0 million) and a segment loss before tax of approximately HK\$1.7 million (2023: approximately HK\$3.5 million) for the Year. The reduction in loss was mainly due to the increase in revenue partially offset by the net increase in employee benefits costs and the increase in the impairment loss recognised in respect of trade receivables. A segment loss before tax of approximately HK\$1.1 million (2023: approximately HK\$1.3 million) was incurred by the Group's asset management business, carried on by Environmental Investment Services Asia Limited, during the Year, and in view of current market conditions, the Group has been proceeding cautiously in re-activating its asset management business.

FINANCIAL REVIEW

Revenue

The Group continued to derive its revenue primarily from its corporate finance advisory services and it recognised total revenue of approximately HK\$67.4 million for the Year (2023: approximately HK\$61.0 million), representing a year-on-year increase of approximately 10.5%.

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Corporate finance advisory fee income		
— from acting as financial adviser	20,340	14,337
— from acting as independent financial adviser	22,634	19,217
	42,974	33,554
— from acting as compliance adviser	24,230	27,175
— others	170	274
	67,374	61,003

Revenue generated from acting as FA and as IFA for the Year amounted to approximately HK\$43.0 million (2023: approximately HK\$33.6 million), accounting for approximately 63.8% of the Group's total revenue (2023: approximately 55.1%). The increase was mainly due to the determined efforts of the Group's teams in facilitating the execution and completion of ongoing transactions for clients.

Revenue generated from acting as CA for the Year amounted to approximately HK\$24.2 million (2023: approximately HK\$27.2 million), accounting for approximately 35.9% of the Group's total revenue (2023: approximately 44.6%). During the Year, the Hong Kong stock market saw a lesser number of IPOs leading to a decrease in the Group's revenue from CA activities. The Group's teams have worked hard to demonstrate to clients the added value the Group can provide to them through its CA roles.

Investment Income, Other Income and Gain, Net

Investment income represents interest income, dividend income, and trading gain in respect of the Group's proprietary trading under its liquidity management.

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Investment income		
Interest income	1,828	662
Dividends from financial assets at fair value through profit or loss	14	223
Fair value gain on derivative financial instrument	1,012	—
Fair value gain of financial assets at fair value through profit or loss	159	184
	<u>3,013</u>	<u>1,069</u>

An approximately HK\$1.9 million increase in investment income was primarily attributable to the increase in interest income as a result of the surge in interest rates and fair value gain as a result of the exercise of derivative financial instrument upon the disposal of the Group's 12.5% equity interest in CSpro (Hong Kong) Limited ("CSpro") (formerly known as Signum Digital Limited).

Other income and gain, net mainly represents management service fee income from Somerley Group Limited ("SGL"), rental income and reimbursement of other premises expenses from SGL and net exchange difference.

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Other income and gain, net		
Management fee income from ultimate holding company	180	180
Office sharing income and reimbursement of other premises expenses from ultimate holding company	773	773
Exchange loss, net	(66)	(728)
Loss on deemed disposal of an associate	(797)	—
Other	—	41
	<u>90</u>	<u>266</u>

On 10 August 2023, the Group entered into the supplemental agreement with CoinstreetPro (Global) Limited to acquire the derivative financial instrument as regards the Group's investment in CSpro on contributing further capital with HK\$0.9 million for business development of CSpro. After completion, the Group's interest in CSpro was diluted from 25% to 12.5%, resulting in a loss on deemed disposal of an associate of approximately HK\$0.8 million. On 7 March 2024, the Group exercised the derivative financial instrument to dispose of the remaining interest in CSpro and realised the fair value gain on derivative financial instrument of approximately HK\$1.0 million as set out above.

Employee Benefits Costs

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

	For the year ended	
	31 March	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees, salaries, allowances and other benefits	47,816	47,926
Discretionary bonuses	3,773	963
Contributions to the retirement benefits scheme	1,118	1,118
Share-based payment expenses	650	—
	<u>53,357</u>	<u>50,007</u>

Employee benefits costs increased by approximately 6.8% to approximately HK\$53.4 million for the Year from approximately HK\$50.0 million for the year ended 31 March 2023. This increase was primarily due to the increase in bonuses recognised for the corporate finance advisory segment and the recognition of the share-based payment expense of approximately HK\$0.7 million in respect of the grant of share options in December 2023 during the Year.

Depreciation and Other Operating Expenses

The Group adopted HKFRS 16 under which the present value of total rental expenses of all non-cancellable operating leases are recorded as right-of-use assets and will be depreciated over the lease terms. Other operating expenses mainly consist of 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, including for the Group's medical scheme for employees.

	For the year ended	
	31 March	
	2024	2023
	HK\$'000	HK\$'000
Depreciation of property and equipment	760	723
Depreciation of right-of-use assets	<u>7,133</u>	<u>7,165</u>
	7,893	7,888
Other premises expenses	1,882	2,006
Consultancy fee	1,002	—
Insurance expenses	738	778
Introduction expenses	230	294
IT-related expenses	1,307	1,832
Recurring GEM listing expenses (excluding remuneration of independent non-executive directors)	1,903	1,791
Others	<u>3,557</u>	<u>3,343</u>
	<u>18,512</u>	<u>17,932</u>

The Group's depreciation and other operating expenses increased by approximately 3.4% to approximately HK\$18.5 million for the Year from approximately HK\$17.9 million for the year ended 31 March 2023. The net increase was mainly due to additional professional fees incurred for the amendments of the articles and the adoption of the share option scheme, and consultancy fee incurred for developing the digital asset business during the Year.

Impairment loss recognised in respect of trade receivables

The Group recognises impairment loss in respect of trade receivables arising from its ordinary business by estimating expected credit losses in accordance with HKFRS 9. The increase from approximately HK\$0.5 million for the year ended 31 March 2023 to approximately HK\$1.9 million for the Year was mainly due to the extended ageing of the trade receivables and deteriorating credit condition in Hong Kong.

Income tax expense

The Group's income tax expense primarily includes provisions for Profits Tax in Hong Kong and Corporate Income Tax in the People's Republic of China, and deferred income tax expenses.

Loss for the Year

For the Year, the Group recorded a loss before tax of approximately HK\$3.6 million (2023: approximately HK\$6.9 million) and a loss after tax of approximately HK\$3.6 million (2023: approximately HK\$7.0 million). The reduction in loss was due to an approximately HK\$6.4 million increase in revenue from corporate finance advisory businesses, an approximately HK\$1.1 million increase in bank interest income and an approximately HK\$0.6 million decrease in the exchange loss, partially offset by an approximately HK\$3.4 million net increase in employee benefits costs and an approximately HK\$1.4 million increase in the impairment loss recognised in respect of trade receivables arising from corporate finance advisory businesses.

Liquidity, Financial Resources and Capital Structure

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

As at 31 March 2024, the Group's net current assets amounted to approximately HK\$73.9 million (2023: approximately HK\$74.5 million), and liquidity as represented by its current ratio was approximately 10.7 times (2023: approximately 8.7 times). Cash and cash equivalents amounted to approximately HK\$60.2 million as at 31 March 2024 (2023: approximately HK\$63.5 million). The functional currency of the Group is Hong Kong dollars. As at 31 March 2024, approximately HK\$3.3 million of the Group's cash and cash equivalents was denominated in other currencies (2023: approximately HK\$1.6 million), principally Renminbi and United States Dollars.

The Group's equity consists of ordinary shares of the Company (the "Shares"). During the Year, net proceeds of approximately HK\$0.2 million (2023: approximately HK\$0.2 million) was raised by issue of new Shares pursuant to the exercise of share options. The Group had neither banking facilities nor borrowings as at 31 March 2023 and 2024.

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

Foreign Exchange Exposure

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

Future Plans for Material Investments or Capital Assets

The Group had no material capital commitment as at 31 March 2024 (2023: nil). The Group did not have plans for material investments or capital assets as at 31 March 2024 and up to the date of this announcement.

Material Acquisition and Disposal of Subsidiaries, Associates or Joint Ventures

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

Significant Investments

Except for investments in subsidiaries and interests in associates, the Group did not hold any significant investments during the Year.

Charge on Assets & Contingent Liabilities

As at 31 March 2024, the Group did not have any charges on its assets (2023: nil) or material contingent liabilities (2023: nil).

Gearing Ratio

As at 31 March 2024, the Group did not have any borrowings (2023: nil) and hence a gearing ratio (a ratio of total borrowings to total assets) is not applicable.

Dividend

The board of Directors (the “Board”) has recommended the payment of a final dividend of HK2.5 cents per Share for the Year (2023: HK2.5 cents per Share), subject to the approval of the Shareholders at the forthcoming annual general meeting.

Principal Risks and Uncertainties

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

- (i) The Group’s corporate finance advisory segment accounts for its major operation and contributes to a majority of its financial performance. The revenue generated from corporate finance advisory businesses is unpredictable and volatile owing to economic and financial environments. The corporate finance industry is (a) in general highly competitive, squeezing the Group’s profit margins; and (b) strictly regulated so that any non-compliance (either by the Group or by its employees) or changes of laws, rules or regulation may have material and adverse impact and consequences;
- (ii) Delays or terminations of transactions or defaults or delays in payments by clients may have an adverse impact on the Group’s financial performance;
- (iii) The Group’s business continuity is reliant on key management personnel. Failure to retain and motivate them or to attract suitable replacements would have an adverse impact on operations;

- (iv) The trademark used by SCL is subject to the trademark usage agreement and such non-exclusive trademark may be adversely affected by acts of SGL;
- (v) Potential exposure to professional liability and litigation;
- (vi) The Group's internal control system may be subject to failures and limitations; and
- (vii) The Group may experience failure in or disruption to its computer systems and data storage.

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 2024, the Group employed 47 employees (including executive Directors) (2023: 48).

For the Year, employee benefits costs of the Group (including the Directors' emoluments) were approximately HK\$53.4 million (2023: approximately HK\$50.0 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 schemes of the Company to eligible employees by reference to the Group's performance as well as the individual's contribution. The Directors believe that the compensation packages offered by the Group to its staff are competitive in comparison with market standards and practices. The Group also develops training programs for its employees or sponsors the employees to attend various job-related training courses.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The major laws and regulations that have a significant impact on the Group's business include the Companies Ordinance, the SFO, the Anti-Money Laundering and Counter-Terrorist Financing Ordinance, the Rules Governing the Listing of Securities on the Stock Exchange and GEM Listing Rules. As far as the Board and the Group's management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Year, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

OUTLOOK AND PROSPECTS

The prospects for the Hong Kong corporate finance market for the financial year ending 31 March 2025 remain mixed. The financial year ending 31 March 2025 has started quietly in terms of deal flow but a somewhat improving stock market and the prospects of eventual lower interest rates should promote a greater level of activity. The Directors expect the first half of the financial year ending 31 March 2025 to remain difficult but consider there are grounds for expecting an improvement in its second half.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31 March 2024

		2024	2023
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	67,374	61,003
Investment income	5	3,013	1,069
Other income and gain, net	5	90	266
Employee benefits costs		(53,357)	(50,007)
Depreciation		(7,893)	(7,888)
Share of losses of associates		(13)	(181)
Finance costs on lease liabilities		(298)	(342)
Impairment loss recognised in respect of intangible asset	12	—	(200)
Impairment loss recognised in respect of trade receivables	13	(1,877)	(539)
Other operating expenses		(10,619)	(10,044)
Loss before tax	6	(3,580)	(6,863)
Income tax expense	7	(33)	(90)
Loss for the year		(3,613)	(6,953)
<i>Other comprehensive loss</i>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		(19)	(36)
Total comprehensive loss for the year		(3,632)	(6,989)
Loss for the year attributable to:			
Owners of the Company		(3,543)	(6,821)
Non-controlling interests		(70)	(132)
		(3,613)	(6,953)

	<i>NOTES</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Total comprehensive loss for the year attributable to:			
Owners of the Company		(3,562)	(6,857)
Non-controlling interests		<u>(70)</u>	<u>(132)</u>
		<u>(3,632)</u>	<u>(6,989)</u>
Loss per share			
— basic and diluted (<i>HK cents</i>)	<i>9</i>	<u>(2.46)</u>	<u>(4.79)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

	NOTES	2024 HK\$'000	2023 HK\$'000
Non-current assets			
Property and equipment		1,607	2,094
Right-of-use assets	10	2,816	10,043
Goodwill	11	—	—
Intangible asset	12	1,300	1,300
Interests in associates		—	599
Rental deposits	13	223	2,305
Deferred tax assets		92	83
		<u>6,038</u>	<u>16,424</u>
Current assets			
Trade receivables	13	11,593	12,042
Prepayments, deposits and other receivables	13	6,636	6,555
Financial assets at fair value through profit or loss	14	2,690	1,705
Amount due from ultimate holding company		438	—
Tax recoverable		3	368
Cash and cash equivalents		60,163	63,540
		<u>81,523</u>	<u>84,210</u>
Current liabilities			
Contract liability		557	188
Other payables and accruals		2,231	2,255
Amount due to an associate		—	57
Lease liabilities	10	2,519	7,219
Provision for reinstatement cost		2,300	—
Tax payable		35	5
		<u>7,642</u>	<u>9,724</u>
Net current assets		<u>73,881</u>	<u>74,486</u>
Total assets less current liabilities		<u>79,919</u>	<u>90,910</u>

	<i>NOTES</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Non-current liabilities			
Lease liabilities	<i>10</i>	578	3,164
Provision for long service payment		610	267
Provision for reinstatement cost		—	2,300
Deferred tax liabilities		214	214
		<u>1,402</u>	<u>5,945</u>
Net assets		<u>78,517</u>	<u>84,965</u>
Capital and reserves			
Share capital	<i>15</i>	1,455	1,434
Treasury shares	<i>15</i>	—	(73)
Reserves		76,988	83,479
		<u>78,443</u>	<u>84,840</u>
Equity attributable to owners of the Company		78,443	84,840
Non-controlling interests		74	125
		<u>78,517</u>	<u>84,965</u>
Total equity		<u>78,517</u>	<u>84,965</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

1. GENERAL

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

The Company is principally engaged in investment holding. The Group’s operating subsidiaries are mainly engaged in the provision of corporate finance advisory services and asset management services.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for the first time, the following new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) which are effective for the Company’s financial year beginning on 1 April 2023:

HKFRS 17 and related amendments	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules

The application of the new and amendments to HKFRSs 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.

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (“MPF”) — Long Service Payment (“LSP”) offsetting mechanism in Hong Kong

The Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee’s accrued retirement benefits derived from employers’ MPF contributions was allowed under the Employment Ordinance (Cap.57).

In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”) which abolishes the use of the accrued benefits derived from employers’ mandatory MPF contributions to offset severance payment and LSP (the “Abolition”). The Abolition will officially take effect on 1 May 2025 (the “Transition Date”). In addition, under the Amendment Ordinance, the last month’s salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

The application of amendments in the current year had no material impact on the consolidated financial statements.

New and amendments to HKFRSs issued but not yet effective

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

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 and Non-current Liabilities with Covenants ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKAS 21	Lack of Exchangeability ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

³ Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that, the application of the new and amendments to HKFRSs will have no material impact on the financial performance and position for the current and prior period and disclosure set out in the consolidated financial statements.

3. SEGMENT INFORMATION

Information reported to the management of the Group, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of services provided. The directors of the Company have chosen to organise the Group around differences in services.

During the years ended 31 March 2024 and 2023, the directors of the Company have organised the Group into different segments by types of services provided.

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

1. Corporate finance advisory service
2. Asset management service

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

	For the year ended 31 March 2024			For the year ended 31 March 2023		
	Corporate finance advisory service <i>HK\$'000</i>	Asset management service <i>HK\$'000</i>	Total <i>HK\$'000</i>	Corporate finance advisory service <i>HK\$'000</i>	Asset management service <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>67,374</u>	<u>—</u>	<u>67,374</u>	<u>61,003</u>	<u>—</u>	<u>61,003</u>
Segment loss	(1,658)	(1,132)	(2,790)	(3,514)	(1,319)	(4,833)
Investment income			2,481			894
Share of losses of associates			(13)			(181)
Finance costs			(9)			(19)
Corporate and other unallocated expenses			<u>(3,249)</u>			<u>(2,724)</u>
Loss before tax			<u>(3,580)</u>			<u>(6,863)</u>

The account policies of the operating segments are the same as the Group's accounting policies. Segment loss represents the loss from each segment without allocation of share of result of associates, certain interest income, certain finance costs and central administration costs. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment. No analysis of segment asset and segment liability is presented as the chief operating decision maker no longer regularly reviews such information for the purpose of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Other segment information

For the year ended 31 March 2024	Corporate finance advisory service <i>HK\$'000</i>	Asset management service <i>HK\$'000</i>	Corporate <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment profit or loss:				
Depreciation of property and equipment	744	5	11	760
Depreciation of right-of-use assets	6,486	211	436	7,133
Impairment loss recognised in respect of trade receivables	1,877	—	—	1,877
Interest income	530	2	1,296	1,828
Finance costs on lease liabilities	285	4	9	298
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Corporate finance advisory service <i>HK\$'000</i>	Asset management service <i>HK\$'000</i>	Corporate <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 March 2023				
Amounts included in the measure of segment profit or loss:				
Depreciation of property and equipment	707	5	11	723
Depreciation of right-of-use assets	6,518	211	436	7,165
Impairment loss recognised in respect of trade receivables	539	—	—	539
Impairment loss recognised in respect of intangible asset	—	200	—	200
Interest income	175	—	487	662
Finance costs on lease liabilities	314	9	19	342
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Geographical information

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

Information about major customers

No customer accounted for 10% or more of the Group's revenue for the years ended 31 March 2024 and 2023.

4. REVENUE

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Corporate finance advisory fee income		
— from acting as financial adviser	20,340	14,337
— from acting as independent financial adviser	22,634	19,217
— from acting as compliance adviser	24,230	27,175
— others	170	274
	<u>67,374</u>	<u>61,003</u>

Disaggregation of revenue by timing of recognition:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Timing of revenue recognition		
Over time	62,802	61,003
At a point in time (fee income from acting as financial adviser)	4,572	—
	<u>67,374</u>	<u>61,003</u>

Transaction price allocated to the remaining performance obligations

As at 31 March 2024, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately HK\$18,680,000 (2023: HK\$23,543,000). The amount represents revenue expected to be recognised in the future from corporate finance advisory services as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Remaining performance obligations expected to be satisfied:		
from 1 April 2023 to 31 March 2024	—	21,661
from 1 April 2024 to 31 March 2025	17,365	1,882
from 1 April 2025 to 31 March 2026	1,275	—
from 1 April 2026 to 31 March 2027	40	—
	<u>18,680</u>	<u>23,543</u>

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

5. INVESTMENT INCOME AND OTHER INCOME AND GAIN, NET

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Investment income		
Interest income	1,828	662
Dividends from financial assets at fair value through profit or loss	14	223
Fair value gain on derivative financial instrument	1,012	—
Fair value gain of financial assets at fair value through profit or loss	159	184
	<u>3,013</u>	<u>1,069</u>
	<i>2024</i> <i>HK\$'000</i>	<i>2023</i> <i>HK\$'000</i>
Other income and gain, net		
Management fee income from ultimate holding company	180	180
Office sharing income and reimbursement of other premises expenses from ultimate holding company	773	773
Exchange loss, net	(66)	(728)
Loss on deemed disposal of an associate	(797)	—
Other	—	41
	<u>90</u>	<u>266</u>

6. LOSS BEFORE TAX

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loss before tax has been arrived at after charging:		
Directors' emoluments	11,100	10,724
Other employee's emoluments		
Salaries, allowances and benefits in kind (<i>note</i>)	36,457	37,201
Discretionary bonuses	3,773	963
Contributions to retirement benefits scheme	1,082	1,082
Provision for long service payment	343	37
Equity-settled share-based payment expenses	602	—
	<u>53,357</u>	<u>50,007</u>
Total employee benefits costs		
Auditor's remuneration	481	451
Depreciation for property and equipment	760	723
Depreciation for right-of-use assets	7,133	7,165
Impairment loss recognised in respect of trade receivables	1,877	539
Impairment loss recognised in respect of intangible asset	—	200
	<u>11,501</u>	<u>9,078</u>

Note: Wage subsidies of approximately HK\$1,032,000 granted from the Employment Support Scheme under the Anti-Epidemic Fund for the use of paying wages of employees had been recognised during the year ended 31 March 2023. The amounts had been offset with the employee benefits costs.

7. INCOME TAX EXPENSE

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current income tax:		
Hong Kong	65	47
People's Republic of China	—	5
(Over) under provision in prior years:		
Hong Kong	(23)	54
People's Republic of China	—	(4)
Deferred taxation	<u>(9)</u>	<u>(12)</u>
	<u>33</u>	<u>90</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. For the years ended 31 March 2024 and 2023, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

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

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

	2024 <i>HK\$’000</i>	2023 <i>HK\$’000</i>
Loss before tax	<u>(3,580)</u>	<u>(6,863)</u>
Tax at domestic income tax rate of 16.5% (2023: 16.5%)	(591)	(1,132)
Tax effect of expenses not deductible	285	175
Tax effect of income not taxable for tax purpose	(482)	(327)
(Over) under provision in respect of prior years	(23)	50
Tax effect of tax loss not recognised	608	1,344
Tax effect of deductible temporary difference not recognised	300	26
Tax effect of two tier profits tax rates regime	<u>(64)</u>	<u>(46)</u>
Income tax expense	<u>33</u>	<u>90</u>

At the end of the reporting period, the Group has estimated tax losses of approximately HK\$36,565,000 (2023: HK\$32,879,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax asset has not been recognised due to the unpredictability of future profit streams. As at 31 March 2024, the unrecognised tax losses of approximately HK\$240,000 (2023: HK\$225,000) will expire within five years and the remaining tax losses may be carried forward indefinitely.

8. DIVIDENDS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
— 2023 Final — HK2.5 cents (2023: 2022 final dividend — HK2.5 cents) per share	<u>3,580</u>	<u>3,558</u>

Subsequent to the end of the reporting period, a final dividend of HK2.5 cents (2023: HK2.5 cents) per share in respect of the year ended 31 March 2024 has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

9. LOSS PER SHARE

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loss		
Loss attributable to owners of the Company, used in the basic and diluted loss per share calculation	<u>(3,543)</u>	<u>(6,821)</u>
	Number of shares	
	2024	2023
Shares		
Weighted average number of ordinary shares during the year used in the basic and diluted loss per share calculation ('000)	<u>144,142</u>	<u>142,497</u>

Note: For the years ended 31 March 2024 and 2023, diluted loss per share is same as basic loss per share. The computation of diluted loss per share does not assume the exercise of the Company's outstanding share options since their assumed exercise would result in a decrease in loss per share.

10. LEASES

(i) Right-of-use assets

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Land and buildings	<u>2,816</u>	<u>10,043</u>

The Group has lease arrangements for land and buildings. The lease terms are three years (2023: three years). The payment terms of lease are fixed with no extension option.

Additions to the right-of-use assets for the year ended 31 March 2023 amounted to approximately HK\$2,173,000, due to renewal of existing leases of land and buildings.

(ii) Lease liabilities

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Analysed as:		
— non-current	578	3,164
— current	<u>2,519</u>	<u>7,219</u>
	<u>3,097</u>	<u>10,383</u>

Amounts payable under lease liabilities:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within one year	2,519	7,219
After one year but within two years	578	2,555
After two years but within five years	<u>—</u>	<u>609</u>
	3,097	10,383
Less: Amount due for settlement within 12 months	<u>(2,519)</u>	<u>(7,219)</u>
Amount due for settlement after 12 months	<u>578</u>	<u>3,164</u>

The incremental borrowing rates used for determination of the present value of the remaining lease payments were ranged from 2.30% to 10.97% per annum.

(iii) Amounts recognised in profit or loss

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Depreciation expense on right-of-use assets	7,133	7,165
Interest expenses on lease liabilities	<u>298</u>	<u>342</u>

(iv) Others

During the year ended 31 March 2024, the total cash outflow for leases including interest paid on lease liabilities and payment of lease liabilities amounted to approximately HK\$7,488,000 (2023: HK\$7,472,000).

11. GOODWILL

	<i>HK\$'000</i>
COST	
At 1 April 2022, 31 March 2023, 1 April 2023 and 31 March 2024	<u>1,123</u>
IMPAIRMENT	
At 1 April 2022, 31 March 2023, 1 April 2023 and 31 March 2024	<u>1,123</u>
CARRYING VALUE	
At 31 March 2024	<u>—</u>
At 31 March 2023	<u>—</u>

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

Based on the profit forecast prepared by the management, the recoverable amount, which was primarily affected by lack of new subscription for the investment fund and the increasingly competitive business environment of asset management service, was estimated to be less than its carrying amount.

12. INTANGIBLE ASSET

	<i>HK\$'000</i>
COST	
At 1 April 2022, 31 March 2023, 1 April 2023 and 31 March 2024	9,000
IMPAIRMENT	
At 1 April 2022	7,500
Impairment loss recognised during the year	200
At 31 March 2023, 1 April 2023 and 31 March 2024	7,700
CARRYING VALUE	
At 31 March 2024	1,300
At 31 March 2023	1,300

The intangible asset represents licences for regulated activities issued by the SFC (“Licences”).

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

As at 31 March 2024 and 2023, the management of the Group conducted an impairment assessment on intangible asset which has been allocated to the CGUs, relating to the asset management service segment. An independent valuer, Fairdex Valuation Advisory Limited was engaged by the management of the Group to assess the recoverable amount of intangible asset with reference to the fair value less cost of disposal based on Level 3 hierarchy using replacement cost approach with key assumptions in relation to labour expense. Such estimation is based on the unit’s past experience and management’s expectations for the market and regulatory development. As at 31 March 2024, the carrying amounts of the intangible asset approximated their recoverable amounts and no impairment losses (2023: HK\$200,000) was recognised during the year with reference to the fair value less cost of disposal. The carrying amounts of intangible asset after impairment amounted to HK\$1,300,000 (2023: HK\$1,300,000).

13. TRADE RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables (<i>note</i>)	14,540	13,112
Less: Impairment allowance (<i>note</i>)	(2,947)	(1,070)
	11,593	12,042

As at 1 April 2022, the gross amount of trade receivables arising from contracts with customers amounted to approximately HK\$6,168,000.

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Prepayments, deposits and other receivables:		
Analysed as:		
— non-current assets (rental deposits)	223	2,305
— current assets	<u>6,636</u>	<u>6,555</u>
	<u>6,859</u>	<u>8,860</u>
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Deposits and other receivables	2,473	2,530
Prepayments	1,383	1,327
Receivables from brokers	<u>3,003</u>	<u>5,003</u>
	<u>6,859</u>	<u>8,860</u>

The ECL on receivables from brokers and deposits and other receivables are estimated individually by reference to past experience of default and general economic condition of the industry at the reporting date. There has not been a significant change in the credit risk since initial recognition. The Group estimated the 12-month ECL on deposits and other receivables and receivables from brokers were not significant.

Note:

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.

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 90 days	8,461	9,855
91–180 days	1,104	1,862
Over 180 days	<u>2,028</u>	<u>325</u>
Total	<u>11,593</u>	<u>12,042</u>

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 collectively grouped by past due status. In determining the expected loss rates, the management considers the using a provision matrix by reference to ageing of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances as well as forward looking information that may impact the customers' ability to repay the outstanding balances at the reporting date.

At 31 March 2024

	Weighted average expected loss rate %	Gross carrying amount <i>HK\$'000</i>	Loss allowance <i>HK\$'000</i>
Less than 90 days past due	0.76	8,526	65
91–180 days past due	5.24	1,165	61
181–270 days past due	33.99	2,795	950
271–365 days past due	74.58	720	537
More than 365 days past due	100.00	1,334	1,334
		<u>14,540</u>	<u>2,947</u>

At 31 March 2023

	Weighted average expected loss rate %	Gross carrying amount <i>HK\$'000</i>	Loss allowance <i>HK\$'000</i>
Less than 90 days past due	1.03	9,958	103
91–180 days past due	6.21	1,985	123
181–270 days past due	42.85	565	242
271–365 days past due	86.43	15	13
More than 365 days past due	100.00	589	589
		<u>13,112</u>	<u>1,070</u>

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
At the beginning of the year	1,070	531
Impairment losses recognised on trade receivables	1,877	539
	<u>2,947</u>	<u>1,070</u>

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Financial assets mandatorily measured at fair value through profit or loss		
— Listed equity securities, Hong Kong	<u>2,690</u>	<u>1,705</u>

15. SHARE CAPITAL

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

	Number of shares '000	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2022, 31 March 2023, 1 April 2023 and 31 March 2024	<u>200,000</u>	<u>2,000</u>
Issued and fully paid:		
At 1 April 2022	142,355	1,424
Exercise of share options (<i>note i</i>)	<u>1,051</u>	<u>10</u>
At 31 March 2023 and 1 April 2023	143,406	1,434
Exercise of share options (<i>note ii</i>)	2,353	23
Share repurchase (<i>notes iii and iv</i>)	<u>(216)</u>	<u>(2)</u>
At 31 March 2024	<u>145,543</u>	<u>1,455</u>

Details of the treasury shares of the Company are as follows:

	Number of shares repurchased '000	Amount HK\$'000
At 1 April 2022	—	—
Shares repurchased but not yet cancelled (<i>note iii</i>)	94	1
At 31 March 2023 and 1 April 2023	94	1
Shares repurchased (<i>note iv</i>)	122	1
Cancellation of repurchased shares (<i>notes iii and iv</i>)	(216)	(2)
At 31 March 2024	—	—

Notes:

- (i) During the year ended 31 March 2023, share options were exercised at subscription price of approximately HK\$0.16 per ordinary share, resulting in the issue of 1,051,201 ordinary shares for proceeds of approximately HK\$171,000. An amount of approximately HK\$391,000 was transferred from share option reserve to the share premium account upon exercise of the share options.
- (ii) During the year ended 31 March 2024, share options were exercised at subscription price of approximately HK\$0.09 per ordinary share, resulting in the issue of 2,352,629 ordinary shares for proceeds of approximately HK\$212,000. An amount of approximately HK\$881,000 was transferred from share option reserve to the share premium account upon exercise of the share options.
- (iii) In accordance with a shareholders' resolution passed by the shareholders of the Company at the annual general meeting held on 23 August 2022, the directors of the Company were granted a general mandate to repurchase shares not exceeding 10% of its issued shares as at the date of passing that resolution. A total of 94,000 shares were repurchased by the Company at a total consideration of approximately HK\$73,000 during the year ended 31 March 2023. All 94,000 repurchased shares were subsequently cancelled in May 2023.
- (iv) In accordance with a shareholders' resolution passed by the shareholders of the Company at the annual general meeting held on 23 August 2022, the directors of the Company were granted a general mandate to repurchase shares not exceeding 10% of its issued shares as at the date of passing that resolution. A total of 122,000 shares were repurchased by the Company at a total consideration of approximately HK\$98,000 during the year ended 31 March 2024. 2,000 and 120,000 repurchased shares were cancelled in May 2023 and August 2023 respectively.

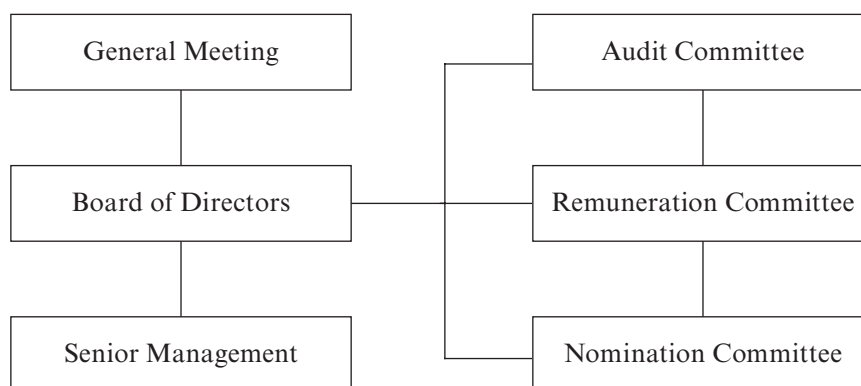
CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining high standards of corporate governance practices and procedures. The Board believe that good corporate governance practices are essential to enhance stakeholders' confidence and support.

During the Year, the Company has applied the principles and code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix C1 to the GEM Listing Rules as the basis of the Company's corporate governance practices. The Board is of the view that the Company has complied with the principles and code provision set out in the CG Code during the Year and up to the date of this announcement.

The Company will continue to review and monitor its corporate governance practices in order to enhance its corporate governance standard, comply with regulatory requirements and meet the growing expectations of the Shareholders and other stakeholders.

The Corporate Governance Structure of the Company during the Year and up to the date of this announcement is as follows:



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. The written terms of reference of the Audit Committee was adopted in compliance with the code provisions D.3.3 and D.3.7 of the CG Code. A copy of the terms of reference of the Audit Committee has been posted on the Company's website at www.somerleycapital.com and the website of the Stock Exchange at www.hkexnews.hk. The Audit Committee is comprised of three independent non-executive Directors. During the Year and up to the date of this announcement, the members of the Audit Committee have been and are:

Mr. CHENG Yuk Wo (*Chairman of the Audit Committee*)

Mr. YUEN Kam Tim Francis

Mr. LAW Cheuk Kin Stephen

The primary duties of the Audit Committee are reviewing the annual reports and accounts, half-year reports, and if prepared for publication, quarterly reports, 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 four meetings. The Audit Committee reviewed, assessed and commented on the audited consolidated financial statements for the year ended 31 March 2023, the unaudited consolidated financial statements for the three months ended 30 June 2023 and six months ended 30 September 2023, respectively. It has also reviewed the effectiveness of the risk management and internal control systems and internal audit functions of the Group and the continuing connected transactions and the new policies and practices adopted by the Group. 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.

There is no material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditor.

The Audit Committee has reviewed the remuneration of the Company's auditor for the Year, and has recommended to the Board the re-appointment of Crowe (HK) CPA Limited as the auditor of the Company for the Year, subject to approval by the Shareholders at the forthcoming annual general meeting, which is to be held on 10 September 2024.

Full minutes of the Audit Committee meetings are kept by the Company Secretary and are open for inspection by any committee members. Draft and final versions of minutes were sent to all members of the Audit Committee for their comments and records respectively within a reasonable time after the meeting.

SCOPE OF WORK OF CROWE (HK) CPA LIMITED

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

DIRECTORS' SECURITIES TRANSACTIONS

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

Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the Required Standard of Dealings throughout the Year and up to the date of this announcement.

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

The Company repurchased a total of 122,000 Shares (2023: 94,000 Shares) on the Stock Exchange at an aggregate consideration of HK\$97,180 during the Year at price ranging from HK\$0.72 to HK\$0.89. The repurchase of the Company's shares by the Directors during the Year was made pursuant to the mandate granted by Shareholders at the annual general meeting of the Company held on 23 August 2022, with a view to benefiting Shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company. The share repurchase was financed by the Company with its existing available cash. The particulars of the share repurchase are as follows:

Date	Number of shares repurchased	Highest purchase price per share (HK\$)	Lowest purchase price per share (HK\$)	Aggregated amount of purchase price (HK\$)
14 April 2023	2,000	0.89	0.89	1,780
29 June 2023	26,000	0.86	0.79	20,720
30 June 2023	12,000	0.85	0.73	9,000
3 July 2023	14,000	0.80	0.72	11,040
13 July 2023	32,000	0.89	0.80	25,780
14 July 2023	<u>36,000</u>	0.85	0.79	<u>28,860</u>
Total	<u>122,000</u>			<u>97,180</u>

As at 31 March 2023, 94,000 Shares were repurchased but not yet cancelled. An aggregate of 96,000 Shares (repurchased on 8, 10, 14, 20, 21 March 2023 and 14 April 2023) were cancelled in May 2023.

An aggregate of 120,000 shares (repurchased on 29, 30 June 2023 and 3, 13, 14 July 2023) were cancelled in August 2023.

Saved as disclosed above, during the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company. As at 31 March 2024, no Shares were repurchased but not yet cancelled.

EVENTS AFTER THE REPORTING PERIOD

- (i) 1,131,253 and 645,717 share options were exercised by Mr. CHOW Wai Hung Kenneth and Mr. CHEUNG Tei Sing Jamie, respectively, after 31 March 2024 pursuant to the Pre-IPO Share Option Scheme. An aggregate of 1,776,970 new Shares at the exercise price of HK\$0.09 were issued after 31 March 2024.

- (ii) On 25 April 2024, the tenancy agreement of one of the Group's office premises was renewed for a term of three years commencing on 1 July 2024 and ending on 30 June 2027. Please refer to the announcement of the Company dated 25 April 2024 for further details.
- (iii) Mr. LAW Cheuk Kin Stephen has been appointed as an independent non-executive director of Quantum Pharm Inc. (2228.HK) since 28 May 2024 and the shares were listed on 13 June 2024.

Save as disclosed above, there is no material subsequent event undertaken by the Company or by the Group after 31 March 2024 and up to the date of this announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.somerleycapital.com). The annual report of the Company for the Year containing all the information required by the GEM Listing Rules will be dispatched to the Company's Shareholders and published on the above websites in due course.

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

Hong Kong, 20 June 2024

As at the date of this announcement, the executive Directors are Mr. SABINE Martin Nevil, Mr. CHEUNG Tei Sing Jamie and Mr. CHOW Wai Hung Kenneth; the independent non-executive Directors are Mr. CHENG Yuk Wo, Mr. YUEN Kam Tim Francis and Mr. LAW Cheuk Kin Stephen.

This announcement will remain on the "Latest Listed Company Information" page of the website of the Stock Exchange at www.hkexnews.hk for at least 7 days from the date of its posting and will also be published on the Company's website at www.somerleycapital.com.