

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



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)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF HONG KONG PUBLIC OFFERING

Number of Offer Shares : 35,000,000 Offer Shares
Offer Price : Not more than HK\$2.30 per Offer Share and
expected to be not less than HK\$1.70 per
Offer Share (payable in full on application
in Hong Kong dollars and subject to refund,
plus brokerage fee of 1%, SFC transaction
levy of 0.0027% and Stock Exchange
trading fee of 0.005%)
Nominal value : HK\$0.01 per Share
Stock code : 8439

Joint Sponsors



SOMERLEY CAPITAL LIMITED



Halcyon Capital Limited

Joint Lead Managers



Halcyon Securities Limited



廣發証券(香港)經紀有限公司
GF SECURITIES (HONG KONG) BROKERAGE LIMITED



海通國際
HAITONG

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "1. Documents delivered to the Registrar of Companies in Hong Kong" in Appendix V to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be determined by agreement between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and the Company on the Price Determination Date, which is expected to be on or before Wednesday, 22 March 2017 (or such later date as may be agreed by Halcyon Securities, and the Company). The Offer Price will not be more than HK\$2.30 per Offer Share and is currently expected to be not less than HK\$1.70 per Offer Share unless otherwise announced. Halcyon Securities, on behalf of the Underwriters may, with the Company's consent, reduce the number of Offer Shares in the Hong Kong Public Offering and/or the indicative Offer Price range below that stated in this prospectus (which is HK\$1.70 to HK\$2.30) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Offer Shares in the Hong Kong Public Offering and/or the indicative offer price range will be published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.somerleycapital.com not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. If the Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price by the Price Determination Date as agreed by the Company, the Hong Kong Public Offering will not become unconditional and will not proceed.

Prior to making an investment decision, prospective investors should carefully consider all the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

Prospective investors should note that Halcyon Securities (for itself and on behalf of the Underwriters) is entitled to terminate the obligations of the Underwriters under the Underwriting Agreement by notice in writing to the Company, upon the occurrence of any of the events set forth under the paragraph headed "Underwriting Arrangements — Grounds for Termination" under the section headed "Underwriting" in this prospectus at any time prior to 8:00 a.m. on the Listing Date.

The Offer Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or outside the United States in offshore transactions in accordance with Regulation S under the Securities Act.

IMPORTANT

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15 March 2017

CHARACTERISTICS OF GEM

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

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

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in a gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the website of the Stock Exchange at www.hkexnews.hk in order to obtain up-to-date information on companies listed on GEM.

EXPECTED TIMETABLE

The Company will issue an announcement at the website of the Company at www.somerleycapital.com and the website of the Stock Exchange at www.hkexnews.hk if there is any change in the following expected timetable of the Hong Kong Public Offering.

2017

(Note 1)

Application lists open (Note 2)	11:45 a.m. on Monday, 20 March
Latest time to give electronic application instructions to HKSCC (Note 3)	12:00 noon on Monday, 20 March
Latest time to lodge WHITE and YELLOW Application Forms.....	12:00 noon on Monday, 20 March
Application lists close (Note 2).....	12:00 noon on Monday, 20 March
Expected Price Determination Date (Note 4)	Wednesday, 22 March
Announcement of the final Offer Price, the basis of allotment and the results of applications in the Hong Kong Public Offering to be published on the website of the Company at www.somerleycapital.com and the website of the Stock Exchange at www.hkexnews.hk on.....	Monday, 27 March
Announcement of results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including the Company's website at www.somerleycapital.com and the website of the Stock Exchange at www.hkexnews.hk (for further details, please see "How to apply for Hong Kong Offer Shares — 10. Publication of Results" in this prospectus) from	Monday, 27 March
Results of allocations in the Hong Kong Public Offering will be available at www.unioniporesults.com.hk with a "search by ID Number/Business Registration Number" function from.....	Monday, 27 March
Despatch/Collection of refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) and wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before (Notes 6 and 7).....	Monday, 27 March

EXPECTED TIMETABLE

Despatch/Collection of Share certificates on or before (*Notes 5 and 6*) Monday, 27 March

Dealings in the Shares on GEM expected to commence on 9:00 a.m. on Tuesday, 28 March

Notes:

1. All times and dates refer to Hong Kong local time and date, except as otherwise stated. Details of the structure of the Hong Kong Public Offering, including its conditions, are set out in the section headed “Structure of the Hong Kong Public Offering” in this prospectus.
2. If there is a “**black**” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 20 March 2017, the application lists will not open and close on that day. For details, please see “How to Apply for Hong Kong Offer Shares — 9. Effect of bad weather on the opening of the application lists” in this prospectus.
3. Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to “How to Apply for Hong Kong Offer Shares — 5. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
4. The Price Determination Date is expected to be on or before Wednesday, 22 March 2017.
5. Share certificates for the Offer Shares are expected to be issued on or before Monday, 27 March 2017 but will only become valid certificates of title at 8:00 a.m. on Tuesday, 28 March 2017 provided that (a) the Hong Kong Public Offering has become unconditional in all respects; and (b) the Underwriting Agreement has not been terminated in accordance with its terms.
6. Applicants for 1,000,000 Hong Kong Offer Shares or more on **WHITE** Application Forms may collect refund cheques (where relevant) and/or Share certificates (where relevant) in person from our Hong Kong Share Registrar, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, 27 March 2017 or any other day that we announce as the date of despatch of Share certificates/refund cheques.

Individuals who opt for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which opt for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar. Applicants for 1,000,000 Hong Kong Offer Shares or more on **YELLOW** Application Forms may collect their refund cheques, if any, in person but may not elect to collect their Share certificates personally, which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participants’ stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant’s own risk to the address specified in the relevant Application Form. For further information, applicants should refer to “How to Apply for Hong Kong Offer Shares — 13. Despatch/Collection of Share Certificates and Refund Monies” in this prospectus.

7. Refund cheques will be despatched in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the maximum Offer Price of HK\$2.30 per Offer Share.

For details of the structure of the Hong Kong Public Offering, including conditions of the Hong Kong Public Offering, applicants should refer to the section headed “Structure of the Hong Kong Public Offering” in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by the Company solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances.

You should rely only on the information contained in this prospectus to make your investment decision. The Company, the Joint Sponsors, the Joint Lead Managers and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made or contained in this prospectus must not be relied on by you as having been authorised by the Company, the Joint Sponsors, the Joint Lead Managers, the Underwriters, any of their respective directors, advisers, officers, employees, agents, affiliates or representatives or any other person involved in the Hong Kong Public Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Shares. There are risks associated with any investment. Some of the particular risks in investing in the Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Shares. Various expressions used in this section are defined or explained in the section headed “Definitions” in this prospectus.

OVERVIEW

The Group principally engages in providing corporate finance advisory services in Hong Kong. Somerley Capital, the indirect wholly-owned subsidiary of the Company, is one of the most active financial advisers, based on certain league table rankings published by Mergermarket and Thomson Reuters for the years 2015 and 2016. During the Track Record Period, the services of the Group mainly included (i) acting as financial adviser to Hong Kong public listed companies, major shareholders and investors of these companies and parties seeking to control or invest in listed companies in Hong Kong (mostly in transactions which involve the Listing Rules, the GEM Listing Rules and/or the Takeovers Code). This includes acting as arranger in connection with the introduction of investors to listed companies in Hong Kong and/or their major shareholders in a takeover transaction; (ii) acting as independent financial adviser to independent board committees and/or independent shareholders of listed companies in Hong Kong; and (iii) acting as compliance adviser, mostly for newly listed companies in Hong Kong.

During the Track Record Period and up to the Latest Practicable Date, the Group had only one operating subsidiary, namely, Somerley Capital. Somerley Capital is a licensed corporation under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. The Group is led by a team of experienced and competent professionals who have established good business relationship with the clients and have solid knowledge and experience in the financial service industry of Hong Kong.

SUMMARY

The following table sets out the breakdown of revenue generated from each of the business segments of the Group during the Track Record Period:

	Year ended 31 March				Six months ended 30 September			
	2015		2016		2015		2016	
	HK\$'000	Approximate %	HK\$'000	Approximate %	HK\$'000	Approximate %	HK\$'000	Approximate %
Fee income from acting as financial adviser	32,347	41.4	24,242	35.7	14,071	44.0	7,390	24.6
Fee income from acting as independent financial adviser	33,921	43.4	31,756	46.7	12,630	39.5	17,274	57.5
Fee income from acting as compliance adviser	11,277	14.4	11,023	16.2	4,907	15.3	5,271	17.6
Others	630	0.8	924	1.4	400	1.2	92	0.3
Total revenue	<u>78,175</u>	<u>100.0</u>	<u>67,945</u>	<u>100.0</u>	<u>32,008</u>	<u>100.0</u>	<u>30,027</u>	<u>100.0</u>

BUSINESS ACTIVITIES

Financial adviser

The Group provides financial advisory services to listed companies and to shareholders of listed companies or offerors in transactions which involve the Listing Rules, the GEM Listing Rules and/or the Takeovers Code (as the case may be). The transactions on which the Group was engaged as financial adviser were principally relating to (1) acquisitions and disposals, (2) takeovers and the Takeovers Code related matters, (3) privatisations, (4) reorganisations and restructurings, and (5) equity fund raisings. The Group acted as financial adviser in and completed 15 and 17 transactions for the years ended 31 March 2015 and 31 March 2016 respectively. During the period from 1 April 2016 to 30 September 2016, the Group acted as financial adviser in and completed 8 transactions. Financial advisory fees are charged on a project-by-project basis.

Independent financial adviser

As independent financial adviser, Somerley Capital is mainly engaged to issue opinion letters and give voting recommendations to the independent board committees and independent shareholders of listed companies. Such letters contain Somerley Capital's assessment on the fairness and reasonableness of the terms of the proposed transactions and providing recommendations as to how independent shareholders should vote on the proposed resolutions at the shareholders' meeting or providing advice to independent securities holders regarding acceptance in general offer situations. Such advice letters are incorporated into the circulars to be sent to shareholders of the clients pursuant to the Listing Rules, the GEM Listing Rules and/or the Takeovers Code (as the case may be). The scope of appointment would often also require the Group to obtain the necessary clearance or approval from the Stock Exchange or the SFC in relation to such advice letters.

SUMMARY

The transactions in which the Group acted as independent financial advisers during the Track Record Period can be categorised into five major types, namely (1) acquisitions and disposals, (2) takeovers and the Takeovers Code related matters, (3) privatisations, (4) reorganisations and restructurings, and (5) equity fund raising. The Group acted as independent financial adviser in and completed 51 and 48 transactions for the years ended 31 March 2015 and 31 March 2016 respectively. During the period from 1 April 2016 to 30 September 2016, the Group acted as independent financial adviser in and completed 23 transactions. Independent financial advisory fees are charged on a project-by-project basis.

Compliance adviser

The Group provides compliance advisory services to clients which are mostly newly listed companies on the Stock Exchange in accordance with the Listing Rules and the GEM Listing Rules (as the case may be). The responsibilities of Somerley Capital as compliance adviser mainly include (i) ensuring that clients are properly guided and advised as to compliance with the Listing Rules and the GEM Listing Rules (as the case may be) and all other applicable laws, rules, codes and guidelines; (ii) discussing with clients on their operating performance and financial condition with reference to the clients' business objective(s) as stated in their respective listing documents; (iii) ensuring clients' compliance with any undertakings provided by the clients and their directors at the time of listing and with the terms and conditions of any waiver granted to the clients by the Stock Exchange; (iv) providing clients with advice and guidance on compliance with the Listing Rules and the GEM Listing Rules (as the case may be) in relation to their regulatory announcements, circulars and financial reports; and (v) providing regular updates on any material changes of or supplements to the Listing Rules and the GEM Listing Rules (as the case may be) to clients' directors and senior management.

For the years ended 31 March 2015 and 31 March 2016, the Group was engaged by 24 and 26 listed companies on the Stock Exchange, respectively as their compliance adviser. During the period from 1 April 2016 to 30 September 2016, the Group was engaged by 19 listed companies on the Stock Exchange as their compliance adviser. The Group generally charges its client a monthly fixed fee for providing compliance advisory services.

SUMMARY

BUSINESS ACTIVITIES

The following table sets out a summary of transactions (acting as financial adviser, independent financial adviser and/or compliance adviser) handled by the Group during the Track Record Period and up to 28 February 2017:

	Year ended 31 March		Six months ended 30 September	From 1 April 2016 up to 28 February 2017
	2015	2016	2016	(Note 2)
	Number	Number	Number	Number
Acting as financial adviser				
— completed during the year/period	15	17	8	16
— ongoing	7	6	9	13
— terminated (Note 1)	7	10	2	3
	29	33	19	32
Acting as independent financial adviser				
— completed during the year/period	51	48	23	51
— ongoing	6	9	12	9
— terminated (Note 1)	3	6	1	4
	60	63	36	64
Acting as compliance adviser				
— completed during the year/period	5	10	6	8
— ongoing	19	16	13	11
	24	26	19	19
Total	113	122	74	115

Subsequent to the Track Record Period and up to the Latest Practicable Date, the Group has participated in one underwriting transaction and has acted as a sponsor for one transaction.

Note 1: During the year/period, several transactions were terminated for a number of reasons, which mainly include (i) the clients decided not to proceed with the transaction; and (ii) the clients failed to obtain relevant regulatory approval to proceed with the transaction

Note 2: Based on the information available to the management of the Group up to 28 February 2017, the estimated revenue for the year ending 31 March 2017 from mandated transactions amounts to approximately HK\$65.2 million. For sake of prudence, the mandated revenue: (i) does not take into account financial advisory mandates with fee income based on a percentage of the total transaction value upon successful completion of the transaction; (ii) does not take into account compliance advisory mandates of the clients which have not yet been listed on the Stock Exchange as at 28 February 2017; and (iii) for compliance advisory mandates, includes monthly fees up to four/three months after the end of the relevant clients' financial year end with reference to compliance with Rule 13.46(1) of the Listing Rules/Rule 18.03 of the GEM Listing Rules (as the case maybe). Prospective investors are advised to exercise caution when interpreting the figure.

SUMMARY

COMPETITIVE STRENGTHS

The Directors believe that the Group enjoys the following competitive strengths:

- Active established participant in the market with wide customer base;
- Experienced teams of professionals;
- Independent shareholding structure;
- Specialised business; and
- Efficient management structure.

Please refer to the paragraph headed “Competitive Strengths” under the section headed “Business” on pages 93 to 94 in this prospectus for further details.

BUSINESS STRATEGIES

The Group is adopting the following strategies to build on the competitive strengths described above:

- Strengthening the Group’s corporate finance teams to maintain high quality corporate finance advisory services to its clients;
- Increasing the Group’s emphasis on IPO activities;
- Development of equity capital markets activities; and
- Expansion of advisory work for distressed companies and as regards resumption of trading.

Please refer to the paragraph headed “Business Strategies” under the section headed “Business” on pages 94 to 95 in this prospectus for further details.

CLIENTS AND SUPPLIERS

The largest client of the Group for each of the financial years ended 31 March 2015 and 31 March 2016 contributed approximately 12.8% and 6.0% respectively of the Group’s revenue. The five largest clients of the Group for each of the financial years ended 31 March 2015 and 2016 in aggregate accounted for approximately 39.0% and 18.7%, respectively of the Group’s revenue. The largest client of the Group for the period from 1 April 2016 to 30 September 2016 contributed approximately 6.5% of the Group’s revenue for that period. The five largest clients of the Group accounted for approximately 25.8% of the Group’s revenue for the same period. Due to the “one-off” nature of many corporate finance transactions, the Group’s largest clients’ contribution to revenue will tend to vary from year to year. For further details about the Group’s top five largest clients, please refer to the paragraph headed “The Group’s top five largest clients” in the section

SUMMARY

headed “Business” on pages 112 to 114 in this prospectus. The Group generally generates new business through referrals from existing clients, professional firms and the personal connections of Directors or employees of the Group.

Due to the nature of its principal business activities, the Group had no major suppliers and carried no inventory during the Track Record Period. The Group incurred introduction expenses to two Independent Third Parties of approximately HK\$0.7 million for the year ended 31 March 2015 and introduction expenses to a director of SIL of approximately HK\$1.6 million and approximately HK\$0.6 million for the year ended 31 March 2016 and the six months ended 30 September 2016, respectively for their introduction of business opportunities to the Group.

FINANCIAL INFORMATION

The following is a summary of the Group’s financial information during the Track Record Period as derived from the Accountant’s Report, the full text of which is set out in Appendix I to this prospectus. This summary should be read in conjunction with the aforesaid Accountant’s Report and the section headed “Financial Information” on pages 171 to 196 of this prospectus.

Combined statements of profit or loss and other comprehensive income

	Year ended 31 March		Six months ended 30 September	
	2015	2016	2015	2016
	HK\$’000	HK\$’000	HK\$’000 (unaudited)	HK\$’000
Revenue	78,175	67,945	32,008	30,027
Other income	3,850	3,626	1,787	1,531
Employee benefits costs	(47,958)	(45,565)	(23,111)	(25,820)
Depreciation for property and equipment	(2,700)	(891)	(789)	(123)
Introduction expenses	(700)	(1,604)	(766)	(608)
Other operating expenses	<u>(8,848)</u>	<u>(12,028)</u>	<u>(4,611)</u>	<u>(9,762)</u>
Profit (loss) before tax	21,819	11,483	4,518	(4,755)
Income tax expense	<u>(3,621)</u>	<u>(2,184)</u>	<u>(786)</u>	<u>(958)</u>
Profit (loss) and total comprehensive income (expenses) for the year/ period attributable to the owners of the Company	<u>18,198</u>	<u>9,299</u>	<u>3,732</u>	<u>(5,713)</u>

SUMMARY

Financial position

	As at 31 March		As at 30 September
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
Net assets	31,126	26,425	25,848
Net current assets	29,799	25,948	25,262
Total assets	51,402	45,314	30,816
Total liabilities	20,276	18,889	4,968

Cash flows

	Year ended 31 March		Six months ended 30 September
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
Operating cash flows before movements in working capital	24,511	13,767	434
Net cash from (used in) operating activities	33,179	152	(6,207)
Net cash used in investing activity	(4,130)	(33)	(300)
Net cash used in financing activity	—	(6,000)	(8,617)
Net increase (decrease) in cash and cash equivalents	29,049	(5,881)	(15,124)
Cash and cash equivalents at the beginning of the year/period	12,713	41,762	35,881
Cash and cash equivalents at the end of the year/period	41,762	35,881	20,757

Key financial ratios

	As at/for the year ended 31 March		As at/for the six months ended 30 September
	2015	2016	2016
	Net profit margin	23.3%	13.7%
Return on equity	58.5%	35.2%	N/A
Return on assets	35.4%	20.5%	N/A
Current ratio	2.5	2.4	6.4
Gearing ratio	0%	0%	0%

SUMMARY

Profit(loss) for the year/period attributable to the owners of the Company and net profit margin

The Group's profit for the year attributable to the owners of the Company was approximately HK\$18.2 million and HK\$9.3 million for the years ended 31 March 2015 and 31 March 2016, respectively. The Group's net profit margin was approximately 23.3% and 13.7% for the years ended 31 March 2015 and 31 March 2016, respectively. The decrease was mainly attributable to (i) the percentage drop in employee benefits cost during the relevant year being less than that in the Group's total revenue; the decrease in the Group's total revenue was mainly a result of no financial advisory transaction of comparable fee amount being recorded in respect of the year ended 31 March 2016 as compared to two significant transactions during the year ended 31 March 2015 in respect of which the Group provided financial advisory service including investor arranger service in relation to the acquisition of an equity interest in a listed company, for which the Group was remunerated on the basis of a percentage of the deal value; (ii) the increase in other operating expenses which was primarily attributable to the recognition of non-recurring listing expenses of approximately HK\$1.2 million and bad debt expenses in respect of trade receivables of approximately HK\$1.3 million during the year ended 31 March 2016; and (iii) the increase in the Group's effective tax rate from approximately 16.5% for the year ended 31 March 2015 to approximately 19.1% for the year ended 31 March 2016 resulted from the aforesaid non-recurring listing expenses being not deductible for tax purpose in Hong Kong during the year.

The Group recorded a profit for the period attributable to the owners of the Company of approximately HK\$3.7 million for the six months ended 30 September 2015 and a loss for the period attributable to the owners of the Company of approximately HK\$5.7 million for the six months ended 30 September 2016. The Group's net profit margin was approximately 11.7% for the six months ended 30 September 2015. Profit margin was not applicable for the six months ended 30 September 2016 as the Group recorded a loss for that period mainly because of (i) the decrease in revenue contributed from acting as financial adviser resulted from the size and scales of the transactions (which the Group acted as financial adviser) for the six months ended 30 September 2016 being not as substantial as those in the six months ended 30 September 2015, which exceeded the increase in revenue contributed from acting as independent financial adviser and compliance adviser for the same period; and (ii) the increase in expenses for the six months ended 30 September 2016, mainly resulted from (a) the recognition of the share-based payment expenses of approximately HK\$5.0 million during the period; and (b) the recognition of non-recurring listing expenses of approximately HK\$4.4 million during the period.

Return on equity

The decrease of the Group's return on equity for the year ended 31 March 2016 was mainly due to the decrease in net profit after tax of approximately HK\$8.9 million, which was partially offset by the net decrease in total equity which mainly resulted from (i) payment of dividends of HK\$6.0 million for the year ended 31 March 2015; and (ii) the declaration of dividends of HK\$8.0 million for the year ended 31 March 2016. Return on equity was not applicable for the six months ended 30 September 2016 as the Group recorded a loss during the period.

SUMMARY

Return on assets

The decrease in the Group's return on assets for the year ended 31 March 2016 was mainly due to the decrease in net profit after tax of approximately HK\$8.9 million which was partially offset by the decrease in total assets due to dividends of HK\$6.0 million declared for the year ended 31 March 2015 and paid during the year ended 31 March 2016. Return on assets was not applicable for the six months ended 30 September 2016 as the Group recorded a loss during the period.

Please refer to the section headed "Financial Information" on pages 171 to 196 in this prospectus for further details of the Group's financial information.

FUTURE PLANS AND USE OF PROCEEDS

The implementation plans and use of proceeds from the Hong Kong Public Offering are set out in the paragraphs headed "Future plans, business objective and strategies" and "Implementation plans" under the section headed "Future Plans and Use of Proceeds" on pages 197 to 204 in this prospectus.

The estimated net proceeds from the Hong Kong Public Offering, assuming a Offer Price of HK\$2.00, being the mid-point of the indicative Offer Price range of HK\$1.70 to HK\$2.30 as stated in this prospectus, are expected to be approximately HK\$54.6 million, after deduction of the professional fees, underwriting commissions and other fees payable by the Group in connection with the Hong Kong Public Offering and the Listing. The Group intends to apply the net proceeds from the Hong Kong Public Offering for the following purposes:

1. approximately HK\$8.8 million (or approximately 16.1% of the net proceeds) to expand its corporate finance advisory business;
2. approximately HK\$23.6 million (or approximately 43.2% of the net proceeds) to develop its equity capital markets business, including approximately HK\$14.8 million for supporting its underwriting business;
3. approximately HK\$7.5 million (or approximately 13.8% of the net proceeds) to enhance the information technology capability of the Group;
4. approximately HK\$10.7 million (or approximately 19.6% of the net proceeds) to expand the office(s) of the Group; and
5. as to the remaining approximately HK\$4.0 million (or approximately 7.3% of the net proceeds) to be applied as the general working capital of the Group.

SUMMARY

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Listing and the Hong Kong Public Offering. Assuming a Offer Price of HK\$2.00 (being the mid-point of the indicative Offer Price range of HK\$1.70 to HK\$2.30), listing expenses to be borne by the Group are estimated to be approximately HK\$15.4 million (excluding the sponsorship fee to Somerley Capital as one of the Joint Sponsors), of which approximately HK\$5.3 million is directly attributable to the issue of the Offer Shares and to be accounted for as a deduction from equity, and approximately HK\$10.1 million is expected to be reflected in the combined statements of profit or loss and other comprehensive income of the Group, with approximately HK\$1.2 million and approximately HK\$4.4 million incurred for the year ended 31 March 2016 and during the period from 1 April 2016 to 30 September 2016 respectively. Approximately HK\$4.5 million are expected to be incurred for the remaining period of the year ending 31 March 2017.

The Directors wish to emphasise that the aforesaid amounts are current estimates for reference only and the final amounts to be recognised in equity and the statement of profit or loss and other comprehensive income for the year ending 31 March 2017 are subject to adjustment due to changes in estimates and assumptions.

SHARE OPTION SCHEMES AND SHARE PURCHASE SCHEME

The Company has conditionally adopted the Share Option Schemes, the major terms of which are set out in the paragraphs headed “1. Pre-IPO Share Option Scheme” and “2. Share Option Scheme” in the section headed “D. Other Information” in Appendix IV on pages IV-14 to IV-39 to this prospectus, respectively.

The number of the Shares which may be allotted and issued pursuant to the options which have been granted under the Pre-IPO Share Option Scheme shall be 12,340,937 Shares, representing approximately 9.14% of the total issued share capital of the Company immediately following the completion of the Capitalisation Issue and Hong Kong Public Offering but excluding any Shares which may be allotted and issued pursuant to the Share Option Schemes.

Share-based payment expenses in relation to the options granted under the Pre-IPO Share Option Scheme to be borne by the Group are estimated to be approximately HK\$4.3 million, of which approximately HK\$2.2 million, HK\$0.8 million, HK\$0.8 million and HK\$0.5 million are expected to be reflected in the combined statements of profit or loss and other comprehensive income of the Group for the years ending 31 March 2017, 31 March 2018, 31 March 2019 and 31 March 2020 respectively.

On 26 April 2016, SGL completed the Share Purchase Scheme to transfer approximately 9.6% of the share capital of Somerley Capital and the Company, respectively, to the SM Transferees.

SUMMARY

Share-based payment expenses in relation to the Share Purchase Scheme borne by the Group were approximately HK\$4.2 million, which is reflected in the combined statements of profit or loss and other comprehensive income of the Group for the period from 1 April 2016 to 30 September 2016.

The Directors wish to emphasise that the aforesaid amounts are current estimates for reference only and the final amounts to be recognised in the statement of profit or loss and other comprehensive income for the future years are subject to adjustment due to changes in estimates and assumptions.

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

Based on the unaudited financial information of the Group, revenue of the Group for the eleven months ended 28 February 2017 recorded decrease as compared to the eleven months ended 29 February 2016. Despite revenue contributed from acting as independent financial adviser increased compared with the corresponding period, the decrease in revenue contributed from acting as financial adviser exceeded the increase in revenue contributed by the abovementioned activities. The decrease in revenue contributed from acting as financial adviser was mainly due to a number of transactions where the Group acts as financial adviser were still yet to complete as at 28 February 2017. In spite of the decrease in revenue generated from acting as financial adviser for the eleven months ended 28 February 2017, the Directors are of the view that the increasing number of listed companies will continue to provide business opportunities for the Group. Meanwhile, the Directors are of the view that potential underwriting engagements will provide additional source of revenue to the Group after the Listing. Subsequent to 31 March 2016 and up to 28 February 2017, the Group completed 16 and 51 transactions as financial adviser and independent financial adviser and was handling 13 and 9 transactions as financial adviser and independent financial adviser, respectively. In addition, the Group acted as the compliance adviser of 11 listed companies in Hong Kong as at 28 February 2017.

Prospective investors should note that based on the information available as at the date of this prospectus, the Directors expect to record a net loss for the year ending 31 March 2017 as the financial performance of the Group for the year ending 31 March 2017 is expected to be materially and adversely affected by (i) the non-recurring expenses in relation to the Listing; and (ii) the share-based payment expenses in relation to the Share Purchase Scheme and the Pre-IPO Share Option Scheme. Prospective investors are specifically warned that given the aforesaid expenses, the Group's financial performance for the year ending 31 March 2017 may not be comparable to that of the previous financial year.

SUMMARY

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Hong Kong Public Offering (without taking into account the Shares which may be allotted and issued upon the exercise of the options which have been granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme), SGL will hold approximately 67.00% of the issued share capital of the Company. SGL is in turn owned as to approximately 57.14%, 20.48%, 12.86% and 9.52% by Mr. Sabine, Mr. Fletcher, Mr. Cheung and Ms. Fong, respectively as at the Latest Practicable Date. SGL, Mr. Sabine, Mr. Fletcher and Mr. Cheung will be the Controlling Shareholders of the Company upon Listing as they are acting in concert in respect of their interests in the Company. Mr. Sabine was the founder of the CF Business and the Non-CF Business and has overseen their development. Please refer to the section headed “Relationship with Controlling Shareholders” on pages 145 to 155 and section headed “Directors, Senior Management and Employees” on pages 127 to 144 in this prospectus for details.

RISK FACTORS

There are risks associated with the investment in the Offer Shares, among which, the relatively material risks are:

- the only operating subsidiary of the Group is Somerley Capital and any material disruptions to the business of Somerley Capital would adversely affect the business, results of operations and financial condition of the Group;
- the revenue of the Group is difficult to predict and may be volatile in a given reporting period;
- project margins may be squeezed;
- withdrawals and terminations of transactions or defaults or delays in payments by clients may have an adverse impact on the Group’s financial performance;
- the Group had recorded net cash used in operating activities for the six months ended 30 September 2016; and
- 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.

The foregoing risks are not the only significant risks relating to the Group. A detailed discussion of the aforesaid and other risks is set out in the section headed “Risk Factors” on pages 29 to 39 in this prospectus.

SUMMARY

DIVIDENDS AND DIVIDEND POLICY

The Directors place a high priority on the payment of dividends to Shareholders as a tangible demonstration of the progress of the Group.

The Group had declared and paid dividends in the amount of HK\$6.0 million and HK\$8.0 million in respect of the years ended 31 March 2015 and 2016, respectively which is in total about half the aggregate profits after tax of the Group for those years. The Board has absolute discretion as to whether to declare any dividend for any year, the amount of dividend and the means of payment. Such discretion is subject to the applicable laws and regulations and may also require the approval of Shareholders. The amount of any dividends to be declared and paid in the future will depend on, among other things, the Group's results of operations and its cash flows and financial condition, and other factors the Directors consider relevant. Subject to these factors, and as a guideline, the Directors expect to pay at least 40% of annual profits after tax to the Shareholders as interim and/or final dividends.

Prospective investors should note that if the reasons set out in the paragraph headed "Recent Development and Material Adverse Change" in this section materialise, the Directors expect no dividend will be declared for the year ending 31 March 2017.

OFFER STATISTICS

All statistics in the table below are based on the assumption that the options granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme are not exercised.

	<u>Based on the Offer Price of HK\$1.70</u>	<u>Based on the Offer Price of HK\$2.30</u>
Market capitalisation ¹	HK\$229.5 million	HK\$310.5 million
Unaudited pro forma adjusted combined net tangible assets per Share ²	HK\$0.56	HK\$0.71

Notes:

1. The calculation of market capitalisation is based on 135,000,000 Shares expected to be in issue upon completion of the Hong Kong Public Offering and the Capitalisation Issue.
2. For the bases and assumption upon which the arrival of the unaudited pro forma adjusted combined net tangible assets per Share, please refer to those set out in the notes in Part A of Appendix II on page II-2 of this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:

“Application Form(s)”	the WHITE Application Form(s) and YELLOW Application Form(s) or, where the context so requires, any of them
“Application Lists”	the application lists for the Hong Kong Public Offering
“Articles” or “Articles of Association”	the amended and restated articles of association of the Company conditionally adopted on 9 March 2017 to take effect on the Listing Date and as amended from time to time, a summary of which is set out in the paragraph headed “2. Articles of Association” in Appendix III to this prospectus
“associates”	has the meaning set out in the GEM Listing Rules
“Audit Committee”	the audit committee of the Board
“Banking Ordinance”	the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Beijing WFOE”	新百利聯華 (北京) 國際諮詢有限公司 (Somerley International (Beijing) Limited*) a WFOE established in the PRC, a wholly owned subsidiary of Jieli Ventures
“Board”	the board of Directors
“BRO”	the Beijing representative office of SIL approved by the China Securities Regulatory Commission
“business day”	a day on which licensed banks in Hong Kong are generally open to the public for normal banking business and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 80,000,000 Shares to be made upon capitalisation of part of the sum standing to the credit of the share premium account of the Company as referred to in the paragraph headed “3. Resolutions in writing of the Shareholders passed on 9 March 2017” under the section headed “A. Further information about the Company” in Appendix IV to this prospectus

DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“CFA Code”	The Corporate Finance Adviser Code of Conduct published by the SFC
“CF Business”	the corporate finance business engaged in by Somerley Capital (or up to 31 December 2013, by SIL, prior to the incorporation of Somerley Capital), details of which are set out in the paragraph headed “Overview” under the section headed “Business” in this prospectus
“Chinese Wall”	an ethical barrier between different divisions of a financial institution to avoid potential conflict of interest
“close associates”	has the same meaning as set out in the GEM Listing Rules or the Listing Rules (as the case may be)
“Companies Law” or “Cayman Companies Law”	the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) in force with effect from 3 March 2014 as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Companies (Winding up and Miscellaneous Provisions) Ordinance”	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company” or “Somerville Capital Holdings”	Somerville Capital Holdings Limited (新百利融資控股有限公司), a company incorporated in the Cayman Islands on 21 April 2016 as an exempted company with limited liability
“Competing Business”	a business which is the same as the business from time to time carried on by the Group including the CF Business and for clarification, shall include: (i) acting as sponsor in applications for listing on the Stock Exchange; and (ii) securities underwriting and placing for companies being listed on the Stock Exchange, or issuers already listed on the Stock Exchange
“connected person(s)”	has the same meaning as set out in the GEM Listing Rules or the Listing Rules (as the case may be)
“connected transaction(s)”	has the same meaning as set out in the GEM Listing Rules or the Listing Rules (as the case may be)
“Controlling Shareholder(s)”	has the same meaning as set out in the GEM Listing Rules and unless the context requires otherwise, collectively refers to SGL, Mr. Sabine, Mr. Fletcher and Mr. Cheung
“Deed of Indemnity”	the deed of indemnity dated 9 March 2017 provided by SGL and Mr. Sabine in favour of the Company (for itself and as trustee for the members of the Group) relating to, among other matters, the tax liabilities of the Group, particulars of which are set out in the paragraph headed “3. Indemnities” under the section headed “D. Other information” in Appendix IV to this prospectus
“Director(s)”	the director(s) of the Company
“Eligible Applicants”	applicants who have made valid applications for the Hong Kong Offer Shares
“Fit and Proper Guidelines”	the Fit and Proper Guidelines published by the SFC in October 2013

DEFINITIONS

“FRR”	the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM (as amended from time to time)
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“GF Securities (Hong Kong) Brokerage”	GF Securities (Hong Kong) Brokerage Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO, acting as one of the Joint Lead Managers for the Hong Kong Public Offering
“Group”	the Company and its subsidiaries or, where the context otherwise requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries and the businesses carried on by them or their predecessors (as the case may be)
“Guidelines on Competence”	the Guidelines on Competence published by the SFC in March 2003
“Haitong International Securities”	Haitong International Securities Company Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 3 (leveraged foreign exchange trading) and Type 4 (advising on securities) regulated activities under the SFO, acting as one of the Joint Lead Managers for the Hong Kong Public Offering
“Halcyon Capital”	Halcyon Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, acting as one of the Joint Sponsors for the Listing
“Halcyon Securities”	Halcyon Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 4 (advising on securities) regulated activities under the SFO, acting as one of the Joint Lead Managers for the Hong Kong Public Offering

DEFINITIONS

“HKEX”	Hong Kong Exchanges and Clearing Limited
“HKFRSs”	Hong Kong Financial Reporting Standards, including Hong Kong Accounting Standards and Interpretations promulgated by the Hong Kong Accounting Standards Board
“HKICPA”	Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants)
“HKMA”	Hong Kong Monetary Authority
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HK\$” and “HK cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Government”	the Government of Hong Kong
“Hong Kong Offer Shares” or “Offer Shares”	35,000,000 new Shares being initially offered by the Company for subscription pursuant to the Hong Kong Public Offering as described in the section headed “Structure of the Hong Kong Public Offering” in this prospectus
“Hong Kong Public Offering”	the offer by the Company of the Hong Kong Offer Shares to the public in Hong Kong for subscription at the Offer Price, on and subject to the terms and conditions set out in this prospectus and the Application Forms, as further described in the section headed “Structure of the Hong Kong Public Offering” in this prospectus
“Hong Kong Share Registrar”	Union Registrars Limited, the Hong Kong branch share registrar and transfer office of the Company
“HSI”	Hang Seng Index

DEFINITIONS

“Independent Third Party(ies)”	an individual(s) or a company(ies) who is/are or which is/are not connected with (within the meaning of the GEM Listing Rules) any Directors, chief executive or substantial shareholders (within the meaning of the GEM Listing Rules) of the Company or any of its subsidiaries or any of their respective associates and not connected person(s) of the Company
“Internal Control Guidelines”	the Management, Supervision and Internal Control Guidelines for Persons Licensed by or Registered with the SFC published by the SFC under section 399 of the SFO
“IPO”	initial public offering and listing of shares of companies on the Stock Exchange
“JFIU”	the Joint Financial Intelligence Unit
“Jieli Ventures”	Jieli Ventures Limited, a company incorporated in BVI on 1 June 2006, the issued share capital of which was directly wholly-owned by SIL during the Track Record Period
“Joint Lead Managers”	GF Securities (Hong Kong) Brokerage, Halcyon Securities and Haitong International Securities
“Joint Sponsors”	Somerley Capital and Halcyon Capital, the joint sponsors to the Company in respect of the Listing
“Latest Practicable Date”	9 March 2017, being the latest practicable date for ascertaining certain information contained in this prospectus prior to the printing of this prospectus
“Licensed Representative(s)”	an individual who is granted a license under section 120(1) or 121(1) of the SFO to carry on one or more regulated activities for Somerley Capital
“Licensing Information Booklet”	the Licensing Information Booklet (April 2013) published by the SFC
“Listing”	the listing of the Shares on GEM
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date on which the Shares are first listed and from which dealings are permitted to take place on GEM

DEFINITIONS

“Listing Division”	the listing division of the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“M&A”	merger(s) and acquisition(s)
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) and which stock market continues to be operated by the Stock Exchange in parallel with GEM and which, for the avoidance of doubt, excludes GEM
“Master Service Agreement”	a master service agreement dated 9 March 2017 entered into among Somerley Capital and SGL, in connection with the provision of administrative and business support services by Somerley Capital to SGL
“Memorandum” or “Memorandum of Association”	the memorandum of association of the Company adopted upon the incorporation of the Company on 21 April 2016 (as amended from time to time), a summary of which is set out in the paragraph headed “1. Memorandum of Association” in Appendix III of this prospectus
“Mr. Adams”	Mr. ADAMS Michael Geoffrey William, a director of the Shanghai WFOE
“Mr. Cheng”	Mr. CHENG Yuk Wo, an independent non-executive Director
“Mr. Cheung”	Mr. CHEUNG Tei Sing Jamie, an executive Director, a director and a shareholder of SGL and a Controlling Shareholder
“Mr. Chow”	Mr. CHOW Wai Hung Kenneth, an executive Director
“Mr. Fletcher”	Mr. FLETCHER John Wilfred Sword, a director and a shareholder of SGL and a Controlling Shareholder
“Mr. Higgs”	Mr. HIGGS Jeremy James, an independent non-executive Director
“Mr. Sabine”	Mr. SABINE Martin Nevil, the founder of the Group, the chairman of the Company, an executive Director, a director and a shareholder of SGL and a Controlling Shareholder

DEFINITIONS

“Mr. Yuen”	Mr. YUEN Kam Tim Francis, an independent non-executive Director
“Ms. Fong”	Ms. FONG Sau Man Cecilia, a director and a shareholder of SGL
“New Sponsor Regime”	the new sponsor regime implemented by the SFC since the Consultation Conclusions on the regulation of IPO Sponsors published on 12 December 2012
“Nomination Committee”	the nomination committee of the Board
“Non-CF Business”	the business engaged in by SIL Group, details of which are set out in the paragraph headed “Background” under the section headed “History and Development” in this prospectus
“Non-competition Undertaking”	the amended and restated deed of non-competition dated 9 March 2017 and executed by the Controlling Shareholders as covenantors in favour of the Company (for itself and on behalf of its subsidiaries) which amends, restates and supersedes the Original Non-competition Undertaking, particulars of which are set out in the paragraph headed “Non-competition Undertaking” under the section headed “Relationship with Controlling Shareholders” of this prospectus
“Offer Price Range”	HK\$1.70 to HK\$2.30 per Offer Share
“Offer Price”	the final offer price per Offer Share (exclusive of any brokerage fee, SFC transaction levy and Stock Exchange trading fee), which will not be more than HK\$2.30 per Offer Share and expected to be not less than HK\$1.70 per Offer Share, such price to be fixed on or before the Price Determination Date
“Office Sharing Agreement”	the office sharing agreement dated 9 March 2017 entered into among SGL, Somerley Capital and the Company in respect to the sharing of occupation of an office
“Original Non-competition Undertaking”	the deed of non-competition dated 31 May 2016 and executed by Mr. Sabine, Mr. Fletcher and Mr. Cheung as covenantors in favour of the Company (for itself and on behalf of its subsidiaries) which was subsequently amended, restated and superseded by the Non-competition Undertaking

DEFINITIONS

“Original Office Sharing Agreement”	the office sharing agreement, which is expected to be entered into among SIL, Somerley Capital and the Company prior to completion for the SIL Disposal Agreement or the Listing (whichever is earlier) for the purpose of ratifying the sharing of occupation of an office originally intended to last for the term from 1 July 2015 to 30 June 2018, and which has been lapsed on 1 November 2016
“PRC” or “China”	the People’s Republic of China which shall, for the purpose of this prospectus, exclude Hong Kong, Macau and Taiwan
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of the Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance
“Pre-IPO Share Option Scheme”	the existing share option scheme conditionally approved and adopted by the Company on 11 May 2016, the principal terms of which are summarised in the paragraph headed “1. Pre-IPO Share Option Scheme” under the section headed “D. Other Information” in Appendix IV to this prospectus
“Price Determination Date”	the date on which the Offer Price will be fixed for the purposes of the Hong Kong Public Offering expected to be on or before Wednesday, 22 March 2017 (or such later date as agreed between Halcyon Securities and the Company)
“Principal”	a responsible officer or an executive officer appointed by the listing sponsor to be in charge of the supervision of the team appointed to carry out a listing assignment
“regulated activities”	regulated activities as defined under the SFO
“REIT”	real estate investment trust
“Remuneration Committee”	the remuneration committee of the Board
“Reorganisation”	the corporate reorganisation of the Group in preparation for the Listing, details of which are set out in the paragraph headed “Reorganisation” under the section headed “History and Development” of this prospectus
“Responsible Officer(s)”	Licensed Representative(s) who is also a responsible officer under section 126 of the SFO to supervise one or more regulated activities of Somerley Capital

DEFINITIONS

“RMB”	Renminbi, the lawful currency of the PRC
“RTO”	reverse takeover, as referred to the Listing Rules and the GEM Listing Rules (as the case may be)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFC Code of Conduct”	the Code of Conduct for Persons Licensed by or Registered with the SFC issued by the SFC from time to time
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SGL Shareholders”	Mr. Sabine, Mr. Fletcher, Mr. Cheung and Ms. Fong
“Shanghai WFOE”	樂瑪利投資諮詢(上海)有限公司 (Somerley Investment Consulting (Shanghai) Limited*) a WFOE established in the PRC, a wholly owned subsidiary of Jieli Ventures
“Share Incentive Plan”	the Share Purchase Scheme and the Share Option Schemes
“Share Option Scheme”	the share option scheme conditionally approved and adopted by the Company on 9 March 2017, the principal terms of which are summarised in the paragraph headed “2. Share Option Scheme” under the section headed “D. Other Information” in Appendix IV to this prospectus
“Share Option Schemes”	the Pre-IPO Share Option Scheme and the Share Option Scheme
“Share Purchase Scheme”	the transfer of certain shares of Somerley Capital and the Company by SGL to the SM Transferees (details of which are set out in the paragraph headed “Reorganisation” in the section headed “History and Development” in this prospectus)
“Share(s)”	ordinary share(s) with par value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)

DEFINITIONS

“SIL”	Somerley International Limited (formerly known as Somerley Limited), a company incorporated in Hong Kong with limited liability on 7 October 1983, a licensed corporation under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities, which was a direct wholly-owned subsidiary of SGL
“SIL Disposal Agreement”	the sale and purchase agreement entered into between SGL and an Independent Third Party dated 29 November 2016 (as supplemented by the extension letters dated 19 January 2017 and 24 February 2017) in relation to the disposal of the entire issued share capital of SIL by SGL
“SIL Group”	SIL and its subsidiaries
“SM Transferees”	collectively, (i) Ms. Leung Lim Ng Jenny, Ms. Tam Sze Ka, Mr. Ching David, Mr. Cheng Yat Wai, Mr. Wong C-Tsun, Ms. Chow Chung Yan Stephanie and Mr. Chow, each a Responsible Officer; and (ii) Mr. Cheung
“Somerley BVI”	Somerley (BVI) Limited, a company incorporated in BVI on 22 April 2016, the issued share capital of which is directly wholly-owned by the Company
“Somerley Capital”	Somerley Capital Limited, a company incorporated in Hong Kong with limited liability on 3 January 2013, a licensed corporation under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities and an indirect wholly-owned subsidiary of the Company, acting as one of the Joint Sponsors for the Listing
“Somerley Group Limited” or “SGL”	Somerley Group Limited, a company incorporated in Hong Kong with limited liability on 20 October 2005 which is a Controlling Shareholder of the Company, the entire issued share capital of which is collectively owned by Mr. Sabine, Mr. Fletcher, Mr. Cheung and Ms. Fong
“Sponsor Guidelines”	the Sponsor Guidelines (Appendix I to the Fit and Proper Guidelines) published by the SFC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“substantial shareholder(s)”	has the meaning set out in the GEM Listing Rules or the Listing Rules (as the case may be)
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC as amended, supplemented or otherwise modified from time to time
“Takeovers Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Takeovers Panel”	a committee of the SFC established under section 8(1) of the SFO as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the financial period comprising the financial years ended 31 March 2015 and 31 March 2016 and the six months period from 1 April 2016 to 30 September 2016
“Underwriters”	the underwriters of the Hong Kong Public Offering named in the paragraph headed “Underwriters” in the section headed “Underwriting” in this prospectus
“Underwriting Agreement”	the conditional underwriting agreement dated 14 March 2017 and entered into between, among others, the Company, the executive Directors, the Joint Sponsors, the Joint Lead Managers and the Underwriters, particulars of which are set out in the section headed “Underwriting” in this prospectus
“United Kingdom” or “U.K.”	the United Kingdom
“United States” or “U.S.”	the United States of America
“US\$” or “U.S. dollars”	U.S. dollars, the lawful currency of U.S.
“VSA”	very substantial acquisition, as referred to the Listing Rules and the GEM Listing Rules (as the case may be)
“VSD”	very substantial disposal, as referred to the Listing Rules and the GEM Listing Rules (as the case may be)
“WFOE”	wholly foreign-owned enterprise
“WHITE Application Form(s)”	the form(s) of application for the Offer Shares for use by the public who require such Offer Shares to be issued in the applicants’ own name

DEFINITIONS

“YELLOW Application Form(s)” the form(s) of application for the Offer Shares for use by the public who require such Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS

“%” per cent.

In this prospectus, if there is any inconsistency between the Chinese names of the entities, authorities, organisations, institutions or enterprises established in the PRC or awards and certificates given in the PRC and their English translations, the Chinese language version shall prevail. The English translation of company names in Chinese which are marked with “” is for identification purposes only.*

Unless otherwise specified, all references to any shareholding in the Company in this prospectus assumes no allotment or issue of any Shares upon the exercise of any options which have been granted under the Pre-IPO Share Option Scheme or any options which may be granted under the Share Option Scheme.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures in such tables.

Unless otherwise specified, all times refer to Hong Kong time and reference to years in this prospectus are to calendar years.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding the Group's future financial position, the Group's strategy, plans, objectives, goals and targets, future developments in the markets where the Group participates or is seeking to participate, and any statements preceded by, followed by or that include the words "believe", "expect", "aim", "intend", "project", "will", "may", "plan", "consider", "anticipate", "seek", "should", "would", "could" or similar expressions or the negative of these words or other similar expressions or statements, are forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond the Group's control, which may cause actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

These forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate. Important factors that could cause the Group's actual performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- future developments, trends and conditions in the industry and markets in which the Group operates;
- regulations and restrictions that may affect the industry in which the Group operates;
- general political and economic conditions in Hong Kong, the PRC and overseas;
- exchange rate fluctuations;
- macroeconomic measures taken by the Hong Kong and/or the PRC governments to manage economic growth;
- competition for business and the actions and development of the Group's competitors;
- financial condition and performance of the Group;
- the Group's dividend policy;
- changes to the Group's expansion plans and the use of net proceeds of the Listing;
- realisation of the benefits of the Group's future plans and strategies; and
- other factors beyond the Group's control.

The Group believes that the sources of information and assumptions contained in such forward-looking statements are appropriate for such statements and the Group has taken reasonable care in extracting and reproducing such information and assumptions. The Group has no reason to

FORWARD-LOOKING STATEMENTS

believe that information and assumptions contained in such forward-looking statements are false or misleading or that any fact has been omitted that would render such forward-looking statements false or misleading in any material respect.

The information and assumptions contained in the forward-looking statements have not been independently verified by the Group, the Controlling Shareholders, the Joint Sponsors, the Underwriters, any other party involved in the Hong Kong Public Offering or their respective directors, officers, employees, advisers or agents, and no representation is given as to the accuracy or completeness of such information or assumptions on which the forward-looking statements are made. Additional factors that could cause actual performance or achievements of the Group to differ materially include, but are not limited to, those discussed under the section headed “Risk Factors” and elsewhere in this prospectus.

These forward-looking statements are based on current plans and estimates, and apply only as of the date they are made. The Group undertakes no obligation to update or revise any forward-looking statements in light of new information, future events or otherwise. Forward-looking statements involve inherent risks, and uncertainties and are subject to assumptions, some of which are beyond the Group’s control. The Group cautions potential investors that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statement. Accordingly, prospective investors should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified with reference to cautionary statements set out in this section.

In this prospectus, statement of or references to the Group’s intentions or those of any of the Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

RISK FACTORS

Potential investors in the Offer Shares should carefully consider all of the information set out in this prospectus and, in particular, the risk factors set out below before making any investment decision in relation to the Company. The business, financial position and operating results of the Group could be materially and adversely affected by any of these risks. The trading price of the Shares could decline due to any of these risks and potential investors may lose all or part of their investment.

RISKS RELATING TO THE BUSINESS AND OPERATIONS OF THE GROUP

The only operating subsidiary of the Group is Somerley Capital and any material disruptions to the business of Somerley Capital would adversely affect the business, results of operations and financial condition of the Group

The operations of Somerley Capital are subject to uncertainties and contingencies beyond its control which could result in material disruptions of its operations. These may include enforcement actions from regulators, failures in internal controls, failure to retain key management personnel, equipment failures or other operational matters beyond the control of the Group. During the Track Record Period and up to the Latest Practicable Date, all the operations and corporate finance projects of the Group were handled by Somerley Capital. Consequently, if there is any disruption to its business due to the above incidents or other matters which cannot be remedied in a timely and proper manner, the operations of the Group could be materially and adversely affected. Any such disruption to the operations may reduce, suspend or terminate the Group's corporate finance projects, adversely affect the business reputation of the Group and/or increase costs to be incurred by the Group.

The revenue of the Group is difficult to predict and may be volatile in a given reporting period

The revenue of Somerley Capital is primarily generated from mandates negotiated on a project-by-project basis. Depending on the size of transactions, complexity of deal structures and scope of services to be provided, the amount of fees and other income from mandates varies from project to project and may not recur. The terms and conditions of each mandate, including its payment schedule, may vary in each case after negotiation with clients and by reference to market conditions. In these circumstances, there is no assurance that Somerley Capital will be able to secure future mandates which will generate the same level of fee revenue as previously earned. The revenue and profitability of the Group may therefore fluctuate significantly.

Project margins may be squeezed

Payment of fees by clients is usually made after certain milestones of a project have been achieved and is not usually directly based on the costs incurred by Somerley Capital, which are principally employment costs. If milestones cannot be met after a substantial amount of execution

RISK FACTORS

time or costs have been expended, or if Somerley Capital is unable to secure mandates with cost coverage commensurate with the work done, its profitability may be materially and adversely affected.

Withdrawals and terminations of transactions or defaults or delays in payments by clients may have an adverse impact on the Group's financial performance

The payment terms of mandates normally involve an initial retainer fee and progress payments based on milestones achieved. If a client decides to withdraw a transaction before completion, the initial retainer fee or the milestone payments may not cover costs incurred. Payments from clients are due upon presentation of invoices but clients may still seek discounts or delay settling invoices, or not settle them at all. For the years ended 31 March 2015 and 31 March 2016, the Group recorded bad debt expenses in respect of trade receivables of nil and approximately HK\$1.3 million, respectively. No bad debt expenses were recorded during the period from 1 April 2016 to 30 September 2016. Delay in receiving payments from or non-payment by the clients may adversely affect the Group's cash flow position and its ability to meet the working capital requirement. In addition, defaults in making payment to the Group on projects for which the Group has already incurred significant costs and expenditures can materially and adversely affect the Group's results of operations.

The Group had recorded net cash used in operating activities for the six months ended 30 September 2016

The Group recorded net cash used in operating activities of approximately HK\$6.2 million for the six months ended 30 September 2016. For further information, please refer to the section headed "Financial Information — Liquidity and capital resources" in this prospectus. The Group cannot assure that it will not experience net cash used in operating activities following the Listing. In the event that the Group is unable to generate sufficient cash flow from operation to finance its future development, the performance and prospects of the Group as well as its ability to implement its business plans will be adversely affected.

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

The success of Somerley Capital depends on its ability to motivate and retain key management and other personnel and to attract and train suitable replacements. Mr. Sabine is the chairman of Board and executive Director of the Group and the founder of the CF Business. Together with Mr. Cheung and Mr. Chow, the executive Directors, and the directors of Somerley Capital as disclosed in the sectioned headed "Directors, Senior Management and Employees" in this prospectus (except for the independent non-executive Directors), they maintain close relationships with the Group's principal clients and play significant roles in the Group's day-to-day operations. If any of the aforesaid key management personnel of the Group are unwilling or become unable to continue their services, the Group may not be able to replace them adequately, in a proper and timely manner or at all, which would have a material adverse effect on operations.

RISK FACTORS

The Group will be exposed to risks from equity capital markets business in case the securities underwritten by the Group are undersubscribed or the placing exercises fail to complete

The Group intends to apply approximately HK\$23.6 million (or approximately 43.2% of the net proceeds of the Hong Kong Public Offering, assuming a Offer Price of HK\$2.00 (being the mid-point of the indicative Offer Price range of HK\$1.70 to HK\$2.30 as stated in this prospectus)) to develop its equity capital markets business, including an amount of approximately HK\$14.8 million for supporting its underwriting business.

The Group has made proposals for underwriting securities to be listed on the Stock Exchange but was not in a financial position to push strongly and no fee was generated from such activities during the Track Record Period. Subsequently up to the Latest Practicable Date, the Group has participated in one underwriting transaction.

Depending on the terms of the particular underwriting or placing agreements, underwriting and placing service is conducted on a fully underwritten basis or on a best efforts basis.

If the securities fully underwritten by the Group are undersubscribed and the Group fails to procure subscribers to take up all of the undersubscribed securities, the Group is required to purchase all of the undersubscribed portion for its own account, which would materially and adversely affect the liquidity of the Group. The financial position of the Group would also be adversely affected if the underwritten securities so taken up by the Group becomes illiquid and/or their market value drops.

In the case of placing of securities on a best efforts basis, if the securities are undersubscribed or if market conditions become volatile, the placing may not be completed in full or may be cancelled. The commission of the Group from such placing engagements may be reduced or in the worst case the Group may have no commission at all.

Moreover, the placing and underwriting commission generated by the Group is directly related to the number of placing and underwriting exercises secured and completed by the Group and their fund raising sizes. The Directors consider that the Group's placing and underwriting business is subject to various external factors which are beyond the Group's control, including the number and the size of IPOs in the market, and the level of activity in the secondary market for fund-raising exercises under the then prevailing financial market environment. There is no assurance that the performance of the Group's equity capital market business will not be affected by such external factors.

The use of trademark is subject to the trademark usage agreement and such non-exclusive trademark may be adversely affected by acts of SGL

Currently, the Group is using the trademark  SOMERLEY in connection with its CF Business. The trademark  SOMERLEY is in the process of being assigned to SGL by SIL and registered under the name of SGL in Hong Kong and the PRC. Pursuant to the trademark usage agreement entered

RISK FACTORS

into between the Company and SGL on 9 March 2017, SGL granted a non-exclusive licence to the Group to use the trademark in Hong Kong for HK\$1 per annum commencing from the date of the trademark usage agreement for an indefinite period (subject to the termination clause therein).

Nevertheless, in accordance with the trademark usage agreement, SGL may, in the event the Company breaches the terms of the trademark usage agreement in any material respect, terminate the trademark usage agreement by giving notice of such termination in writing with immediate effect upon receipt of such written notice. If the existing trademark usage arrangement was terminated and the Group failed to enter into new arrangements with SGL in respect of the  SOMERLEY mark, the Group would lose its rights to use the  SOMERLEY brand name and  SOMERLEY trademarks. In these circumstances this would cause severe disruption to the Group's business and have an adverse effect on its business, recognition, financial condition and results of operations.

In addition, in the event that there was any adverse publicity in relation to the licensed trademark or any litigation claims are brought against SGL, notwithstanding they may be irrelevant to the Group's business and operations, the Group's image and reputation may be adversely affected.

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

The Group is subject to a number of obligations and standards arising from the Group's business and operates in an industry where its reputation for integrity and retaining the confidence of clients and regulators are of the utmost importance. Misconduct by an employee could include improper use or disclosure of confidential information, engaging in insider dealing or fraudulent acts, or otherwise not complying with applicable laws or regulations or the internal control procedures of the Group. During the Track Record Period and up to the Latest Practicable Date, as far as the Directors are aware, there has not been any disciplinary action by regulators against any Directors or Responsible Officers, Licensed Representatives or staff. Nevertheless, there is no assurance that there will not be incidents of employee misconduct in the future. It is not always possible to detect or deter employee misconduct, and the precautions the Group takes to detect and prevent such activity may not be effective in all cases. Regulators may investigate or take disciplinary action against the Group in respect of such employee misconduct. Clients may also take legal action against the Group. This could have a material adverse effect on the Group's reputation, financial position and current and future business relationships with clients.

Potential exposure to professional liability and litigation

The services provided by Somerley Capital involve providing professional advice to its clients. A client who suffers loss resulting from reliance on the advice given by Somerley Capital may have a legal cause of action against Somerley Capital and/or the Directors and employees for damage and/or compensation and/or other relief.

RISK FACTORS

Somerley Capital has adopted a series of internal control measures in order to mitigate the risks arising from professional negligence or employee misconduct, details of which are set out in the paragraph headed “Internal Control” under the section headed “Business” in this prospectus. However, there is no assurance that these measures can completely eliminate the risks of professional negligence and/or employee misconduct.

Any possible claims or lawsuits against the Group arising from professional negligence and/or employee misconduct could have a material adverse effect on the Group’s business, reputation, prospects, results of operations and financial condition.

Future business plans may or may not materialise or may not materialise in full

The success of the Group depends on, among other things, the proper and timely execution of its future business plans. The Group’s future business plans as set out in the section headed “Future Plans and Use of Proceeds” of this prospectus are based on existing intentions and some are based on assumptions which may or may not prove accurate. There is no assurance that the future business plans of the Group will materialise or that the objectives of the Group will be accomplished. Accordingly, the Group’s business, operations, prospects, results of operations and financial conditions may be materially and adversely affected if any or all of the future plans are not carried out in the manner set out in the section headed “Future Plans and Use of Proceeds” of this prospectus.

The Group’s internal control system may be subject to failures and limitations

In order to record, process, summarise and report financial and other data in an accurate and timely manner, and to monitor and ensure compliance with the licencing and regulatory requirements under the SFO and other applicable laws or regulations in relation to the operations of the Group including anti-money laundering and counter-terrorist financing activities, an internal control system has been established and maintained by the Group. There is no assurance that the internal control system in place will prove at all times adequate and effective to deal with all the possible risks given the fast changing financial and regulatory environment in which the Group operates. There is no assurance that the Group will always be able to identify transactions with respect to anti-money laundering and counter-terrorist financing activities. Failure to detect or prevent such transactions may result in sanctions on the Group by regulatory authorities. Furthermore, no matter how sophisticated in design, internal control systems may still contain inherent limitations caused by misjudgment or fault of the Directors, senior management and/or staff. Any deficiencies in the internal control system may fail to prevent or address all potential risks, and as a result the Group’s business, prospects, results of operations and financial condition may be materially and adversely affected.

The Group may experience failure in or disruption to its computer systems and data storage

The Group maintains a computer network for data storage, and internal and external communication, and backs up its data storage regularly. The computer server is located in the Group’s premises while storage company has been engaged to store data tape backup separately.

RISK FACTORS

The computer system used by the Group may be vulnerable to attack by computer viruses, hackers or other disruptive actions. Any failure in protecting the computer network system from disruptive problems may result in a breakdown of the computer network system and/or a leakage of confidential information about the Group or its clients. The Group does not take out any insurance to protect the Group from such risks. Accordingly, damage to the computer system and data base may cause an interruption to the business of the Group and materially and adversely affect the business, prospects, results of operations and financial condition of the Group.

The financial performance of the Group for the year ending 31 March 2017 is expected to be adversely affected by expenses incurred in connection with the Listing

The total listing expenses borne by the Group in connection with the Listing are estimated to be approximately HK\$15.4 million (based on the midpoint of the indicative Offer Price range and excluding the sponsorship fee to Somerley Capital as one of the Joint Sponsors). The Group incurred expenses relating to the Listing during the year ended 31 March 2016 in the amount of approximately HK\$1.7 million, of which approximately HK\$0.5 million was recorded as prepayment as at 31 March 2016 and approximately HK\$1.2 million was charged to the combined statement of profit or loss and other comprehensive income of the Group for the year ended 31 March 2016. The Company expects that out of the remaining approximately HK\$13.7 million fees and expenses of the Listing, approximately HK\$8.9 million, will be charged to the statement of profit or loss and other comprehensive income of the Group for the year ending 31 March 2017 and approximately HK\$4.8 million will be accounted for as a deduction from equity after the Listing under the relevant accounting standards. Approximately HK\$4.4 million of listing expenses was recognised in the combined statement of profit or loss and other comprehensive income during the period from 1 April 2016 to 30 September 2016.

The Directors wish to emphasise that the aforesaid amounts are current estimates for reference only and the final amounts to be recognised in the statement of profit or loss and other comprehensive income for the year ending 31 March 2017 are subject to adjustment due to changes in estimates and assumptions.

Accordingly, the financial performance of the Group for the year ending 31 March 2017 is expected to be materially and adversely affected by the aforesaid listing expenses, and the financial performance of the Group for the year ending 31 March 2017 may not be comparable to that for the year ended 31 March 2016.

RISKS RELATING TO THE INDUSTRY IN WHICH THE GROUP OPERATES

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

Somerley Capital is licensed by the SFC in Hong Kong, and is 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 (Financial Institutions) Ordinance (Cap 615 of the Laws of Hong Kong). Certain provisions of the Listing Rules, the GEM Listing Rules and the

RISK FACTORS

Takeovers Code may also affect its operations. Further details of the regulatory environment in which the Group operates are set out in the section headed “Regulatory Overview” of this prospectus.

The Hong Kong regulatory regime for the financial services industry changes from time to time. It is possible that changes or adverse outcomes of regulatory reviews would restrict the range of services the Group is able to offer or the fees the Group is able to charge. It could also increase the costs of the Group to maintain regulatory compliance.

Failure to comply with the applicable laws, rules and regulations may result in fines, injunctive orders, deregistration and other penalties, as well as adverse reputational risk, including negative publicity or perception. In extreme cases, the Group may be hampered or prevented from conducting business in a normal manner and some or all of the Group’s licences may be suspended or revoked. Withdrawal, amendment, revocation or cancellation of any regulatory approval in respect of any part of the Group’s activities could cause the Group to cease conducting a particular regulated activity or change the way in which it is conducted.

Pursuant to licensing requirements of the SFO, Somerley Capital must at all times maintain at least two Responsible Officers for each of its regulated activities. As at the Latest Practicable Date, Somerley Capital had five and nine Responsible Officers for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities respectively. In addition, Somerley Capital must maintain at least two Principals at all times in order to maintain eligibility to act as a sponsor for IPOs and/or as compliance adviser. As at the Latest Practicable Date, Somerley Capital had three Principals. If certain of these Responsible Officers and/or Principals resign, become disqualified or otherwise ineligible to continue to act as responsible officers of Somerley Capital without timely and adequate replacement, the Group’s licensed corporation status to carry out regulated activities may be materially affected. Without an adequate number of Principals, the Group may not be permitted to undertake work as a sponsor for IPOs and/or as a compliance adviser.

The above factors could result in substantial costs, and diversion of resources and management’s attention from the day-to-day management of the Group’s business and affect results of operations and the Group’s financial condition.

During the Track Record Period and up to the Latest Practicable Date, no member of the Group has been the subject of any regulatory disciplinary action, and as far as the Directors are aware, there is no ongoing investigation against any member of the Group or any of the Directors, senior management, Responsible Officers, Licensed Representatives and/or staff. Nevertheless, there can be no assurance that there will not be any investigation conducted as regards any of them in the future.

RISK FACTORS

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

According to information published by the SFC, as at 31 December 2016, there were 288 licensed corporations and 33 registered institutions for Type 6 (advising on corporate finance) regulated activity. New participants may enter the corporate finance industry provided that they have engaged professionals with the appropriate qualifications and skills and have obtained the requisite regulatory licences. Somerley Capital competes with its peers on a number of aspects, including (i) the quality and scope of services provided to clients; (ii) market reputation and standing; and (iii) pricing. The financial services industry operates in a fast-changing business environment. The Directors expect that competition in corporate finance industry will continue to be intense.

The Group competes both against larger competitors who may have more human and financial resources, greater brand recognition and/or who may offer a wider range of services and against smaller competitors who may quote lower fees. There is no assurance that the Group will be able to retain existing clients and/or to gain new ones. Competition may result in pressure on fee income, profit margin and market share and staff may be “poached” by competitors.

Conditions in the Hong Kong securities markets may reduce the level of corporate finance activity which would in turn materially and adversely affect the Group’s business, prospects, results of operations and financial condition

The number of active corporate finance projects is influenced by the level and activity of the financial markets of Hong Kong. The Hong Kong financial markets are in turn subject to various factors including global and local political, economic and social conditions. Severe fluctuations in market and economic sentiment tend to reduce the level of market activity in a particular period owing to loss of confidence, difficulties in raising finance or unwillingness to make decisions on the part of market participants which in turn can materially and adversely affect the Group’s business, prospects, results of operations and financial condition.

RISKS RELATING TO MACROECONOMIC AND POLITICAL CONDITIONS

General macroeconomic conditions, particularly in Hong Kong and the PRC, may materially and adversely affect the Group’s business, prospects, results of operations and financial condition

The Group’s business and operations are currently based in Hong Kong and the businesses of the majority of its clients are directly affected by the overall performance of the economy of Hong Kong and the PRC. As an open economy, Hong Kong’s domestic economy is influenced by the global economy and the PRC economy is also becoming more open. Certain Hong Kong based investors participate in the PRC’s economic growth through shareholdings in Hong Kong listed companies, including clients of the Group. Equally, PRC based companies and investors are increasingly seeking to carry out transactions through and/or with Hong Kong listed companies. The global, PRC and Hong Kong economies are affected by, among other things, legal and

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regulatory changes, political conditions in global markets, global levels of liquidity and risk aversion, currency and interest rate fluctuations, concerns about natural disasters, terrorism and war, the level and volatility of interest rates and foreign currency exchange rates, concerns over inflation, and changes in investor confidence levels. All of these factors are beyond the control of the Group. If any of the above factors changes unfavorably, the Group's business, prospects, results of operations and financial condition may be materially and adversely affected.

A material adverse change in the stability of political conditions in Hong Kong may materially and adversely affect the Group's business, prospects, results of operations and financial condition

As a special administrative region of the PRC, Hong Kong has been given a high degree of autonomy and enjoys executive, legislative and independent judicial power, including that of final adjudication under the principle of "one country, two systems" in accordance with the basic policies of the PRC regarding Hong Kong embodied in the Basic Law of Hong Kong. This is an important advantage for Hong Kong-based businesses such as the Group. In the Track Record Period, political movements and protests have occurred which may place this system under strain. Any material adverse change in the stability of political conditions in Hong Kong may jeopardise the Group's business, prospects, results of operations and make Hong Kong a less attractive place to live and work. The Group's financial condition may be materially and adversely affected in such circumstances.

RISKS RELATING TO THE HONG KONG PUBLIC OFFERING

There has been no public market for the Shares prior to the Listing and therefore the market price and trading volume of the Shares following the Listing may be volatile

The Offer Price will be the result of negotiations between Halcyon Securities (for itself and on behalf of the Underwriters) and the Company. The Offer Price may be lower or higher than the market price after the commencement of trading of the Shares on the Stock Exchange. Following the Listing, it is possible that the Share price will fluctuate and may not always accurately reflect the underlying value of the Group's business. The value of the Shares may fluctuate and investors may realise less or more than the original sum invested. The price that investors may realise for their holdings in the Company may be influenced by a large number of factors including but not limited to investor perceptions of the Group and its future plans and prospects, variations in the operating results of the Group, changes in the Group's key and senior management, and general political and economic conditions and other factors.

There has been no public market for the Shares prior to the Listing. It is uncertain at present what level of interest will be attracted from investors and accordingly what level of trading volume in the Shares can be expected.

RISK FACTORS

Shareholders' equity interests may be diluted if the Company issues more Shares in the future

The Group may decide to raise additional funds in future to finance the future expansion of, or new developments relating to, its existing operations or new acquisitions. After six months from the Listing Date, the Group may raise funds through issuance of new equity or equity-linked securities of the Company and, if it does so other than on a pro rata basis to existing Shareholders, the percentage ownership of the Shareholders may be reduced. Such new securities could also confer rights and privileges that have priority over those relating to the issued Shares.

The Company will continue to be ultimately controlled by the Controlling Shareholders, whose interests may differ from other shareholders' interests

The SGL Shareholders (which include, among others, Mr. Sabine and Mr. Cheung) control SGL. As at the Latest Practicable Date, SGL held 90.4% of the issued share capital of the Company, and the Controlling Shareholders (i.e. Mr. Sabine, Mr. Fletcher, Mr. Cheung and SGL) will collectively own approximately 68.0% of the enlarged issued share capital of the Company upon completion of the Hong Kong Public Offering. As at the Latest Practicable Date, SGL held 100% interest in SIL, and has entered into the SIL Disposal Agreement to dispose of its entire interest in SIL. Please refer to the section headed "Relationship with Controlling Shareholders" for further information. Accordingly, Mr. Sabine and Mr. Cheung through their capacity as Directors and through their shareholding, will have substantial influence over the business, including overall strategies of the Group, adjustment to the Group's capital structure, election of Directors, the timing and amount of dividend payments and other significant corporate actions. If the interests of Mr. Sabine and Mr. Cheung conflict with the interests of other Shareholders, those other Shareholders' interests may be prejudiced as a result.

Shares held by the Controlling Shareholders are subject to certain lock-up period after the date on which trading in the Shares commences on GEM, details of which are set out in the sections headed "History and Development", "Substantial Shareholders" and "Underwriting" in this prospectus. Sales of substantial amount of the Shares in the public market or otherwise (for example, by the Controlling Shareholders upon the expiration of lock-up period), or the perception that these sales may occur, may materially and adversely affect the market price of the Shares.

The laws of the Cayman Islands for minority shareholders' protection differ somewhat from the laws of Hong Kong or other jurisdictions

The corporate affairs of the Group are governed by the Memorandum, the Articles, and by the Companies Law and the Companies Ordinance. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes and judicial precedent in existence in Hong Kong and other jurisdictions. The remedies available to the Company's minority shareholders may be different from those they would have under the laws of Hong Kong and other jurisdictions. Please refer to the section headed "Summary of the Constitution of the Company and the Cayman Company Law" in Appendix III to this prospectus for further information.

RISK FACTORS

RISKS ASSOCIATED WITH THIS PROSPECTUS

Certain statistics and data extracted or derived from various governmental or third party sources should not be unduly relied upon

Certain statistics and industry data included in this prospectus have been extracted or derived from various governmental sources, the websites of the SFC, the Stock Exchange and other third party sources. The Company believes that the sources are appropriate for such statistics and data and has taken reasonable care in the extraction, compilation and reproduction of such statistics and data. The Company has no reason to believe that such statistics and data are false or misleading, or that any fact has been omitted that would render such statistics and data false or misleading. However, neither the Company, the Joint Sponsors, the Underwriters, nor any party involved in the Hong Kong Public Offering has independently verified such statistics and data, and such party or parties do not make any representation as to the accuracy or completeness of such statistics and data, which may be inconsistent with statistics and data derived from other sources. As such, these statistics and data should not be unduly relied upon by investors. As a result of different market practices, differences between published information, possible flawed collection methods or other problems, the statistics and data shown in this prospectus might not be accurate or complete or might not be comparable to statistics and data produced from other sources. Accordingly, prospective investors should give careful consideration as to how much weight or importance they should attach to or place on such statistics and data.

Forward-looking statements are subject to significant uncertainties and should not be unduly relied upon

This prospectus contains certain forward-looking statements relating to the plans, objectives, business strategies, expectations and intentions of the Directors. Such forward-looking statements are based on the assumptions which the Directors have made about the Group's future business strategies and the environment in which the Group will operate in the future. These forward-looking statements are, by their nature, subject to significant uncertainties which may cause the actual operation results, performance or achievements of the Group to differ significantly from those expressed or implied by these statements. Accordingly, prospective investors should not place undue reliance on the forward-looking statements presented in this prospectus.

WAIVERS FROM STRICT COMPLIANCE WITH THE GEM LISTING RULES

In preparation for the Listing, the Company has sought the following waivers from strict compliance with the relevant provisions of the GEM Listing Rules:

WAIVERS IN RELATION TO NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Company has entered into certain transactions which would constitute non-exempt continuing connected transactions for the Company upon Listing which are subject to announcement requirement under the GEM Listings Rules. Pursuant to Rule 20.103 of the GEM Listing Rules, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted the Company, a waiver from strict compliance with the announcement requirement set out in Chapter 20 of the GEM Listing Rules for such continuing connected transactions. Further details of such continuing connected transactions and the waiver are set out in the section headed “Connected Transactions” in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and is not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

PROSPECTUS ISSUED IN CONNECTION WITH HONG KONG PUBLIC OFFERING ONLY

This prospectus is published in connection with the Hong Kong Public Offering. The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and conditions set out herein and therein. No person has been authorised to give any information or make any representations other than those contained in this prospectus and the Application Forms and, if given or made, such information or representations must not be relied on as having been authorised by us, the Joint Sponsors, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Hong Kong Public Offering.

OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus sets out the terms and conditions of the Hong Kong Public Offering. This prospectus is published solely in connection with the Hong Kong Public Offering, which is sponsored by the Joint Sponsors and is fully underwritten by the Underwriters (subject to the terms and conditions of the Underwriting Agreement). Further information about the Underwriters and the underwriting arrangements is contained in the section headed "Underwriting" in this prospectus.

OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined in Hong Kong dollars by the Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on the Price Determination Date. If, for whatever reason, the Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price by the Price Determination Date, the Hong Kong Public Offering will not proceed and will lapse. For full information relating to the determination of the Offer Price, please refer to the section headed "Structure of the Hong Kong Public Offering" in this prospectus.

RESTRICTIONS ON THE SALE OF THE OFFER SHARES

No action has been taken to permit any public offering of the Offer Shares or the distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. This prospectus and/or the related Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it circulated to invite or solicit offers in any jurisdiction other than Hong Kong or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. Persons who possess this prospectus and/or the related Application Forms are deemed to have confirmed to the Company, the Joint Sponsors and the Underwriters that such restrictions have been observed.

The distribution of this prospectus or the related Application Forms and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly, in the PRC or the United States, except in compliance with the relevant laws and regulations of each of such jurisdictions.

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus. No person is authorised to give any information in connection with the Hong Kong Public Offering or to make any representation not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by the Company, the Joint Sponsors, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, staff or advisers or any other person involved in the Hong Kong Public Offering.

Prospective applicants for the Offer Shares should consult their financial advisers and seek legal advice, as appropriate, to inform themselves of and to observe all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

Each person subscribing for or purchasing the Offer Shares will be required or deemed by his/her/its subscription or purchase of Offer Shares to confirm that he/she/it is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he/she/it is not subscribing for and has not been offered any Offer Shares in circumstances that contravene any such restrictions.

STRUCTURE AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Details of the structure and conditions of the Hong Kong Public Offering are set out in the section headed “Structure of the Hong Kong Public Offering” of this prospectus.

APPLICATION FOR LISTING ON GEM

Application has been made to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Hong Kong Public Offering (including any Shares which may be issued pursuant to the exercise of the options that were granted or may be granted under the Share Option Schemes) on GEM.

No part of the share or loan capital of the Company is listed or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

Under section 44B(1) of the Companies (Winding up and Miscellaneous Provisions) Ordinance, if the permission for the Shares offered under this prospectus to be listed on GEM has been refused before the expiration of three weeks from the date of the closing of the Hong Kong Public Offering or such longer period not exceeding six weeks as may, within the said three weeks, be notified to the Company for permission by or on behalf of the Listing Division, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25% of the total issued share capital of the Company must at all times be held by the public. Accordingly, a total of 35,000,000 Offer Shares, which represents more than 25% of the enlarged issued share capital of the Company immediately following completion of the Hong Kong Public Offering and the Capitalisation Issue (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of any options that were granted or may be granted under the Share Option Schemes) will be made available under the Hong Kong Public Offering.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Tuesday, 28 March 2017. The Shares will be traded in board lots of 2,000 Shares each and are freely transferable. The stock code for the Shares is 8439.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares on GEM and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

INFORMATION ABOUT THIS PROSPECTUS AND THE HONG KONG PUBLIC OFFERING

All necessary arrangements have been made for the Shares to be admitted into CCASS. If potential investors are unsure about the details of CCASS settlement arrangements and how such arrangements will affect their rights and interests, they should seek advice from their stockbrokers or other professional advisers.

PROFESSIONAL TAX ADVICE RECOMMENDED

If potential investors are unsure about the taxation implications of the subscription for, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to the Shares, they should consult their professional adviser. It is emphasised that none of the Company, the Directors, the Joint Sponsors, the Joint Lead Managers and the Underwriters and their respective directors, advisers, officers, or employees, agents, affiliates or representatives or any other persons involved in the Hong Kong Public Offering accepts responsibility for any tax effects on, or liability of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Shares.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

All Shares in issue and to be issued pursuant to the Hong Kong Public Offering will be registered on the branch register of members of the Company to be kept in Hong Kong by Union Registrars Limited. The Company's principal register of members will be maintained in the Cayman Islands by Codan Trust Company (Cayman) Limited. Only securities registered on the branch register of members of the Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

Dealings in the Shares registered on the Company's branch register of members in Hong Kong will be subject to Hong Kong stamp duty. For further details about Hong Kong stamp duty, please refer to the paragraph headed "16. Taxation of holders of Shares" under the section headed "D. Other Information" in Appendix IV to this prospectus.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for reference only.

EXCHANGE RATE CONVERSION

Unless otherwise specified, for the purpose of this prospectus, amounts denominated in RMB and US\$ are translated into HK\$ at the rates of US\$1.00 to HK\$7.75 and RMB0.84 to HK\$1.00. No representation is made that any amount in US\$, HK\$ and RMB could have been or could be converted at the above rates or at any other rates or at all.

DIRECTORS AND PARTIES INVOLVED IN THE HONG KONG PUBLIC OFFERING

DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Mr. SABINE Martin Nevil	Apartment 3G, Grenville House No. 1 Magazine Gap Road Mid-Levels Hong Kong	British
Mr. CHEUNG Tei Sing Jamie (莊棣盛)	Unit 8A, Block-3, Kent Court 131-139 Boundary Street Kowloon Hong Kong	Australian
Mr. CHOW Wai Hung Kenneth (鄒偉雄)	6/F., Highview 10 Cloud View Road North Point Hong Kong	Chinese
<i>Independent non-executive Directors (in alphabetical order)</i>		
Mr. CHENG Yuk Wo (鄭毓和)	Flat 3C, Grand View Terrace 59 Nga Tsin Wai Road Kowloon City Kowloon Hong Kong	Chinese
Mr. HIGGS Jeremy James	House 3, G/F-2/F Sea Crest Villas 60 Po Toi O Village Clear Water Bay Sai Kung New Territories Hong Kong	British
Mr. YUEN Kam Tim Francis (袁錦添)	Flat G, 12/F Tower 8, Central Park Towers II 2 Tin Yan Road Tin Shui Wai New Territories Hong Kong	Chinese

For further details, please refer to the section headed “Directors, Senior Management and Employees” in this prospectus.

PARTIES INVOLVED IN THE HONG KONG PUBLIC OFFERING

Joint Sponsors

Somerley Capital Limited

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

Halcyon Capital Limited

11th Floor
8 Wyndham Street
Central
Hong Kong

Joint Lead Managers

GF Securities (Hong Kong) Brokerage Limited

29th and 30th Floor
Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Halcyon Securities Limited

11th Floor
8 Wyndham Street
Central
Hong Kong

Haitong International Securities Company Limited

22nd Floor
Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

**Legal advisers to the Company
as to Hong Kong law**

Charltons

12th Floor
Dominion Centre
43–59 Queen's Road East
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE HONG KONG PUBLIC OFFERING

**Legal advisers to the Company
as to the Cayman Islands law**

Conyers Dill & Pearman
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

**Legal advisers to the Joint
Sponsors and the Underwriters
as to Hong Kong law**

Deacons
5th Floor
Alexandra House
18 Chater Road
Central
Hong Kong

Auditor and reporting accountant

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

Internal control reviewer

SHINEWING Risk Services Limited
43rd Floor
Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

Property valuer

Roma Appraisals Limited
Unit 3806, 38/F
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE HONG KONG PUBLIC OFFERING

Joint compliance advisers**Somerley Capital Limited**

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

Halcyon Capital Limited

11th Floor
8 Wyndham Street
Central
Hong Kong

Receiving bank**Standard Chartered Bank (Hong Kong) Limited**

15th Floor, Standard Chartered Tower
388 Kwun Tong Road
Kwun Tong
Kowloon

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111, Cayman Islands
Headquarters, head office and principal place of business in Hong Kong	20th Floor China Building 29 Queen's Road Central Central Hong Kong
Company's website	<u>www.somerleycapital.com</u> <i>(Note: the information contained in this website does not form part of this prospectus)</i>
Company secretary	Ms. LAM Yuen Ling Eva (林婉玲) <i>(a fellow of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators)</i> 33/F., Shui On Centre No. 6–8 Harbour Road Wanchai Hong Kong
Authorised representatives (for the purpose of the GEM Listing Rules)	Mr. CHEUNG Tei Sing Jamie (莊棣盛) Unit 8A, Block-3, Kent Court 131–139 Boundary Street Kowloon Hong Kong Mr. CHOW Wai Hung Kenneth (鄒偉雄) 6/F., Highview 10 Cloud View Road North Point Hong Kong
Compliance officer	Mr. SABINE Martin Nevil
Members of the Audit Committee	Mr. CHENG Yuk Wo (鄭毓和) <i>(Chairman)</i> Mr. HIGGS Jeremy James Mr. YUEN Kam Tim Francis (袁錦添)

CORPORATE INFORMATION

Members of the Remuneration Committee	Mr. YUEN Kam Tim Francis (袁錦添) (<i>Chairman</i>) Mr. CHENG Yuk Wo (鄭毓和) Mr. CHEUNG Tei Sing Jamie (莊棣盛)
Members of the Nomination Committee	Mr. HIGGS Jeremy James (<i>Chairman</i>) Mr. YUEN Kam Tim Francis (袁錦添) Mr. SABINE Martin Nevil
Principal share registrar and transfer office in the Cayman Islands	Codan 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
Principal banker	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong

INDUSTRY OVERVIEW

This section contains certain information which has been directly or indirectly derived, in part, from various governmental, official and other, publicly available documents, the internet or other sources, such information was not commissioned by the Group or the Joint Sponsors. The Directors believe that the sources of this information are appropriate and have taken reasonable care in extracting, compiling and reproducing such information. The Directors have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by the Company, the Joint Sponsors, the Joint Lead Managers and the Underwriters, or any of their respective directors, advisers, officers, agents, affiliates or representatives or any other person involved in the Hong Kong Public Offering, and therefore may not be accurate, complete or updated. The Company makes no representation (express or implied) as to the accuracy, completeness or fairness of such information and accordingly the information contained in this section should not be unduly relied upon.

In respect of the information which has been directly or indirectly derived from the Stock Exchange's documents or its website, the Stock Exchange and its subsidiaries do not guarantee the accuracy, completeness or reliability of the information and do not accept any liability (whether in tort, contract or otherwise) for any loss or damage arising from any inaccuracy or omission in the information; or for any decision, action or non-action based on or in reliance upon any such information by any person.

OVERVIEW OF THE STOCK MARKET IN HONG KONG

World ranking of the Hong Kong stock market

As at 31 December 2016, the Stock Exchange had a market capitalisation of approximately US\$3,193.2 billion, making it the eighth largest stock exchange in the world. In Asia, the Stock Exchange ranked fourth in terms of market capitalisation, after Japan, Shanghai and Shenzhen. Set out below is the market capitalisation and ranking of the world's top ten stock exchanges as at 31 December 2016:

Worldwide ranking	Ranking in Asia	Location and name of the exchange	Market capitalisation as at 31 December 2016 (US\$ billion)
1		The United States of America (NYSE Euronext)	19,573.1
2		The United States of America (Nasdaq)	7,779.1
3	1	Japan (Japan Exchange Group) ¹	5,061.5
4	2	China (Shanghai)	4,104.0
5		The United Kingdom (London Stock Exchange Group) ²	3,622.4
6		Europe (NYSE Euronext) ³	3,492.6
7	3	China (Shenzhen)	3,216.8
8	4	Hong Kong⁴	3,193.2
9		Canada (Toronto) ⁵	2,041.5
10		Germany (Deutsche Borse)	1,732.3

INDUSTRY OVERVIEW

Notes:

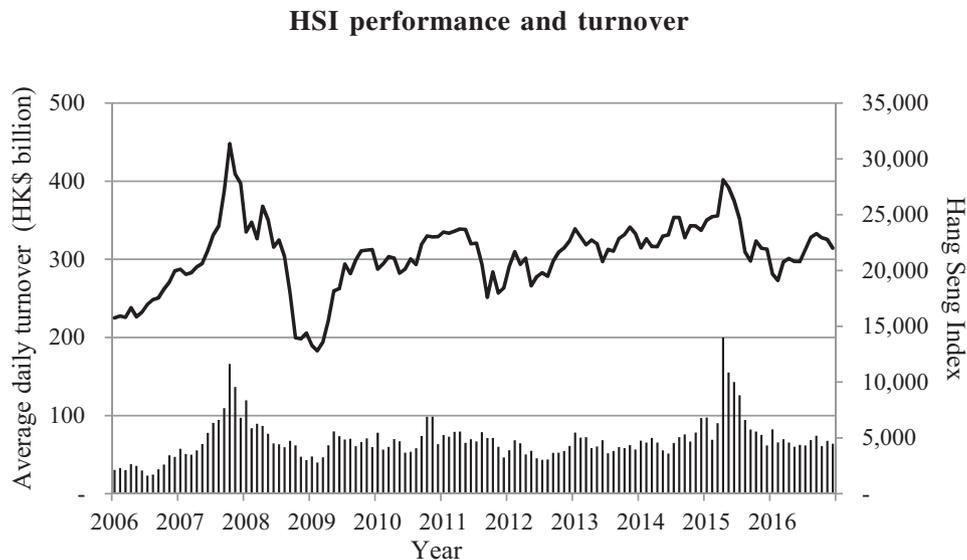
1. Comprises Tokyo Stock Exchange and Osaka Securities Exchange
2. Comprises London Stock Exchange and Borsa Italiana
3. Comprises Euronext Amsterdam, Euronext Brussels, Euronext Lisbon and Euronext Paris
4. Includes GEM
5. Includes TSX Venture

Source: SFC website — Market and industry statistics — Global ranking of stock exchanges by market capitalisation — market capitalisation of the world's top stock exchanges

As one of the world's leading stock exchanges, the Stock Exchange recorded average daily turnover of approximately HK\$105.6 billion during the year 2015, and approximately HK\$66.9 billion during the year 2016. In terms of funds raised through IPOs, Hong Kong has been among the world's top five IPO markets every year since 2002.

Historical performance and trading volume of the stock market

The following chart illustrates the historical average daily turnover for securities traded on the Stock Exchange and the historical performance of the HSI (end-of-month index value), the main indicator of the general stock market performance in Hong Kong, during the period from 2006 to 2016.



Note: Average daily turnover comprises trading on the Main Board and GEM. Turnover value for securities traded in non-HK\$ currency have been included starting from 29 November 2010.

Source: HKEX Fact Book and HKEX Monthly Market Highlights

INDUSTRY OVERVIEW

As shown in the chart above, there is a general correlation between the performance of HSI and the trading volume in the stock market. For instance, the strong performance of the HSI during the fourth quarter of 2007 and the second quarter of 2015 were supported by high daily turnover, while the opposite was true when the HSI reached a trough in late 2008 and early 2009. The level of equity fund raising and M&A activity may be influenced by the general market performance, which in turn affects the business of corporate finance advisory firms such as Somerley Capital.

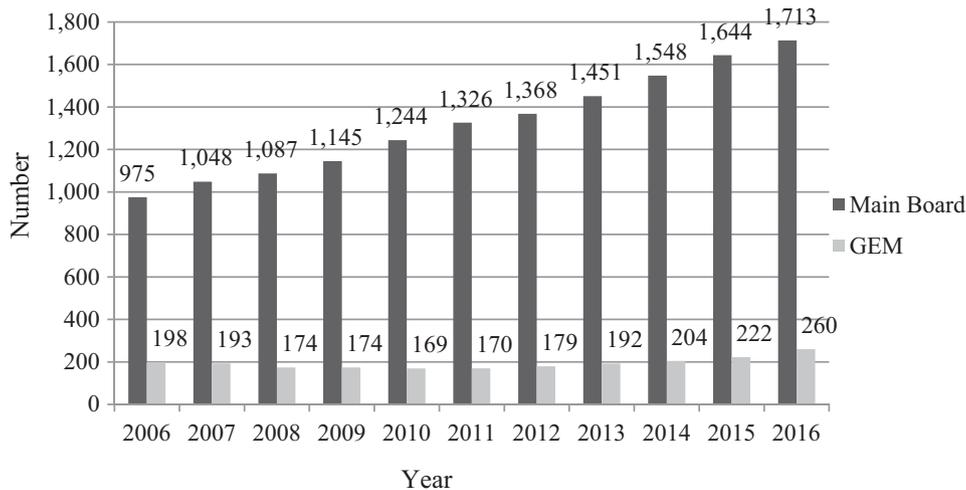
Following the launching of the Shanghai-Hong Kong Stock Connect in November 2014, which provides mutual trading access between the Shanghai and Hong Kong stock markets, and the launching of the Shenzhen-Hong Kong Stock Connect in December 2016, which provides mutual trading access between Shenzhen and Hong Kong stock markets, investors can trade eligible shares listed on the other market subject to daily and aggregate quotas.

Listed companies and newly listed companies in Hong Kong

The Stock Exchange operates two markets on which companies may choose to list their shares: the Main Board and GEM. The Main Board is a market for companies that meet the Stock Exchange's profit or other requirements under the Listing Rules, while GEM has admission requirements largely in line with Main Board but less stringent in terms of profitability.

The charts below show the number of companies listed on the Stock Exchange (both Main Board and GEM) as at the respective year end date on 31 December, from 2006 to 2016, and the number of newly listed companies on the Stock Exchange (Main Board (including transfer of listing from GEM) and GEM) during the period from 2006 to 2016:

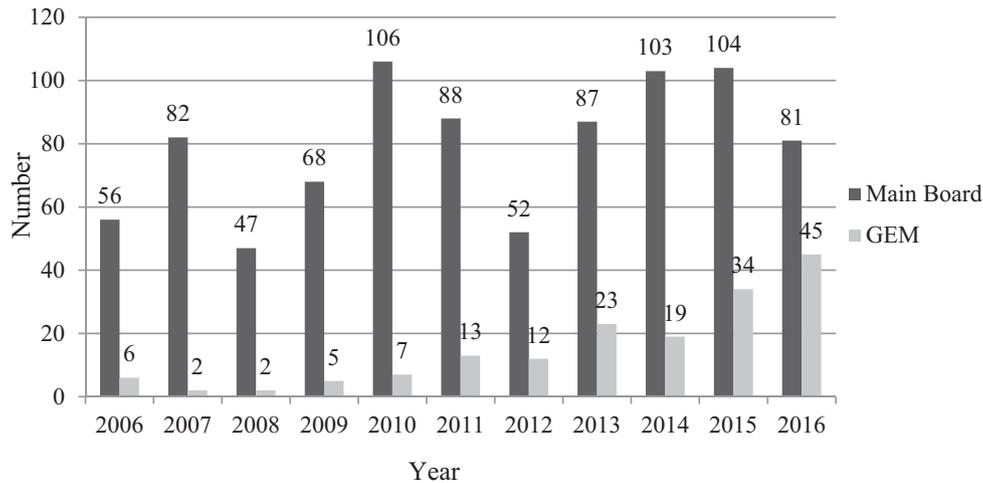
Number of listed companies on the Stock Exchange



Source: SFC website — Market and industry statistics — Hong Kong markets — Number of Listed Companies by Stock Type

INDUSTRY OVERVIEW

Number of newly listed companies on the Stock Exchange



Source: SFC website — Market and industry statistics — Hong Kong markets — Number of Newly Listed Companies by Stock Type

There were more than 100 newly listed companies in each of the years since 2013. This pipeline of new listings creates increasing opportunities for corporate finance advisory firms in Hong Kong, such as Somerley Capital, to provide financial advisory and independent financial advisory services for listed companies, as well as sponsorship and compliance advisory services for newly listed companies.

Equity fund raising in Hong Kong

With the increasing number of listed companies in Hong Kong, the level of equity fund raising on the Stock Exchange, either through IPOs or the secondary market, has been active. Based on the market and industry statistics published by the SFC, the total equity funds raised on the Main Board and GEM in 2016, through IPOs, rights issues, placings and other means, were approximately HK\$486.7 billion in aggregate.

INDUSTRY OVERVIEW

Set out below is a breakdown of equity funds raised directly and indirectly on the Main Board and GEM during the years 2006 to 2016:

(HK\$ billion)

	Initial public offering	Rights issue	Placing	Others (Note 1)	Total
MAIN BOARD					
2006	332.1	10.5	110.7	62.8	516.0
2007	290.4	29.8	152.9	98.0	571.1
2008	65.8	47.6	54.2	250.6	418.2
2009	247.9	177.3	140.6	72.0	637.7
2010	448.8	181.9	133.0	81.8	845.5
2011	258.5	63.8	63.0	97.5	482.8
2012	88.9	29.6	134.6	47.1	300.2
2013	165.8	30.8	98.0	75.2	369.8
2014	230.4	78.6	295.5	325.0	929.4
2015	258.6	116.5	424.1	287.8	1,087.0
2016	190.2	52.6	145.9	79.1	467.9
GEM					
2006	1.8	2.2	3.2	1.4	8.5
2007	2.0	2.1	10.9	4.8	19.8
2008	0.2	0.3	3.7	4.8	9.1
2009	0.4	0.7	2.5	0.8	4.4
2010	0.6	1.4	7.7	3.5	13.2
2011	1.3	1.3	2.9	1.9	7.6
2012	1.1	1.1	1.8	1.1	5.1
2013	3.2	0.6	3.5	1.8	9.0
2014	2.2	3.5	4.9	2.8	13.3
2015	2.7	5.1	12.2	1.9	22.0
2016	4.6	3.5	6.9	3.8	18.8

Notes:

1. “Others” include funds raised through issue of consideration shares, warrants and share option schemes
2. Figures may not add up precisely to totals due to rounding

Source: SFC website — Market and industry statistics — Hong Kong markets — Equity Funds Raised Directly and Indirectly through Hong Kong

As illustrated from the above table, IPOs have been an important source of equity funding. Rights issues, placings and “others” (which include funds raised through issue of consideration shares, warrants and share option schemes) have also been significant. In 2014, the amount of equity funds raised through placings and “others” was substantially higher than prior years. A

INDUSTRY OVERVIEW

major contributor was the issue of placing shares and consideration shares amounting to approximately HK\$53.3 billion and HK\$233.2 billion respectively by CITIC Pacific Limited (now known as CITIC Limited) for its acquisitions of businesses from its parent group. The amount of equity funds raised through placings further increased to approximately HK\$424.1 billion in 2015. According to the HKEX Fact Book 2015, China Overseas Land & Investment Ltd., CITIC Securities Co. Ltd. and China Galaxy Securities Co., Ltd., which were among the top fundraisers through placings in 2015, together raising approximately HK\$93.8 billion through placings of new shares. In 2016, the amount of equity fund raising went back to the level comparable to the years before 2014. Placing to third parties by a company listed in Hong Kong is usually done through the appointment of a placing agent, who should be licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO.

Issues of consideration shares are common among Hong Kong listed companies, usually for the purpose of making acquisitions of target companies, businesses or assets, for which financial advisory and/or independent financial advisory services are often required. Corporate finance advisory firms have benefitted from advising on group restructurings or M&A opportunities of this type. In particular, independent financial advisory services are required in certain circumstances, in particular where the relevant transactions constitute connected transactions under the Listing Rules and/or the GEM Listing Rules (as the case may be) and approvals are required from independent shareholders who have no material interest in the relevant transactions, or where major corporation restructurings, such as spin-offs and privatisations, are being undertaken.

Takeovers Code related matters

General and partial offers, privatisations, share repurchases and whitewash waiver applications affecting public companies in Hong Kong are governed by the Takeovers Code. According to the statistics published in the 2015/16 annual report of the SFC, there were 109 Takeovers Code related transactions and 326 Takeovers Code related applications for the year ended 31 March 2016. Set out below is a breakdown of takeover activities from 2006/07 to 2015/16:

	Number of Takeovers Code related transactions (including number of whitewash waiver applications) <i>(Note)</i>	Number of other applications under the Takeovers Code or Code on Share Buy-backs
2006/07	69 (23)	215
2007/08	99 (39)	258
2008/09	74 (34)	192
2009/10	96 (41)	267
2010/11	67 (30)	237
2011/12	71 (31)	212
2012/13	66 (29)	185
2013/14	81 (39)	209
2014/15	96 (31)	288
2015/16	109 (51)	326

Note: The numbers comprise general and partial offers under the Takeovers Code, privatisations, whitewash waiver applications and off-market and general offer share buy-backs.

Source: SFC website — Annual reports

INDUSTRY OVERVIEW

Takeovers Code related transactions, including general offers, privatisations, share repurchases and whitewash waiver applications, usually require financial advisory and/or independent financial advisory services pursuant to the relevant requirements under the Takeovers Code. A year where such transactions are particularly active, for example during the year ended 31 March 2016, provides good opportunities to corporate finance advisory firms, such as Somerley Capital, to offer their services.

COMPETITIVE ENVIRONMENT IN THE CORPORATE FINANCE ADVISORY INDUSTRY

Any person carrying on regulated activities has to be licensed or registered with the SFC unless specific exemption is provided. Details of the regulatory environment are set out in the section headed “Regulatory Overview” of this prospectus.

The main businesses of Somerley Capital during the Track Record Period, namely financial advisory, independent financial advisory and compliance advisory, are principally covered under the Type 6 (advising on corporate finance) regulated activity which Somerley Capital is licensed to carry out.

INDUSTRY OVERVIEW

As set out in the paragraph headed “Business Strategies” under the section headed “Business” in this prospectus, one of the business strategies of the Group is the development of equity capital market activities. In this respect, Somerley Capital, licensed to carry out Type 1 (dealing in securities) regulated activity, may participate in fund raising activities, including acting as placing agent or underwriter for a listed company where it is acting as financial adviser. Set out below is the number of licensed corporations, registered institutions, responsible/approved officers and licensed representatives for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as at the end of the past five years:

	Number of regulated activities of:			
	Licensed corporations	Registered institutions	Responsible/ approved officers	Licensed representatives
Type 1 — dealing in securities				
As at 31 December:				
2012	934	117	3,042	24,815
2013	957	120	3,151	24,517
2014	973	117	3,284	24,656
2015	1,024	118	3,434	25,765
2016	1,129	121	3,770	25,866
 Type 6 — advising on corporate finance				
As at 31 December:				
2012	259	41	847	3,828
2013	265	39	866	3,630
2014	267	37	893	3,828
2015	275	35	909	4,051
2016	288	33	963	4,122

Source: SFC website — Market and industry statistics — Major statistics of SFC licensees — Number of Regulated Activities of Licensed Corporations, Registered Institutions, Licensed Representatives and Responsible/Approved Officers

As shown from the above table, there were 288 licensed corporations and 33 registered institutions licensed to carry out Type 6 (advising on corporate finance) regulated activity as at 31 December 2016. In terms of individuals, there were 963 responsible/approved officers and 4,122 licensed representatives to carry out Type 6 (advising on corporate finance) regulated activity as at 31 December 2016. Because of the number of qualified participants, the Directors consider that the Group operates in a highly competitive environment in respect of the CF Business.

INDUSTRY OVERVIEW

Type 1 (dealing in securities) regulated activity is highly competitive, with 1,129 licensed corporations and 121 registered institutions eligible to carry out such regulated activity as at 31 December 2016. In terms of individuals, there were 3,770 responsible/approved officers and 25,866 licensed representatives to carry out Type 1 (dealing in securities) regulated activity as at 31 December 2016.

Entry barriers

Despite the competitive environment, the Directors consider there are certain entry barriers to participate in the corporate finance advisory market in Hong Kong, namely:

- (i) the licensing requirement for a corporate finance advisory firm to conduct regulated activities under the SFO;
- (ii) the requirement for such firms to employ skilled professionals as licensed representatives and responsible officers to conduct regulated activities under the SFO; and
- (iii) the requirement to maintain at all times a minimum paid-up share capital and liquid capital pursuant to the relevant requirements under the SFO. In the case of Type 6 (advising on corporate finance) regulated activity where the corporation is subject to the licensing condition that it shall not hold client assets, the minimum liquid capital requirement is HK\$100,000. In the case of Type 6 (advising on corporate finance) regulated activity where the corporation is qualified to act as a sponsor, which is the case of Somerley Capital, the minimum paid-up share capital and the minimum liquid capital requirement is HK\$10,000,000 and HK\$3,000,000 respectively.

In respect of Type 6 (advising on corporate finance) regulated activity, the SFC can also impose licensing conditions, for example, to restrict the licensee to advise on matters/transactions falling within the ambit of the Takeovers Code. There is no licensing condition that applies to the Type 6 (advising on corporate finance) regulated activity of Somerley Capital.

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Market rankings and league tables

A number of research houses and institutions in the market publish league tables for financial advisers in given geographical locations, based on criteria as adopted by each of the research houses and institutions. Set out below are certain league table rankings published by Mergermarket and Thomson Reuters for the year 2016. The Directors confirmed that there were no adverse change in the market information since the date of the publication of the respective league table rankings which may qualify, contradict or have an impact on the information in this section.

Hong Kong

League table for financial advisers based on number of deals

For the period from 1 January 2016 to 31 December 2016

<u>Rank 2016</u>	<u>Rank 2015</u>	<u>Company name</u>	<u>Deal count</u>	<u>Value (US\$ million)</u>
1	34	Gram Capital	13	1,089
2	2	Morgan Stanley	11	7,660
3	4	UBS Investment Bank	9	9,637
4	1	Somerley Capital	9	5,351
5	—	Lego Corporate Finance	9	1,000
6	7	HSBC	8	13,172
7	3	Goldman Sachs	8	5,503
8	33	Haitong Securities Co	8	2,341
9	31	KPMG	8	1,595
10	6	Kingston Corporate Finance	7	559

Source: Mergermarket trend report Q1–Q4 2016 (China & Hong Kong)

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Hong Kong involvement mid-market (undisclosed values and values up to US\$500 million)
League table for financial advisers based on number of deals
For the period from 1 January 2016 to 31 December 2016

Rank 2016	Rank 2015	Financial adviser	Number of deals
1	2	Kingston Corporate Finance Ltd	23
2	2	Gram Capital	19
3	11	China Construction Bank	15
3	11	Veda Capital Ltd	15
3	90	Lego Corporate Finance Ltd	15
6	19	HSBC Holdings PLC	14
7	42	Haitong Securities Co Ltd	13
8	23	KPMG	12
9	1	Somerley Capital	11
9	32	Nuada Ltd	11
9	90	VBG Capital Ltd	11

Source: Thomson Reuters — Mid-market M&A Review, Financial Advisors, Full Year 2016

As shown in the above tables, Somerley Capital is one of the most active financial advisers based on the criteria set out in the above tables. Other participants are global investment banks, PRC based investment banks and a number of local corporate finance advisory firms. The ranking among corporate finance advisory firms changes from time to time, depending on their individual success in announcing and completing transactions in a given period. Except for the fact that the Group's clients are mainly Hong Kong listed companies, their major shareholders or offerors, the Group does not, and has no intention to, focus on a particular market sector, whether in terms of industry sector or transaction size. Different research houses and institutions adopt different sets of detailed league table criteria. As such, league tables published by different research houses and institutions may not be comparable with each other.

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This section sets out a summary of certain aspects of the Hong Kong laws and regulations which are relevant and material to the Group's operations and business. Information contained in this section should not be construed as a comprehensive summary of laws and regulations applicable to the Group.

The Securities and Futures Commission

The SFC is an independent statutory body set up in 1989 responsible for regulating the securities and futures markets in Hong Kong. The SFC works to ensure orderly securities and futures market operations, to protect investors and help promote Hong Kong as an international financial centre.

As a statutory body, the SFC's work is defined and governed by the SFO, which sets out its powers, roles and responsibilities. The SFC derives its investigative, remedial and disciplinary powers from the SFO and subsidiary legislations. The SFC is operationally independent of the Hong Kong Government and is funded mainly by transaction levies and licensing fees.

Under the SFO, the SFC's regulatory objectives include:

- to develop and maintain competitive, efficient, fair, orderly and transparent securities and futures markets;
- to help the public understand the workings of the securities and futures industry;
- to provide protection for the investing public;
- to minimise crime and misconduct in the markets;
- to reduce systemic risks in the industry; and
- to assist the Government in maintaining Hong Kong's financial stability.

The SFC is the only Hong Kong financial regulator given the mandate to educate the investing public. Following the enactment of the Securities and Futures (Amendment) Ordinance 2012, the Investor Education Centre was formed as an SFC subsidiary to educate the public on a broad range of retail financial products and services.

The SFC is divided into 5 operational divisions: Corporate Finance, Enforcement, Investment Products, Supervision of Markets and Intermediaries (including Licensing and Intermediaries Supervision). The SFC is also supported by the Legal Services and Corporate Affairs division.

Securities and Futures Ordinance

Effective from 1 April 2003, the SFO consolidated and modernised the 10 previous ordinances regulating the securities and futures market in Hong Kong.

Who is regulated by the SFC

In achieving the regulatory objectives under the SFO, SFC regulates the following participants, including investors, in the securities and futures markets:

- (i) Brokers, investment advisers, fund managers and intermediaries carrying out the regulated activities as listed in the sub-section headed “Types of regulated activities” below.
- (ii) Investment products
- (iii) Listed companies
- (iv) Hong Kong Exchanges and Clearing Limited
- (v) Automated trading service providers
- (vi) Approved share registrars
- (vii) Investor Compensation Company Limited
- (viii) Market participants (including investors)

Types of regulated activities

“*Intermediary*” means a licensed corporation or a registered institution under Part 1 Interpretation and General Provisions of the SFO.

Schedule 5 to the SFO stipulates 10 types of regulated activities that can be carried on by intermediaries and provides a detailed definition for each of them.

These regulated activities comprise:

- Type 1 Dealing in securities
- Type 2 Dealing in futures contracts
- Type 3 Leveraged foreign exchange trading
- Type 4 Advising on securities
- Type 5 Advising on futures contracts

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- Type 6 Advising on corporate finance
- Type 7 Providing automated trading services
- Type 8 Securities margin financing
- Type 9 Asset management
- Type 10 Providing credit rating services

Persons conducting business in such regulated activities are generally required to be licensed or registered with the SFC. The regulated activities that they are permitted to carry out are specified on their licences or certificates of registration.

Details of licensed individuals are available at the SFC's online Public Register of Licensed Persons and Registered Institutions. The SFC issues printed licences for licensed corporations and certificates of registration for registered institutions and these licences must be exhibited prominently at their places of business.

Types of intermediaries regulated by the SFC

According to the SFC, the types of intermediaries comprise the following:

1. ***Licensed corporation***: a corporation (not being an authorised financial institution) which is granted a licence to carry on one or more than one regulated activity under section 116 of the SFO; and

Temporary licensed corporation: a corporation (not being an authorised financial institution) which is granted a temporary licence to carry on, for a period not exceeding 3 months, one or more than one regulated activity under section 117 of the SFO.

2. ***Responsible officer***: a licensed representative who is also approved as a responsible officer under section 126 of the SFO to supervise the regulated activity of the licensed corporation to which he is accredited.
3. ***Licensed representative***: an individual who is granted a licence under section 120(1) of the SFO to carry on one or more than one regulated activity for a licensed corporation to which he is accredited;

Provisional licensed representative: an individual who is granted a provisional licence under section 120(2) of the SFO to carry on one or more than one regulated activity for a licensed corporation to which he is accredited (prior to the grant of his licence under section 120(1) of the SFO); and

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Temporary licensed representative: an individual who is granted a temporary licence under section 121 of the SFO to carry on, for a period not exceeding 3 months, one or more than one regulated activity for a corporation licensed under section 116 or 117 to which he is accredited.

4. **Registered institution:** an authorised financial institution which is registered to carry on one or more than one regulated activity under section 119 of the SFO, where an authorised financial institution means an authorised institution as defined in section 2(1) of the Banking Ordinance (i.e. a bank, a restricted licence bank or a deposit-taking company).

Licensing regime under the SFO

The functions of the SFC, as gatekeeper of standards for individuals and corporations seeking to enter the securities and futures markets of Hong Kong, include the following:

- grant licences to those who are appropriately qualified and can demonstrate their fitness and properness to be licensed under the SFO;
- maintain a public register of licensed persons (as defined under the SFO) and registered institutions;
- monitor the on-going compliance of licensing requirements by licensees, substantial shareholders of licensed corporations and directors of licensed corporations and substantial shareholders; and
- initiate policies on licensing issues

The SFC operates a system of authorising corporations and individuals (through licences) to act as financial intermediaries. Under the SFO, a corporation which is not an authorized financial institution (as defined in section 2(1) of the Banking Ordinance) and is:

- (a) carrying on a business in a regulated activity (or holding itself out as carrying on a regulated activity); or
- (b) actively marketing, whether in Hong Kong or from a place outside Hong Kong, to the public any services it provides, which would constitute a regulated activity if provided in Hong Kong,

must be licensed by the SFC to carry out the regulated activities, unless one of the exemptions under the SFO applies.

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Fit and proper criteria

Section 116(3) of the SFO provides that the SFC shall refuse to grant a licence to carry on a regulated activity unless the applicant for licence satisfies the SFC that, *inter alia*, the applicant is a fit and proper person to be licensed for the regulated activity.

Pursuant to section 129(1) of the SFO, in considering whether a person, an individual, corporation or institution, is fit and proper for the purposes of licensing or registration, the SFC shall, in addition to any other matter that the SFC may consider relevant, have regard to the following:

- financial status or solvency;
- educational or other qualifications or experience having regard to the nature of the functions to be performed ;
- ability to carry on the regulated activity concerned competently, honestly and fairly; and
- reputation, character, reliability and financial integrity

of the applicant and other relevant persons as appropriate.

Section 129(1) of the SFO expressly provides that the above matters must be considered in respect of the person (if an individual), the corporation and any of its officers (if a corporation) or the institution, its directors, chief executive, managers and executive officers (if an authorised financial institution).

The above fit and proper criteria serves as the fundamental basis when the SFC considers each licence or registration application. Detailed guidelines are contained in the Fit and Proper Guidelines, the Licensing Information Booklet and the Guidelines on Competence published by the SFC.

The Fit and Proper Guidelines apply to a number of persons including the following:

1. an individual who applies for license or is licensed under Part V of the SFO;
2. a licensed representative who applies for approval or is approved as a responsible officer under Part V of the SFO;
3. a corporation which applies for license or is licensed under Part V of the SFO;
4. an authorised financial institution which applies for registration or is registered under Part V of the SFO;
5. an individual whose name is to be or is entered in the register maintained by the HKMA under section 20 of the Banking Ordinance; and

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6. an individual who applies to be or has been given consent to act as an executive officer of a registered institution under section 71C of the Banking Ordinance.

Section 129(2) of the SFO empowers the SFC to take into consideration any of the following matters in considering whether a person is fit and proper:

- (a) decisions made by such relevant authorities as stated in section 129(2)(a) of the SFO or any other authority or regulatory organisation, whether in Hong Kong or elsewhere, in respect of that person;
- (b) in the case of a corporation, any information relating to:
 - (i) any other corporation within the group of companies; or
 - (ii) any substantial shareholder or officer of the corporation or of any of its group companies;
- (c) in the case of a corporation licensed under section 116 or section 117 of the SFO or registered under section 119 of the SFO or an application for such licence or registration:
 - (i) any information relating to any other person who will be acting for or on its behalf in relation to the regulated activity; and
 - (ii) whether the person has established effective internal control procedures and risk management systems to ensure its compliance with all applicable regulatory requirements under any of the relevant provisions;
- (d) in the case of a corporation licensed under section 116 or section 117 of the SFO or an application for the licence, any information relating to any person who is or to be employed by, or associated with, the person for the purposes of the regulated activity; and
- (e) the state of affairs of any other business which the person carries on or proposes to carry on.

The SFC is obliged to refuse to grant a licence or registration if the applicant fails to satisfy the SFC that the applicant is a fit and proper person to be licensed. The onus is on the applicant to prove to the SFC that the applicant is fit and proper to be licensed for the regulated activity.

Licensed corporation

For application as a licensed corporation, the company has to be incorporated and the licensed corporation has to satisfy the SFC that it has a proper business structure, good internal control systems and qualified personnel to ensure the proper management of risks that it will encounter in carrying on the proposed business as detailed in the business plan submitted to the SFC. Detailed guidelines to meet the requirements and expectations of the SFC are contained in the following:

- Guidelines on Competence;
- The SFC Code of Conduct;
- The Internal Control Guidelines;
- The CFA Code

To comply with the regulatory requirements of the SFC as mentioned above, Somerley Capital has submitted its licence application with the SFC for the licences for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Both Type 1 (dealing in securities) and Type 6 (advising on corporate finance) licences were granted to Somerley Capital by the SFC on 2 October 2013.

Somerley Capital's licence as published by the SFC's Public Register of Licensed Persons and Registered Institutions is subject to the following condition which, in the view of the Directors, has no material impact on the businesses of the Company:

- in respect of Type 1 (dealing in securities) regulated activity, the licensee shall not engage in dealing activities other than those relating to corporate finance.

There is no condition imposed by the SFC on Type 6 (advising on corporate finance) licence.

Responsible officers

Each licensed corporation must have at least two responsible officers as approved by the SFC and approval for responsible officers is, *inter alia*, also subject to the fit and proper criteria mentioned above.

Each licensed corporation should appoint not less than two responsible officers to directly supervise the conduct of each regulated activity. For each regulated activity for which the licensed corporation applies, the licensed corporation should have at least one responsible officer available at all times to supervise the business. The same individual may be appointed to be a responsible officer for more than one regulated activity provided that he is fit and proper to be so appointed and there is no conflict in the roles assumed. At least one of the proposed responsible officers must be an executive director of the licensed corporation as defined under the SFO. All executive directors must seek SFC's prior approval as responsible officers.

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As defined in section 113(1) of the SFO, “executive director”, in relation to a licensed corporation, means a director of the corporation who:

- (a) actively participates in; or
- (b) is responsible for directly supervising

the business of a regulated activity for which the corporation is licensed.

Qualification and experience required for being a responsible officer

A person who intends to apply to be a responsible officer must demonstrate that he fulfils the requirements on both competence and sufficient authority. An applicant should possess appropriate ability, skills, knowledge and experience to properly manage and supervise the corporation’s regulated activity or activities. Accordingly, the applicant has to fulfil certain requirements on academic and industry qualifications, industry experience, management experience and regulatory knowledge as stipulated by the SFC.

If a responsible officer intends to conduct regulated activities in relation to matters falling within the ambit of a particular code issued by the SFC, such as the Takeovers Code, additional competence requirements specific to the Takeovers Code would apply to responsible officers on Type 6 (advising on corporate finance) regulated activity who intend to give advice and undertake corporate finance activities in relation to matters regulated by the Takeovers Code.

Licensed representative

An individual is required to be a licensed representative if he/she is performing a regulated function for his/her principal which is a licensed corporation in relation to a regulated activity carried on as a business, or if he/she holds himself/herself out as performing such a function.

Qualification and experience required for being a licensed representative

A person who intends to apply to be a licensed representative must demonstrate his/her competence. An applicant has to establish that he/she has the requisite basic understanding of the securities market in which he/she is to work as well as the laws and regulatory requirements applicable to the industry. In assessing the applicant’s competence to be licensed as a licensed representative, the SFC will have regard to the applicant’s academic and industry qualifications and regulatory knowledge.

Sponsors and compliance advisers regime

Under the sponsor regime established in January 2007, only Type 6 (advising on corporate finance) intermediaries that can meet the eligibility criteria set out in the Sponsor Guidelines published by the SFC and remain fit and proper as licensees or registered persons will be eligible to act as sponsors for IPOs and/or compliance advisers to listed companies. Since the New Sponsor Regime, there is enhanced regulations on IPO sponsors and the key obligations of IPO sponsors

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have been consolidated and centralised in paragraph 17 of the SFC Code of Conduct effective from 1 October 2013 for sponsor works. The Listing Rules, the GEM Listing Rules, the Sponsor Guidelines and the CFA Code all regulate sponsor's obligations and responsibilities. The intermediary and its management, which includes a sponsor's board of directors, managing director, chief executive officer, responsible officers, executive officers and other senior management personnel, shall be responsible for ensuring that the firm satisfies all specific and on-going eligibility criteria of the Sponsor Guidelines and paragraph 17 of the SFC Code of Conduct. In case of any conflicts amongst the Listing Rules, the GEM Listing Rules, the Sponsor Guidelines, the CFA Code and paragraph 17 of the SFC Code of Conduct, the provisions of paragraph 17 of the SFC Code of Conduct shall prevail. Hence, the onus is on the licensed corporation and its management to demonstrate that the firm satisfies all necessary requirements of the Sponsor Guidelines and paragraph 17 of the SFC Code of Conduct for sponsor works.

A sponsor is a licensed corporation or registered institution licensed or registered under the SFO for Type 6 (advising on corporate finance) regulated activity and permitted under its licence or certificate of registration to undertake work as a sponsor appointed to act as a sponsor in respect of an application for the listing of any securities on a recognised stock market under the GEM Listing Rules or the Listing Rules (as the case may be).

A compliance adviser is a licensed corporation or registered institution licensed or registered under the SFO for Type 6 (advising on corporate finance) regulated activity and permitted under its licence or certificate of registration to undertake work as sponsor appointed to act as compliance adviser under the GEM Listing Rules or the Listing Rules (as the case may be). The main role of a compliance adviser is to ensure the listed company is properly guided and advised as to compliance with the GEM Listing Rules or the Listing Rules (as the case may be) and all other applicable laws, rules, codes and guidelines. In the event that a licensed corporation is eligible to act as a sponsor, it is also eligible to act as a compliance adviser. Somerley Capital has been granted sponsor licence by the SFC and is an active compliance adviser.

Hence, in order to act as a sponsor, apart from holding a Type 6 (advising on corporate finance) licence, sponsor licence application should be submitted to SFC to demonstrate that it can meet the eligibility criteria pursuant to the Sponsor Guidelines. In considering the sponsor licence application, the SFC will take into account the competency of the firm to act as a sponsor, based on the criteria set out in the Sponsor Guidelines and will also consider more generally the firm's fitness and properness as a corporate finance advisory firm under the Fit and Proper Guidelines.

A sponsor should ensure that there are sufficient principals engaged in a full time capacity to discharge its role in supervising the transaction team. A sponsor should have at least two principals at all times.

As for its eligibility to act as a sponsor and a compliance adviser, Somerley Capital has been approved by the SFC to act as a sponsor on 2 October 2013 as published in the SFC's website "List of Sponsors". The current Principals as published by SFC's website are Mr. Sabine, Mr. Chow and Mr. Ching David. Only firms eligible to act as sponsors are eligible to act as compliance advisers. The Listing Rules or GEM Listing Rules (as the case may be) require an issuer to appoint

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a compliance adviser during an initial period after being admitted to listing and the compliance adviser's core role is to assist the issuer to comply with certain of its Listing Rule or GEM Listing Rules (as the case may be) obligations during such a period. Somerley Capital has been granted sponsor licence by the SFC and is an active compliance adviser.

Minimum capital requirements and the FRR

Licensed corporations are required under section 145 of the SFO to maintain at all times a minimum level of paid-up share capital and liquid capital. Depending on the types of regulated activity that the licensed corporation is applying for, licensed corporation has to maintain at all times paid-up share capital and liquid capital not less than the specified amounts according to the FRR.

The following table summarises the minimum paid-up capital and liquid capital that a licensed corporation is required to maintain for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities:

<u>Regulated activity</u>	<u>Minimum paid-up share capital</u>	<u>Minimum liquid capital</u>
Type 1 (dealing in securities) —		
(a) In the case where the corporation is an approved introducing agent or trader	Not applicable	\$500,000
(b) In the case where the corporation provides securities margin financing	\$10,000,000	\$3,000,000
(c) In any other case	\$5,000,000	\$3,000,000
Type 6 (advising on corporate finance) —		
(a) In the case where in relation to Type 6 (advising on corporate finance) regulated activity, the corporation is subject to the licensing condition that it shall not hold client assets	Not applicable	\$100,000
(b) In the case where the corporation acts as a sponsor	\$10,000,000	\$3,000,000
(c) In any other case	\$5,000,000	\$3,000,000

Source: Licensing Information Booklet and the FRR, Schedule 1

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Pursuant to the FRR, where the licensed corporation is licensed to carry on two or more regulated activities, the respective required minimum paid-up share capital and minimum liquid capital to be maintained by the licensed corporation shall be the highest applicable amounts among the activities. Somerley Capital, being a corporation licensed to carry on two types of regulated activities (ie Type 1 (dealing in securities) and Type 6 (advising on corporate finance)) under the SFO, is therefore, required to maintain the respective minimum paid-up share capital and minimum liquid capital at the highest amounts amongst the two types of regulated activities stipulated under the FRR.

Since Somerley Capital is also eligible to carry out sponsor work and is not subject to the no sponsor work licensing condition and hence, the applicable minimum paid-up capital and minimum liquid capital that Somerley Capital is required to maintain are HK\$10 million and HK\$3 million respectively.

Minimum paid up capital

Somerley Capital's issued share capital is HK\$10 million which is in compliance with the applicable minimum paid-up share capital under the FRR.

Minimum liquid capital

In respect of the minimum liquid capital, the FRR set out the computation of a number of variables in respect of all the liquid assets and ranking liabilities of the licensed corporation and its liquid assets must exceed its ranking liabilities, and in the case of Somerley Capital, such surplus must be in excess of HK\$3 million.

Payment of annual fees

Licensed corporations, licensed persons and registered institutions should pay annual fees within one month after each anniversary date of their licenses or registrations under section 138(2) of the SFO, details of the annual fees applicable to the two types of regulated activities (i.e. Type 1 (dealing in securities) and Type 6 (advising on corporate finance)) that Somerley Capital engaged in are set out in the Licensing Information Booklet:

<u>Types of intermediary</u>	<u>Annual fees for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities</u>
Licensed corporation	HK\$4,740 per regulated activity
Licensed representative (not approved as responsible officer)	HK\$1,790 per regulated activity
Licensed representative (approved as responsible officer)	HK\$4,740 per regulated activity

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On 24 March 2016, the SFC issued a circular waiving annual licensing fees for all licensed corporations, registered institutions, responsible officers and licensed representatives during the period from 1 April 2016 to 31 March 2018.

Ongoing obligations for compliance by licensed corporations and intermediaries

Remaining fit and proper

Licensed corporations, licensed representatives and registered institutions must remain fit and proper at all times and have to comply with all applicable provisions of the SFO and its subsidiary legislations as well as the codes and guidelines issued by the SFC.

Notification to the SFC of certain events and changes

Licensed corporations, licensed representatives and registered institutions are required to notify the SFC of certain events and changes in their particulars within the specified time limit pursuant to section 135 of the SFO and the Securities and Futures (Licensing and Registration) (Information) Rules (Chapter 571S of the Laws of Hong Kong), details of which are contained in the Licensing Information Booklet.

Obligations for substantial shareholder

According to section 132 of the SFO and the Licensing Information Booklet, a person (including a corporation) is required to apply for the SFC's approval prior to becoming or continuing to be, as the case may be, a substantial shareholder of a corporation licensed under section 116 of the SFO. A person, being aware that he becomes a substantial shareholder of a licensed corporation without SFC's prior approval should, as soon as reasonably practicable and in any event within three business days after he becomes so aware, apply to the SFC for approval to continue to be a substantial shareholder of the licensed corporation.

Submission of audited accounts

Licensed corporations and associated entities of intermediaries (except for those which are authorised financial institutions) are required to submit their audited accounts and other required documents within four months after the end of each financial year under section 156(1) of the SFO. Furthermore, if a licensed corporation ceases carrying on all of the regulated activities for which it is licensed, it should submit to the SFC its audited accounts and other required documents, made up to the date of cessation, not later than four months after the date of the cessation under section 156(2) of the SFO. The same submission requirement applies to an associated entity (which is not an authorised financial institution) of an intermediary upon its ceasing to be such an associated entity under section 156(2) of the SFO.

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Submission of electronic financial resources returns (e-FRR)

Licensed corporations are required to submit e-FRR on a monthly basis to the SFC save those licensed corporations for holding only Types 4 (advising on securities), 5 (advising on futures contracts), 6 (advising on corporate finance) and/or 9 (asset management) regulated activities and their licenses are subject to the condition that they shall not hold client assets. In the latter case, the licensed corporations shall have to submit semi-annual e-FRR to the SFC as required under section 56 of the FRR.

Continuous professional training

A licensed corporation must ensure that its licensed staff fulfills this requirement.

The SFC has issued a guideline entitled “Guidelines on Continuous Professional Training” pursuant to section 399 of the SFO. There is the annual requirement that every licensed individual must undertake at least five hours each calendar year of continuous professional training for each type of regulated activity except for Type 7 (providing automated trading services) regulated activity. Failure to comply with the guidelines on continuous professional training may reflect adversely on the fitness and properness of a person to continue to carry on the regulated activity.

Pursuant to section 399 of the SFO, licensed corporation is held primarily responsible for designing and implementing a continuous education system best suited to the training needs of the individuals they engaged and which will enhance their industry knowledge, skills and professionalism. Licensed corporation should at least annually evaluate their training programs and make commensurate adjustments to cater for the training needs of the individuals they engaged.

Maintenance of segregated account(s), and holding and payment of client money

A licensed corporation must maintain segregated account(s), and holding and payment of client money in accordance with the requirements under the Securities and Futures (Client Money) Rules (Chapter 571I of the Laws of Hong Kong), which sets out the requirements to ensure proper handling of client money. It prescribes the treatment of client money received or held in Hong Kong by licensed corporations.

Record keeping requirements

A licensed corporation must keep records in accordance with the requirements under the Securities and Futures (Keeping of Records) Rules (Chapter 571O of the Laws of Hong Kong), which requires licensed corporations to keep proper records. It prescribes the records that are to be kept by licensed corporations to ensure that they maintain comprehensive records in sufficient details relating to their businesses and client transactions for proper accounting of their business operations and clients’ assets.

REGULATORY OVERVIEW

Supervision by SFC

SFC supervises licensed corporations and intermediaries and to supervise intermediaries operating in the market, SFC conducts on-site inspections and off-site monitoring to ascertain and supervise intermediaries' business conduct and compliance with relevant regulatory requirements and to assess and monitor the financial soundness of intermediaries.

Disciplinary power of the SFC

Under Part IX of the SFO, the SFC may take disciplinary action against a regulated person (including a licensed person or a registered institution) if that person is found to be guilty of misconduct or not fit and proper to be or remain the same type of regulated person (sections 194 and 196 of the SFO).

Section 194 of the SFO deals with disciplinary actions in respect of licensed persons, etc. The SFC may exercise any of the following disciplinary actions against a regulated person which means a person who is or at the relevant time was any of the following types of person:

- (a) a licensed person;
- (b) a responsible officer of a licensed corporation; or
- (c) a person involved in the management of the business of a licensed corporation.

Subject to the due process for exercising disciplinary powers laid down in section 198 of the SFO, the SFC may exercise any of the following disciplinary actions against a regulated person:

- revocation or suspension of a licence or a registration;
- revocation or suspension of part of a licence or registration in relation to any of the regulated activities for which a regulated person is licensed or registered;
- revocation or suspension of the approval granted to a responsible officer;
- public or private reprimand on a regulated person;
- prohibition of a regulated person from applying to be licensed or registered or to be approved as a responsible officer, etc; and
- pecuniary penalty of not exceeding the amount which is the greater of HK\$10,000,000 or 3 times the profit gained or loss avoided as a result of the conduct in question.

REGULATORY OVERVIEW

ANTI-MONEY LAUNDERING AND TERRORIST FINANCING

Money laundering covers a wide range of activities and processes intended to alter the identity of the source of criminal proceeds in a manner which disguises their illegal origin. Terrorist financing is a term which includes the financing of terrorist acts, and of terrorist and terrorist organisations. It extends to any funds, whether from a legitimate or illegitimate source.

Licensed corporations are required to comply with applicable anti-money laundering laws and regulations in Hong Kong. The four main pieces of legislation in Hong Kong that are concerned with money laundering and terrorist financing are the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Chapter 615 of the Laws of Hong Kong), the Drug Trafficking (Recovery of Proceeds) Ordinance (Chapter 405 of the Laws of Hong Kong), the Organised and Serious Crimes Ordinance (Chapter 455 of the Laws of Hong Kong) and the United Nations (Anti-Terrorism Measures) Ordinance (Chapter 575 of the Laws of Hong Kong). The SFC has also published the Prevention of Money Laundering and Terrorist Financing Guidance Note (September 2009), which was superseded by (1) Prevention of Money Laundering & Terrorist Financing Guideline (April 2012); and (2) Guideline on Anti-Money Laundering and Counter Terrorist Financing (April 2015) which require licensed corporations to, among other things, adopt and enforce “know-your-clients” policies and procedures. Staff of licensed corporations who know, suspect or have reasonable grounds to believe that a customer might have engaged in money laundering activities must immediately report to the compliance division of its organisation which, in turn, will be reported to the JFIU.

TAKEOVERS AND MERGERS

Financial advisers and independent financial advisers licensed by the SFC may act for Hong Kong listed companies as regards transactions principally involving the Listing Rules, the GEM Listing Rules and Takeovers Code.

In Hong Kong, any takeover, merger, privatisation and share repurchase activities affecting public companies are regulated by the Takeovers Code which is issued by the SFC in consultation with the Takeovers Panel. The primary purpose of the Takeovers Code is to afford fair treatment for shareholders who are affected by takeovers, mergers, privatisations and share buy-backs. The Takeovers Code seeks to achieve fair treatment by requiring equality of treatment of shareholders, mandating disclosure of timely and adequate information to enable shareholders to make an informed decision as to the merits of an offer and ensuring that there is a fair and informed market in the shares of companies affected by takeovers, mergers, privatisations and share buy-backs. The Takeovers Code also provides an orderly framework within which takeovers, mergers, privatisations and share buy-backs activities are to be conducted.

The responsibilities provided for in the Takeovers Code apply to:

- (a) directors of companies that are subject to the Takeovers Code;

REGULATORY OVERVIEW

- (b) management companies (and their directors) and trustees of REITs (as defined under the REIT Guidance Note in Schedule IX of the Takeovers Code) that are subject to the Takeovers Code;
- (c) persons or groups of persons who seek to gain or consolidate control of companies that are subject to the Takeovers Code;
- (d) their professional advisers;
- (e) persons who otherwise participate in, or are connected with, transactions to which the Takeovers Code applies; and
- (f) persons who are actively engaged in the securities market.

In addition, any other persons who issue circulars or advertisements to shareholders in connection with takeovers, mergers or share buy-backs must observe the highest standards of care and consult with the Takeovers Executive prior to the release thereof.

The role and responsibility of financial and other professional advisers is of particular importance given the non-statutory nature of the Takeovers Code, and it is part of their responsibility to use all reasonable efforts, subject to any relevant requirements of professional conduct, to ensure that their clients understand, and abide by, the requirements of the Takeovers Code, and to co-operate to that end by responding to inquiries from the Takeovers Executive, the Takeovers Panel or the Takeovers Appeal Committee.

The Takeovers Panel hears disciplinary matters in the first instance and reviews rulings by the Takeovers Executive at the request of any party dissatisfied with such a ruling. It also considers novel, important or difficult cases referred to it by the Takeovers Executive. It also reviews, upon the SFC's request, the provisions of the Takeovers Code and the Rules of Procedure for hearings under the Takeovers Code, and recommend relevant amendments as appropriate.

The Takeovers Appeal Committee reviews disciplinary rulings of the Takeovers Panel at the request of an aggrieved party for the sole purpose of determining whether any sanction imposed by the Takeovers Panel is unfair or excessive.

To help the public better understand the activities of the Takeovers Panel and the Takeovers Appeal Committee, rulings and sanctions given, together with the reasons in support, are published by the SFC. The Takeovers Executive also publishes decisions or statements as and when appropriate. In addition, practice notes are issued by the Takeovers Executive to provide informal guidance as to how the Takeovers Executive normally interprets and applies certain provisions of the Takeovers Code. The practice notes are reviewed by the Takeovers Executive periodically and are published on the SFC's website.

REGULATORY OVERVIEW

HONG KONG EXCHANGES AND CLEARING LIMITED

Apart from the SFC, the Stock Exchange also plays a leading role in regulating companies seeking admission to the Hong Kong markets and supervising those companies once they are listed. The Stock Exchange is a recognised exchange controller under the SFO. It owns and operates the only stock and futures exchanges in Hong Kong, namely the Stock Exchange and the Hong Kong Futures Exchange Limited, and their related clearing houses. The duty of the Stock Exchange is to ensure orderly and fair markets and that risks are managed prudently, consistent with the public interest and in particular, the interests of the investing public.

In its role as the operator and frontline regulator of the central securities and derivatives marketplace in Hong Kong, the Stock Exchange works closely with the SFC to regulate listed issuers: administers listing, trading and clearing rules; and provides services at the wholesale level to customers of the exchanges and clearing houses, including issuers and intermediaries namely, investment banks or sponsors, securities and derivatives brokers, custodian banks and information vendors, who service the investors directly. These services include trading, clearing and settlement, depository and nominee services, and information services.

APPROVAL FOR THE REORGANISATION AND THE LISTING

On 20 June 2016, the Group obtained approval (which was extended on 16 December 2016) from the SFC regarding the change of substantial shareholders of Somerley Capital (i.e. the Company and Somerley BVI becoming the substantial shareholders of Somerley Capital as part of the Reorganisation). For details of the Reorganisation, please refer to the section headed “History and Development” of this prospectus.

Please refer to the paragraph headed “3. Resolutions in writing of the Shareholders passed on 9 March 2017” under the section headed “A. Further information about the Company” in Appendix IV to this prospectus for Shareholders’ approval in relation to the Listing and Hong Kong Public Offering. Save for the approval from the Stock Exchange and the SFC, no other regulatory approval is required for the Listing.

HISTORY AND DEVELOPMENT

OVERVIEW

Somerley Capital Holdings was incorporated in the Cayman Islands as an exempted company with limited liability on 21 April 2016 in anticipation of the Listing. It carries out no business operations and its principal function is to act as the parent company for the Group following the Listing. Following the Reorganisation, it will indirectly hold 100% interest in Somerley Capital through an intermediate holding company, Somerley BVI. For details of the Group's corporate structure, please see the paragraph headed "Reorganisation" of this section.

CORPORATE DEVELOPMENT

The key milestones in the Group's corporate development to date are set out below:

Date	Events
3 January 2013	Somerley Capital was incorporated in Hong Kong
2 October 2013	Somerley Capital was licensed by the SFC to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
1 January 2014	Somerley Capital commenced activities in the CF Business and set its financial year end at 31 March. Somerley Capital became the sole operating subsidiary of SGL carrying out the CF Business. Most of active CF Business mandates being handled by SIL at that time were novated to Somerley Capital. SIL ceased handling the CF Business
21 April 2016	Somerley Capital Holdings was incorporated as a new holding company for the purpose of the Reorganisation and the Listing

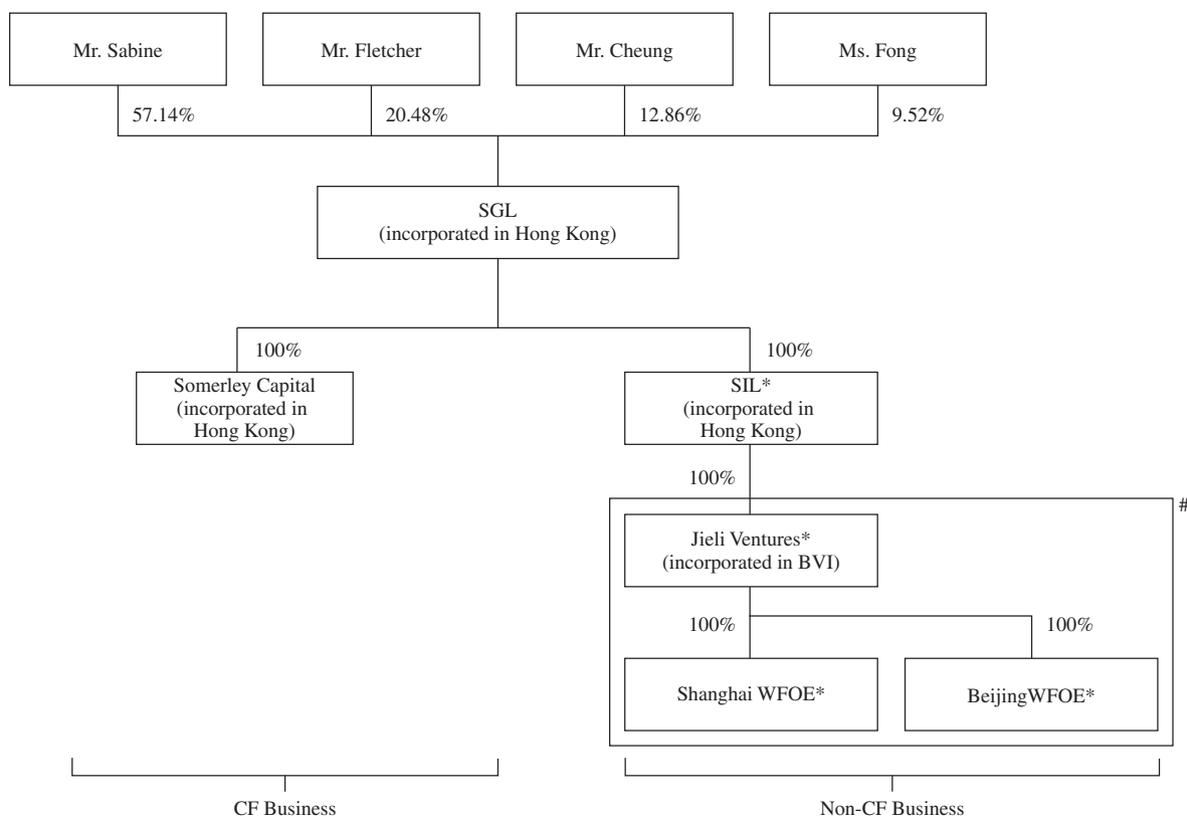
HISTORY AND DEVELOPMENT

BACKGROUND

(i) SGL and its subsidiaries

Mr. Sabine was the founder of the CF Business. He used his own financial resources to start the CF Business. SGL was set up in 2005 to acquire a 100% interest in SIL (then called Somerley Limited), which had undergone a series of ownership changes in 2003 to 2005. SIL held licences to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities in Hong Kong following the implementation of the SFO on 1 April 2003. The Type 9 (asset management) licence was subsequently relinquished. SIL continues to hold Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) licences. In 2003, SIL had set up the BRO with the assistance of Mr. Fletcher, taking over some business and employing some staff of an Australian broker which had operations in Beijing. Mr. Fletcher, Mr. Sabine and Mr. Cheung were the original shareholders of SGL and Ms. Fong became a shareholder in 2006. In 2009, SGL acquired Jieli Ventures, which owns the Shanghai WFOE. In May 2014, SGL transferred its ownership of Jieli Ventures to SIL. In December 2016, SIL executed a share purchase agreement to transfer its ownership of the Beijing WFOE to Jieli Ventures. Mr. Sabine, Mr. Fletcher and Mr. Cheung will be the Controlling Shareholders upon Listing, as they are acting in concert in respect of their interests in the Company.

The following is a summary chart of the shareholdings and active subsidiaries of SGL:



* Not included in the Group to be listed

On 21 February 2017, SIL transferred its ownership of Jieli Ventures (which currently holds the Beijing WFOE and the Shanghai WFOE) to Satiyi Limited (a company wholly-owned by a director of the Shanghai WFOE). Since then, each of Jieli Ventures, the Beijing WFOE and the Shanghai WFOE ceased to be a subsidiary of SGL.

HISTORY AND DEVELOPMENT

(ii) *The CF Business*

During the period from 2003 to 2013, the CF Business engaged in transactions very similar to those set out in detail in the paragraph headed “Overview” under the section headed “Business” in this prospectus. The CF Business is well-established and operates in a well-defined market. Its operations have been headed by Mr. Chow, the managing director of Somerley Capital who joined SIL in 2006, Mr. Cheung and the other directors of Somerley Capital. During the Track Record Period and up to the Latest Practicable Date, nearly all the clients of Somerley Capital have been, and continue to be, companies listed in Hong Kong, their major shareholders and/or investors of these companies and parties seeking to control or invest in companies listed in Hong Kong. The CF Business is staffed by executives with knowledge of the Listing Rules, the GEM Listing Rules and the Takeovers Code, along with relevant industry experience. All Responsible Officers and Licensed Representatives of the CF Business are based in Hong Kong and most of them have an accounting background.

(iii) *The Non-CF Business*

The Non-CF Business, which started in 2003, has developed in a different way. The BRO, with the guidance of Mr. Fletcher, engaged in assisting overseas companies seeking to invest in Chinese and overseas groups. After Ms. Fong joined in 2006, she became responsible for international M&A business, matching buyers and sellers and including fund raising from private equity houses. After Jieli Ventures was acquired in 2009, the Shanghai WFOE, headed by Mr. Adams, who is principally responsible for (i) expanding the Non-CF Business’ client base in the PRC; (ii) supervising the project execution progress in various corporate finance and M&A transactions; and (iii) developing the Non-CF Business in the Central Asia region. During the Track Record Period and up to the Latest Practicable Date, none of the clients of the Non-CF Business was a Hong Kong listed company. In this period, SIL had not provided any advice on the Listing Rules, the GEM Listing Rules or the Takeovers Code or acted as sponsor or compliance adviser. SIL’s staff have mainly a business or banking background and the majority of them are based outside Hong Kong, in Beijing and Shanghai. None of them (except Mr. Sabine before he resigned as director and responsible officer of SIL on 24 May 2016) engaged in the CF Business.

The board of directors of SIL is introducing changes to SIL’s operations. Mr. Sabine resigned as director and responsible officer of SIL on 24 May 2016.

On 29 November 2016, SGL entered into the SIL Disposal Agreement with an Independent Third Party (the “**Purchaser**”) pursuant to which SGL conditionally agreed to sell, and the Purchaser conditionally agreed to buy, the entire issued share capital of SIL.

For further information on the SIL Disposal Agreement, please refer to the section headed “Relationship with Controlling Shareholders” in this prospectus.

HISTORY AND DEVELOPMENT

(iv) CF Business and Non-CF Business are clearly segregated

The CF Business engaged in transactions as set out in the section headed “Business” in this prospectus. The CF Business has been all along headed by Mr. Chow and other directors of Somerley Capital since 2006. During the period prior to 1 January 2014, the CF Business segment of SIL was operated by a separate professional team from the Non-CF Business. Nearly all the clients of CF Business during such period were companies listed in Hong Kong or major shareholders and/or the investors of listed companies and parties seeking to control or invest in these listed companies. To align the corporate structure with the separate nature of the CF Business and the Non-CF Business, the CF Business and the Non-CF Business were organised into separate companies and profit centres. They were already managed by separate and different management teams, with effect from 1 January 2014.

The separation of the CF Business and the Non-CF Business into different companies on 1 January 2014 followed a long-standing division of the business and formalised arrangements for responsibility/accountability purposes. For example, the separation allows the management of these two groups to have a clearer picture of the performance of these two businesses, which are very much different in terms of client base, nature of the advisory services provided to its clients, payment terms of advisory fee and billing patterns. The aforesaid reorganisation also allows each management team to concentrate its efforts to improve the respective businesses.

Staff

All the staff (except Mr. Sabine) handling the CF Business were transferred from SIL to Somerley Capital with effect from 1 January 2014. Prior to 1 January 2014, there was no overlapping of professional staff (except Mr. Sabine) between the CF Business and the Non-CF Business.

With the exception of Mr. Sabine (who resigned as director and responsible officer of SIL on 24 May 2016) as founder of the whole group, none of the Responsible Officers and Licensed Representatives of the CF Business engaged in the Non-CF Business prior to the date of the SIL Disposal Agreement, and none of SIL’s staff engaged in the CF Business. Throughout the Track Record Period and up to the date of SIL Disposal Agreement, no staff have served both the CF Business and the Non-CF Business.

Service classification

The CF Business and the Non-CF Business occupy different specialised sectors of the financial services industry. Both sectors are client-driven and demand specialist expertise. As the clients and expertise required in respect of the CF Business and the Non-CF Business are different, the CF Business and the Non-CF Business did not compete with each other in the past and are unlikely to compete with each other in the future.

HISTORY AND DEVELOPMENT

The Group's CF Business during the Track Record Period and up to the Latest Practicable Date mainly involved:

- (i) acting as financial adviser to Hong Kong public listed companies, major shareholders and investors of these companies and parties seeking to control or invest in listed companies in Hong Kong (mostly in transactions which involve the Listing Rules, the GEM Listing Rules and/or the Takeovers Code). This includes acting as arranger in connection with the introduction of investors to listed companies in Hong Kong and/or their major shareholders in a takeover transaction;
- (ii) acting as independent financial adviser to independent board committees and/or independent shareholders of listed companies in Hong Kong; and
- (iii) acting as compliance adviser, mostly for newly listed companies in Hong Kong.

The Non-CF Business involves none of the aforesaid activities. SIL engages in assisting overseas companies seeking to invest in Chinese and overseas groups, and matching buyers and sellers and including fund raising from private equity houses. During the Track Record Period and up to the Latest Practicable Date, SIL had not provided any advice on the Listing Rules, the GEM Listing Rules or the Takeovers Code or acted as sponsor or compliance adviser, nor has it acted for any Hong Kong listed company.

Because of these different activities, the expertise of the staff of the CF Business and the Non-CF Business and the experience and contacts they have built up by executing transactions are, by the same token, different. Consequently, they are ill-equipped to compete with the Group.

The aforesaid service classification was also applicable during the period prior to 1 January 2014.

Office premises

The office premises of Somerley Capital and SIL are physically separated. Somerley Capital's employees and SIL's employees can only access Somerley Capital's and SIL's office by his/her staff card, respectively. With the arrangement under the Original Office Sharing Agreement and the Office Sharing Agreement, the Group owns or has the right to use all material operational facilities in connection with the CF Business and holds all relevant business and regulatory licences. In case of emergencies, the Group is able to move to any suitable offices in a nearby location, which are available with a rent similar to the existing level. The server systems of Somerley Capital and SIL are completely separate from each other. As a result of the entering into of the SIL Disposal Agreement and suspension of SIL's business operation, SIL has vacated the portion of office premises occupied by it in January 2017.

HISTORY AND DEVELOPMENT

Technical skills or knowledge

The technical skills or knowledge required for the CF Business and the Non-CF Business are different in all essential respects. The CF Business is staffed by executives with detailed knowledge of the Listing Rules, the GEM Listing Rules and the Takeovers Code, and how to interpret them. Most of them have an accounting background with a focus on review and analysis of financial statements and financial due diligence.

In contrast, SIL staff is not involved in providing any advice on the Listing Rules, the GEM Listing Rules or the Takeovers Code or has not acted as sponsor or compliance adviser. Consequently, SIL shall have no detailed knowledge of these regulations or how they are applied in particular cases. They have mainly a business or banking background with emphasis on providing strategic advice to their clients in finding suitable investors and/or investees, assisting their clients in commercial negotiations, building financial and valuation models and preparing investment memoranda.

SIL only retains its licences from the SFC, as it is possible that SIL staff working in or visiting Hong Kong for meetings in the course of their Non-CF Business work might be considered to be carrying out regulated activities in Hong Kong.

Management and board composition

Mr. Sabine resigned as director and responsible officer of SIL on 24 May 2016. Mr. Cheung does not participate in the operations of SIL. Other than Mr. Sabine and Mr. Cheung, the Company has an independent Board not connected with SIL.

Apart from the Board, the Group's management team includes nine senior management members who are not connected with SIL and have substantial experience of the Group's business. The management team is able to implement the Group's policies and strategies and perform its roles in the Company independently from SIL.

Non-competition Undertaking

To safeguard the interests of the Group, each of the Controlling Shareholders has entered into the Non-competition Undertaking in favour of the Company. Each of the Controlling Shareholders has undertaken in favour of the Company that it shall not engage in, invest in, participate in or interest in the Competing Business, as set out in the terms of the Non-competition Undertaking.

HISTORY AND DEVELOPMENT

(v) *Establishment of Somerley Capital*

To align the corporate structure with the separate nature of the CF Business and the Non-CF Business, Somerley Capital was set up as a wholly-owned subsidiary of SGL to carry on the CF Business. Regulatory approval from the SFC was obtained, having considered among other things, a proper delineation of businesses between Somerley Capital and SIL in respect of the CF Business and the Non-CF Business. Somerley Capital was granted a licence by the SFC to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities on 2 October 2013.

With effect from 1 January 2014, Somerley Capital became the sole operating subsidiary of SGL carrying out the CF Business. All the staff (except Mr. Sabine) handling the CF Business were transferred from SIL to Somerley Capital with effect from that date and the office premises of Somerley Capital and SIL were delineated. Somerley Capital entered into new CF Business mandates with clients from 1 January 2014. Most of the previous mandates for the CF Business in the name of SIL which were ongoing at the effective date of 1 January 2014 were novated from SIL to Somerley Capital with consent in writing from each individual client. Several then-ongoing mandates for the CF Business in the name of SIL were not novated from SIL to Somerley Capital as the respective underlying engagement was expected to be completed in or around the first quarter of 2014. All such engagements were handled by Somerley Capital with effect from 1 January 2014 and subsequently concluded by early April 2014. SIL has ceased doing any CF Business. It retains its Types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) licences out of an abundance of caution, in case any of its staff could be considered to be carrying out such activities in Hong Kong in the course of their Non-CF Business work. In this respect, given the broad scope of what constitutes regulated activities in Hong Kong under the SFO, where SIL is carrying out its Non-CF Business work in Hong Kong, notwithstanding that such work does not relate to the CF Business, such activity may constitute a regulated activity and accordingly it is prudent for SIL to retain such licences.

(vi) *Share Purchase Scheme and Pre-IPO Share Option Scheme*

The senior management of SGL believe the success of the CF Business is to a large extent dependent on its staff. Professional staff and other personnel of the CF Business have therefore been given an opportunity to participate in the results of the CF Business through taking up an equity interest in the Company. The CF Business and the Non-CF Business have developed independently as discussed above and have been carried on through separate corporate entities since 1 January 2014. The Directors are of the view that generally, Somerley Capital has had a large number of engagements which usually are successfully completed and yield fees which are largely fixed and SIL on the other hand has had a smaller number of engagements which have a lower success rate but which from time to time yield large fees. As it is not possible to predict whether a transaction with a large fee will be completed in a particular financial reporting period, the Directors believe the results of SIL tend to be volatile and the inclusion of SIL in the Listing will increase the potential risk in investors' eyes and reduce the attraction of the Company to the investors. Consequently, the Share Incentive Plan has been designed so that the staff of the CF

HISTORY AND DEVELOPMENT

Business are able to contribute to the results of the CF Business and hold an equity interest in the Company which only holds the CF Business. This is one reason why the Listing is based on the CF Business only.

On 26 April 2016, SGL completed the Share Purchase Scheme to transfer approximately 9.6% of the share capital of each of Somerley Capital and the Company to Mr. Cheung, Mr. Chow and certain directors of Somerley Capital (i.e. the SM Transferees). Details of these share transfers are set out in the paragraph headed “Reorganisation” below in this section. In May 2016, the Company adopted the Pre-IPO Share Option Scheme and made awards to the professional staff and certain personnel of Somerley Capital. The Pre-IPO Share Option Scheme in total covers approximately 12.3% of the share capital of the Company prior to the Hong Kong Public Offering. The Share Purchase Scheme and the Pre-IPO Share Option Scheme represent, in aggregate, approximately 16.2% of the enlarged share capital immediately after the Hong Kong Public Offering (without taking into account any Shares that may be allotted and issued pursuant to the exercise of the options which have been granted under the Pre-IPO Share Option Scheme and options which may be granted under the Share Option Scheme). The Directors believe this is a large percentage by reference to pre-IPO schemes of this nature and reflects the importance the Directors place on staff to participate in the future of the business they help to run. The Directors consider that the Share Incentive Plan forms a critical element in motivating and retaining staff of Somerley Capital and that for such schemes to work most effectively, they should relate to listed shares. This is one of the principal reasons for the Listing.

(vii) *Basis of the Listing*

The Listing is based on the CF Business, details of which are set out in the paragraph headed “Overview” under the section headed “Business” in this prospectus. This section includes a summary of the Non-CF Business and what the main differences are between the CF Business and the Non-CF Business. The differences are significant and further changes are underway for the Non-CF Business as outlined above. In addition, the Directors believe that the Share Incentive Plan will be more effective, and the Company will be more readily understood by investors if the Company holds the CF Business alone.

The Directors confirm that on the assumption that SIL was included, the cash flow of the Group would still be well above the minimum cash flow requirement under Rule 11.12A of the GEM Listing Rules and the inclusion of SIL in the Group will not render it unsuitable or ineligible to list under the GEM Listing Rules.

CORPORATE DEVELOPMENT

The Company was established in the Cayman Islands under the Companies Law as an exempted company with limited liability on 21 April 2016.

The Company has become the holding company of the Group pursuant to the Reorganisation, the details of which are set out under the paragraph headed “Reorganisation” in this section.

HISTORY AND DEVELOPMENT

Somerley Capital

Somerley Capital was incorporated in Hong Kong with limited liability on 3 January 2013. It is at present the only active operating company in the Group, having commenced business on 1 January 2014. Following the Reorganisation, Somerley Capital will be wholly-owned by the Company through Somerley BVI.

REORGANISATION

In preparation for the Listing, the Group underwent the Reorganisation whereby the Company became the holding company of the Group, which involved the following steps.

Share capital of the Company

As at the date of its incorporation on 21 April 2016, the Company had an authorised share capital of HK\$2,000,000 divided into 200,000,000 Shares of HK\$0.01 each, with 10,000,000 Shares of HK\$0.01 each issued and allotted at par and credited as fully paid and held by SGL.

Incorporation of Somerley BVI

On 22 April 2016, Somerley BVI was incorporated in the BVI. As at the date of its incorporation, it had a maximum number of shares of 50,000 shares with a par value of HK\$1 each. As at the date of its incorporation, 1 share of HK\$1 each was issued and allotted to the Company at par and credited as fully paid. Somerley BVI became a wholly-owned subsidiary of the Company.

Transfer of shares of Somerley Capital by SGL to the SM Transferees

On 26 April 2016, SGL transferred 955,065 shares of Somerley Capital (representing approximately 9.6% of the then entire issued share capital of Somerley Capital) to the SM Transferees, at a consideration of HK\$2.80 per share of Somerley Capital, payments of which were made on 22 April 2016. The price was determined with reference to the net asset value per share of Somerley Capital as at 31 March 2016.

HISTORY AND DEVELOPMENT

The numbers of shares of Somerley Capital transferred by SGL to each of the SM Transferees are as follows:

SM Transferee	No. of shares of Somerley Capital
Mr. Cheung	129,144
Mr. Chow	375,417
Ms. Leung Lim Ng Jenny	75,084
Ms. Tam Sze Ka	75,084
Mr. Ching David	75,084
Mr. Cheng Yat Wai	75,084
Mr. Wong C-Tsun	75,084
Ms. Chow Chung Yan Stephanie	75,084
TOTAL	955,065

Transfer of Shares in Somerley Capital Holdings by SGL to the SM Transferees

To mirror the transfer of shares in Somerley Capital to the SM Transferees on 26 April 2016 on the same day, SGL also transferred 955,065 Shares (representing approximately 9.6% of the then entire issued share capital of the Company) to the SM Transferees at a consideration of HK\$0.01 per Share, being the par value, payments of which were made on 22 April 2016.

The numbers of Shares transferred by SGL to each of the SM Transferees are as follows:

SM Transferee	No. of Shares	Approximate percentage of the total issued share capital of the Company immediately following the completion of the Capitalisation Issue and Hong Kong Public Offering but excluding any Shares which may be allotted and issued pursuant to the Share Option Schemes ^(Note)
Mr. Cheung	129,144	0.96%
Mr. Chow	375,417	2.78%
Ms. Leung Lim Ng Jenny	75,084	0.56%
Ms. Tam Sze Ka	75,084	0.56%
Mr. Ching David	75,084	0.56%
Mr. Cheng Yat Wai	75,084	0.56%
Mr. Wong C-Tsun	75,084	0.56%
Ms. Chow Chung Yan Stephanie	75,084	0.56%
TOTAL	955,065	7.07%

Note: Figures may not add up precisely to total due to rounding

HISTORY AND DEVELOPMENT

The Share Purchase Scheme was designed so that the SM Transferees are able to contribute to affect the results of the CF Business and participate in an equity interest in the Company. For the detail of the background of each of the SM Transferees, please refer to the section headed “Directors, Senior Management and Employees” in this prospectus.

The Share Purchase Scheme is treated as a capital contribution. The fair value of services of the SM Transferees received, measured by the reference to the fair value as at the transfer date, is recognised in profit or loss, with corresponding credit to equity as contribution by the Group. The reporting accountant considered that the accounting treatment adopted by the Group is consistent with HKFRS 2 “Share-based payment” issued by HKICPA.

Share-based payment expenses in relation to the Share Purchase Scheme borne by the Group was approximately HK\$4.2 million, which is reflected in the combined statements of profit or loss and other comprehensive income of the Group for the period from 1 April 2016 to 30 September 2016. The total consideration per Share (upon completion of Reorganisation) under the Share Purchase Scheme represented a discount of 86.0% to HK\$2.00 per Offer Share, being the mid-point of the indicative Offer Price range.

Compliance with interim guidance

The Shares held by the SM Transferees shall not be subject to any lock-up period. In addition, all Shares held by the SM Transferees will not be counted towards the public float after the Listing due to the fact that each of the SM Transferees is a Director and/or a director of Somerley Capital.

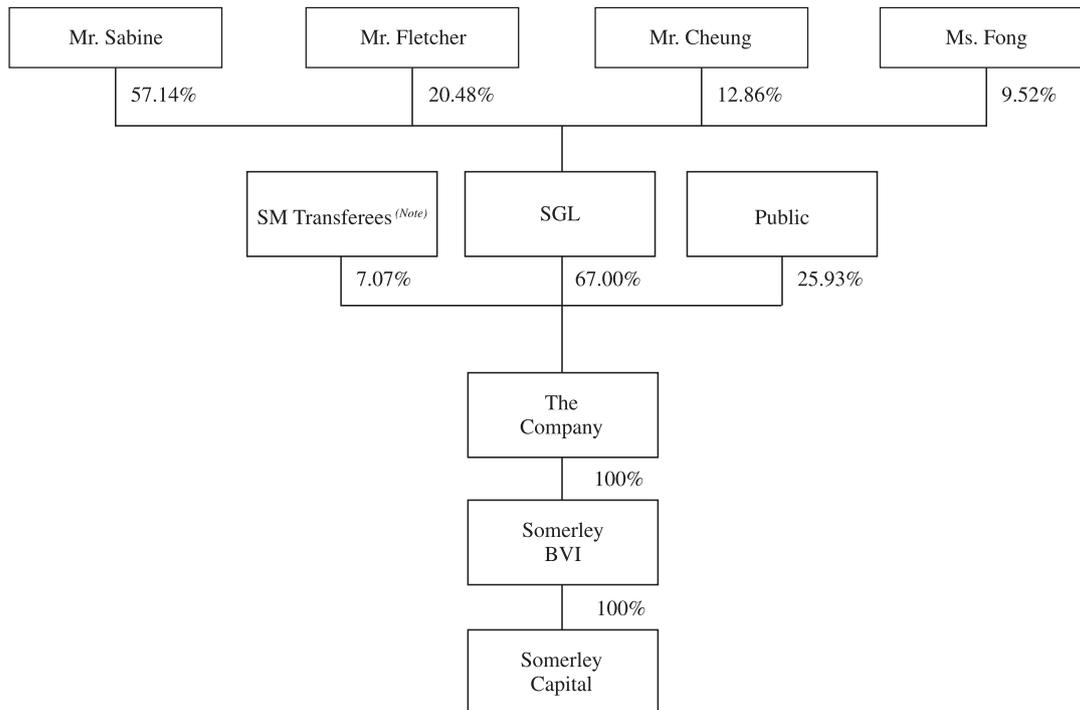
On the above basis, the Joint Sponsors are not aware of any terms of the Share Purchase Scheme which are not in compliance with Guidance Letters HKEX-GL43-12 and HKEX-GL44-12 and they are of the view that the Share Purchase Scheme is in compliance with the “Interim Guidance on Pre-IPO Investments” issued by the Listing Committee since the consideration under the Share Purchase Scheme was settled on 26 April 2016 which was more than 28 clear days before the date of the first submission of the listing application form to the Listing Division of the Stock Exchange in relation to the Listing.

Transfer of the entire issued share capital of Somerley Capital from SGL and the SM Transferees to Somerley BVI

Upon the approval by the SFC dated 20 June 2016 (which was extended by the SFC on 16 December 2016), on 9 March 2017, SGL, the SM Transferees, Somerley BVI, Somerley Capital and the Company entered into a share exchange agreement, pursuant to which SGL and the SM Transferees agreed to transfer the entire issued share capital of Somerley Capital to Somerley BVI in consideration of (i) Somerley BVI allotting and issuing 99 shares in Somerley BVI to the Company, credited as fully paid; (ii) the Company allotting and issuing 9,044,935 Shares to SGL and 955,065 Shares to the SM Transferees, credited as fully paid. Upon the completion of the transactions under the share exchange agreement, Somerley Capital became a wholly-owned subsidiary of Somerley BVI, which in turn was wholly-owned by the Company.

HISTORY AND DEVELOPMENT

The following chart sets out the Group's shareholding and corporate structure immediately after completion of the Capitalisation Issue and the Hong Kong Public Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options which have been granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme):



Note: SM Transferees refers to (i) Ms. Leung Lim Ng Jenny, Ms. Tam Sze Ka, Mr. Ching David, Mr. Cheng Yat Wai, Mr. Wong C-Tsun and Ms. Chow Chung Yan Stephanie, each a Responsible Officer and director of Somerley Capital; (ii) Mr. Chow, a Responsible Officer and an executive Director; and (iii) Mr. Cheung, an executive Director. Each of the SM Transferees is a Director and/or a director of Somerley Capital and therefore the Shares held by each of them will not be counted as public float.

UNDERTAKING ON NO CHANGE IN CONTROL

To provide confidence to staff and investors regarding the continuity and future ownership of the Group, the Controlling Shareholders have given an undertaking that they will continue to hold a controlling shareholding in the Company for the period ending on the date which is 30 months from the Listing Date. This is in addition to the usual undertaking given by the Controlling Shareholders in accordance with the GEM Listing Rules that control of the Company will not change for the first 12 months after the Listing. For details, please refer to the paragraph headed “Undertakings” under the section headed “Underwriting” in this prospectus.

BUSINESS

OVERVIEW

The Group is one of the most active financial advisory groups based in Hong Kong based on the league tables set out in the section headed “Industry Overview” in this prospectus. The Group’s corporate finance advisory services during the Track Record Period and up to the Latest Practicable Date mainly included:

- (i) acting as financial adviser to Hong Kong public listed companies, major shareholders and investors of these companies and parties seeking to control or invest in listed companies in Hong Kong (mostly in transactions which involve the Listing Rules, the GEM Listing Rules and/or the Takeovers Code). This includes acting as arranger in connection with the introduction of investors to listed companies in Hong Kong and/or their major shareholders in a takeover transaction;
- (ii) acting as independent financial adviser to independent board committees and/or independent shareholders of listed companies in Hong Kong; and
- (iii) acting as compliance adviser, mostly for newly listed companies in Hong Kong.

Apart from these corporate finance advisory services, the Group has also made proposals for acting as sponsor, and underwriting securities to be listed on the Stock Exchange but no revenue was generated from such activities during the Track Record Period. Subsequent to the Track Record Period and up to the Latest Practicable Date, the Group has participated in one underwriting transaction and has acted as a sponsor for one transaction.

During the Track Record Period and up to the Latest Practicable Date, the Group had only one operating subsidiary, Somerley Capital.

The following table sets out the breakdown of the revenue generated from each of the business segments of the Group during the Track Record Period:

	Year ended 31 March				Six months ended 30 September			
	2015		2016		2015		2016	
	HK\$'000	Approximate %	HK\$'000	Approximate %	HK\$'000	Approximate %	HK\$'000	Approximate %
Fee income from acting as financial adviser	32,347	41.4	24,242	35.7	14,071	44.0	7,390	24.6
Fee income from acting as independent financial adviser	33,921	43.4	31,756	46.7	12,630	39.5	17,274	57.5
Fee income from acting as compliance adviser	11,277	14.4	11,023	16.2	4,907	15.3	5,271	17.6
Others	630	0.8	924	1.4	400	1.2	92	0.3
Total revenue	78,175	100.0	67,945	100.0	32,008	100.0	30,027	100.0

COMPETITIVE STRENGTHS

The Directors believe that the Group enjoys the following competitive strengths:

Active established participant in the market with wide customer base

During the Track Record Period, Somerley Capital had acted for over 200 clients. SIL, the predecessor of Somerley Capital, was active in the CF Business and Somerley Capital inherited its established position. The Directors believe that actively participating in the corporate finance market and successful implementation of transactions, the results of which are usually publicly announced, is the best background for obtaining further business.

The Group recognises that market reputation and clients' confidence in its services are critical to its success, enabling the Group to continue to obtain new business and referrals from its existing clients to secure new mandates. In this regard, the Group places great emphasis on building up customers' loyalty by providing them with prompt, competent and unbiased professional services. Through the years, the Group and SIL (its predecessor) have built up significant contacts with Hong Kong listed companies and their major shareholders. Out of the 166 clients of the Group's financial adviser and independent financial adviser engagements during the Track Record Period, around 45% were "repeat clients" (i.e. Somerley Capital or SIL had been mandated by them for twice or more since 2011, representing a period of approximately 6 years up to and including the Latest Practicable Date which offers a reasonable timespan for assessing loyalty of a particular client).

Experienced teams of professionals

As at the Latest Practicable Date, the Group had a total of 35 staff of which 9 were Responsible Officers and 14 were Licensed Representatives. The Directors believe that an important element to the success of the Group in a competitive environment is its experienced teams of professionals. All of the Responsible Officers have more than 13 years of relevant experience, and most of them have been with the Group and the SIL Group for over 8 years. Please refer to the section headed "Directors, Senior Management and Employees" of this prospectus for details of the experience of the executive Directors and the senior management of the Group.

Simple and independent shareholding structure

The Company operates under a simple corporate structure of which no institutional investor and corporate director are involved. The Directors believe this contributes to clients' confidence that the Group will provide them with independent and objective advice. A simple shareholding structure also allows the Group a greater degree of flexibility in obtaining engagements, particularly, for acting as independent financial adviser or compliance adviser and facilitates such matters as independence checks during the deal approval and acceptance process so that Somerley Capital can commence potential independent financial advisory work promptly.

BUSINESS

Specialised business

Somerley Capital is a specialist in the CF Business and does not carry out businesses such as lending, private banking or stockbroking. The Directors believe that Somerley Capital is recognised as a specialist in its field, focusing on offering corporate finance advice and services to its clients, without attempting to “cross sell” other services.

Efficient management structure

The Group adopts a system whereby each transaction team directly reports to and is supervised by its team head, a designated Responsible Officer. The overall quality of work is overseen by the directors of Somerley Capital who are all experienced corporate finance practitioners. This flat organisational structure enables the Group to react quickly to clients’ needs and changes in market conditions. The Group strives to keep its front line employees abreast of market developments and practices through regular internal meetings and professional training.

BUSINESS STRATEGIES

The Group adopts the following strategies to build on the competitive strengths described above:

Strengthening the Group’s corporate finance teams to maintain high quality corporate finance advisory services to its clients

As set out above, the Directors believe that strong teams of staff equipped with appropriate industry knowledge and good client connections are crucial to the continuing success of Somerley Capital.

Professional staff and other key management personnel of Somerley Capital are being given an opportunity to participate in the results of the CF Business through taking up an equity investment in the Company by way of the Share Incentive Plan. As one of the most active market participants, the Directors consider that Somerley Capital is well placed to expand the CF Business by setting up additional teams following the Listing (for details, please see the section headed “Future Plans and Use of Proceeds” in this prospectus).

The strengthening of the Group’s professional teams is intended to help increase contacts with potential new clients, initiate new ideas to assist clients in achieving their objectives in corporate finance, provide clients with practical solutions in structuring corporate finance transactions and ensure the detailed execution of corporate finance transactions.

Increasing the Group’s emphasis on IPO activities

Somerley Capital has a sponsor licence and three registered Principals. It has carried out considerable compliance advisory work for clients which are mostly newly listed companies during the Track Record Period. With additional capital and enhanced standing after the Listing, the Directors intend to seek opportunities to sponsor companies applying for listing in Hong Kong.

Development of equity capital market activities

Somerley Capital has advised on various equity fund raising transactions, and transactions which involve issuance of placing shares and/or convertible securities during the Track Record Period. Upon Listing, the Directors consider that the Group will have a strengthened capital base and a higher profile so be better placed to participate in fund raising activities and that such transactions would complement the Group's existing corporate finance advisory services. For example, Somerley Capital may act as a placing agent or underwriter for a listed company in a rights issue, open offer or placing where it is acting as financial adviser. It may also assist clients to place shares to meet the public float requirements following an offer for a listed company's shares or an injection of assets involving the issue of placing shares.

In this regard, the Group intends to recruit additional staff with experience in equity capital market operations (for details, please see the section headed "Future Plans and Use of Proceeds" in this prospectus). The Group will focus on equity capital market opportunities arising from business referrals from its existing client base.

Expansion of advisory work for distressed companies and as regards resumption of trading

During the Track Record Period, Somerley Capital had assisted three companies which came under financial pressure from lenders and/or bondholders. These assignments originated from Somerley Capital's existing connections with those companies. Because of various difficulties, there were 73 Hong Kong listed companies under suspension of trading as at 31 December 2015, representing an increase of approximately 35.2% as compared to 54 companies under suspension as at 31 December 2014. Out of these 73 companies, 58 (representing approximately 79.5%) had suspended trading for more than three months as at 31 December 2015. The Directors consider the Group can devote more effort and resources to this area in view of signs of rising pressure in credit markets, and other difficulties giving rise to suspension of trading.

BUSINESS ACTIVITIES

Nature of corporate finance

The term corporate finance is widely used in the finance industry as one part of the business of investment banking. As it relates to Somerley Capital, corporate finance involves three phases in the lifecycle of a listed or to be listed company, which broadly are:

- the process of going public through an IPO or takeover of an existing listed company;
- expansion and development through M&A activities and fund raising; and
- delisting through privatisations or reorganisation and restructuring while retaining a listing.

BUSINESS

The following table sets out a summary of transactions (acting as financial adviser, independent financial adviser and/or compliance adviser) handled by the Group during the Track Record Period and up to 28 February 2017:

	<u>Year ended 31 March</u>		<u>Six months ended 30 September</u>	<u>From 1 April 2016 up to 28 February 2017 (Note 2)</u>
	<u>2015</u>	<u>2016</u>	<u>2016</u>	
	Number	Number	Number	Number
Acting as financial adviser				
— completed during the year/period	15	17	8	16
— ongoing	7	6	9	13
— terminated (Note 1)	7	10	2	3
	<u>29</u>	<u>33</u>	<u>19</u>	<u>32</u>
Acting as independent financial adviser				
— completed during the year/period	51	48	23	51
— ongoing	6	9	12	9
— terminated (Note 1)	3	6	1	4
	<u>60</u>	<u>63</u>	<u>36</u>	<u>64</u>
Acting as compliance adviser				
— completed during the year/period	5	10	6	8
— ongoing	19	16	13	11
	<u>24</u>	<u>26</u>	<u>19</u>	<u>19</u>
Total	<u>113</u>	<u>122</u>	<u>74</u>	<u>115</u>

Subsequent to the Track Record Period and up to the Latest Practicable Date, the Group has participated in one underwriting transaction and has acted as a sponsor for one transaction.

Note 1: During the year/period, several transactions were terminated for a number of reasons, which mainly include (i) the clients decided not to proceed with the transaction; and (ii) the clients failed to obtain relevant regulatory approval to proceed with the transaction

Note 2: Based on the information available to the management of the Group up to 28 February 2017, the estimated revenue for the year ending 31 March 2017 from mandated transactions amounts to approximately HK\$65.2 million. For sake of prudence, the mandated revenue: (i) does not take into account financial advisory mandates with fee income based on a percentage of the total transaction value upon successful completion of the transaction; (ii) does not take into account compliance advisory mandates of the clients which have not yet been listed on the Stock Exchange as at 28 February 2017; and (iii) for compliance advisory mandates, includes monthly fees up to four/three months after the end of the relevant clients'

financial year end with reference to compliance with Rule 13.46(1) of the Listing Rules/Rule 18.03 of the GEM Listing Rules (as the case maybe). Prospective investors are advised to exercise caution when interpreting the figure.

(i) *Financial advisers*

As financial advisers, the Group provides financial advisory services to listed companies and to shareholders of listed companies or offerors in transactions principally relating to (1) acquisitions and disposals, (2) takeovers and the Takeovers Code related matters, (3) privatisations, (4) reorganisations and restructurings, and (5) equity fund raisings. Set out below are descriptions of Somerley Capital's role and responsibilities as financial advisers when handling different categories of transactions during the Track Record Period.

(1) *Acquisitions and disposals*

When acting as financial adviser in connection with acquisitions and disposals, Somerley Capital's role usually involves (i) advising on the pricing; (i) advising on the structure and terms of the transaction; (ii) providing analysis and advice on the implications of the Takeovers Code and Listing Rules or GEM Listing Rules (as the case may be); (iii) accompanying the client to meet institutional and major shareholders to explain the rationale and structure of the transaction; (iv) reviewing and commenting on documentation; (v) coordinating the work of other professional parties; (vi) liaising with regulators; and (vii) monitoring the planned timetable and the overall progress of the transaction.

(2) *Takeovers and Takeovers Code related matters*

When acting as financial adviser in connection with takeovers and matters related to the Takeovers Code, Somerley Capital's role usually involves (i) advising on the structure and terms of the transaction; (ii) advising, on an appropriate offer price for the securities involved; (iii) providing analysis and advice on various aspects of the Takeovers Code and Hong Kong Code on Share Buy-backs; (iv) preparing submissions and applications for rulings from the SFC on behalf of clients; (v) confirming to the SFC the sufficiency of financial resources for the offeror to make the offer; (vi) reviewing and commenting on documentation; (vii) reviewing and considering any material changes in the financial or trading position or outlook of the offeror or offeree company subsequent to the last published audited accounts; (viii) coordinating the work of other professional parties; (ix) liaising with regulators as necessary; and (x) monitoring the planed timetable and the overall progress of the transaction.

In certain takeovers situations, Somerley Capital may introduce interested buyers or investors to listed companies and/or major shareholders. In that case, Somerley Capital will (i) participate in commercial negotiations between relevant parties; (ii) assist in designing the overall structure of the transaction; (iii) provide analysis and advice on the implications of the Takeovers Code and Listing Rules or GEM Listing Rules (as the case may be); (iv) coordinate appointments of professional advisers; (v) review and comment

on legal documentation; (vi) assist interested buyers or investors to secure necessary funding for the transaction; (vii) coordinate the work of other professional parties; and (viii) monitor the planned timetable and the overall progress of the transaction.

(3) *Privatisations*

When acting as financial adviser in connection with privatisations, Somerley Capital's role usually involves (i) advising on the structure and terms of the offer; (ii) determining, in conjunction with client, an appropriate offer price for the securities involved; (iii) providing analysis and advice on the implications of the Takeovers Code and Listing Rules or GEM Listing Rules (as the case may be); (iv) confirming to the SFC the sufficiency of financial resources for offeror to make the offer; (v) advising on strategy to deal with a possible competitive situation; (vi) accompanying offeror to meet institutional and major shareholders for the purposes of the offer; (vii) dealing with and handling documentation; (viii) coordinating the work of other professional parties; (ix) liaising with regulators; and (x) monitoring the planned timetable and offer logistics.

(4) *Reorganisations and restructurings*

For acting as financial adviser in connection with corporate reorganisations and restructurings, Somerley Capital's role usually involves (i) advising on valuation; (ii) advising the structure and terms of the reorganisation and restructuring exercise; (iii) providing analysis and advice on the implications of the Takeovers Code and Listing Rules or GEM Listing Rules (as the case may be); (iv) accompanying client to meet institutional and major shareholders to explain the rationale and structure of the reorganisation and restructuring exercise; (v) dealing with and handling documentations; (vi) coordinating works of other professional parties; (vii) liaising with regulators; and (viii) monitoring timetable and overall progress of the transaction.

For acting as financial adviser in connection with company subject to reorganisations and restructurings because of financial difficulty, Somerley Capital's advisory role usually involves (i) introducing new investors to subject company; (ii) advising the structure and terms of the reorganisation and restructuring exercise; (iii) providing analysis and advice on the implications of the Takeovers Code and Listing Rules or GEM Listing Rules (as the case may be); (iv) accompanying client to meet and negotiate terms with relevant stakeholders such as financial creditors; (v) liaising with regulators regarding the terms and conditions for resumption of trading in the securities of the subject company; (vi) assisting subject company to draw up resumption plan and assess working capital requirements; (vii) dealing with and handling documentations; (viii) coordinating works of other professional parties; (ix) liaising with regulators; and (x) monitoring timetable and overall progress of the transaction.

BUSINESS

(5) *Equity fund raising*

When acting as financial adviser in connection with fund raising, Somerley Capital's role usually involves (i) assessing the funding needs of the client; (ii) advising on the fund raising methods; (iii) advising on the pricing of the new securities being issued or offered; (iv) arranging meetings with potential investors; (v) providing analysis and advice on the implications of the Takeovers Code and Listing Rules or GEM Listing Rules (as the case may be); (vi) dealing with and handling documentations; (vii) coordinating works of other professional parties; (viii) liaising with regulators; and (ix) monitoring timetable and overall progress of the fund raising exercise.

In certain fund raising deals, such as placings, rights issues and open offers, Somerley Capital would also offer to act as placing agent or underwriter of the fund raising exercise. No such revenue has been generated in the Track Record Period.

During Track Record Period and up to the Latest Practicable Date, the Group has not acted as financial adviser in relation to the transfer of listing from GEM to Main Board. Set out below are the selected transactions completed by Somerley Capital as financial adviser (including as arranger) in the public domain during the Track Record Period:

Name of customer(s) (stock code)	Deal description	Role
1. Acquisitions and Disposals		
<ul style="list-style-type: none"> ● Ngai Lik Industrial Holdings Limited (subsequently renamed to Yuan Heng Gas Holdings Limited, 0332.hk) 	VSA of liquefied natural gas business valued at approximately HK\$3.1 billion	Financial adviser to Ngai Lik Industrial Holdings Limited
<ul style="list-style-type: none"> ● Shenzhen Investment Limited (0604.hk) 	Injection of a property portfolio by Shum Yip Holdings Company Limited for approximately RMB5.6 billion	Financial adviser to Shenzhen Investment Limited
<ul style="list-style-type: none"> ● Midas International Holdings Limited (1172.hk) 	Disposal of entire registered capital of Dongguan Midas Printing Company Ltd. for RMB101.6 million	Financial adviser to Midas International Holdings Limited
<ul style="list-style-type: none"> ● Chuang's China Investments Limited (0298.hk) 	Acquisition of entire registered capital of Dongguan Midas Printing Company Ltd. for RMB101.6 million	Financial adviser to Chuang's China Investments Limited
<ul style="list-style-type: none"> ● CST Mining Group Limited (0985.hk) 	Acquisition of e-logistics platform business valued at approximately HK\$620.0 million	Financial adviser to CST Mining Group Limited
<ul style="list-style-type: none"> ● Gemini Investments (Holdings) Limited (174.hk) 	Very substantial disposal in relation to the disposal of the entire issued share capital of a company holding a property fund and assignment of the shareholder's loan extended to the disposal company	Financial adviser to Gemini Investments (Holdings) Limited

BUSINESS

Name of customer(s) (stock code)	Deal description	Role
2. Takeovers and the Takeovers Code related matters		
<ul style="list-style-type: none"> ● Wumei Holdings, Inc. 	<ul style="list-style-type: none"> Mandatory unconditional cash offer for Wumart Stores, Inc (1025.hk) valued at approximately HK\$2.7 billion on behalf of Wumei Holdings, Inc. 	<ul style="list-style-type: none"> Financial adviser to Wumei Holdings, Inc.
<ul style="list-style-type: none"> ● Evergrande Real Estate Group Limited (3333.hk) 	<ul style="list-style-type: none"> Mandatory unconditional cash offer for New Media Group Holdings Limited (subsequently renamed to Evergrande Health Industry Group Limited, 0708.hk) valued at approximately HK\$316.9 million on behalf of Evergrande Real Estate Group Limited 	<ul style="list-style-type: none"> Financial adviser to Evergrande Real Estate Group Limited
<ul style="list-style-type: none"> ● Creator Holdings Limited 	<ul style="list-style-type: none"> Mandatory unconditional cash offer for HKC (Holdings) Limited (0190.hk) valued at approximately HK\$1.2 billion on behalf of Creator Holdings Limited 	<ul style="list-style-type: none"> Financial adviser to Creator Holdings Limited
<ul style="list-style-type: none"> ● China Renewable Energy Investment Limited (0987.hk) 	<ul style="list-style-type: none"> Off-market share buy-back by China Renewable Energy Investment Limited valued at approximately HK\$93.9 million 	<ul style="list-style-type: none"> Financial adviser to China Renewable Energy Investment Limited
<ul style="list-style-type: none"> ● CMBC International Holdings Limited (“CMBCI”) 	<ul style="list-style-type: none"> Issue of subscription shares by Quam Limited (0952.hk) to CMBCI and other co-investors with value of approximately HK\$13.0 billion and possible cash offer made by CMBCI for Quam Limited 	<ul style="list-style-type: none"> Financial adviser to CMBCI
<ul style="list-style-type: none"> ● OTO Holdings Limited (“OTO”) (subsequently renamed to Tempus Holdings Limited 6880.hk) 	<ul style="list-style-type: none"> Mandatory unconditional cash offers for OTO valued at approximately HK\$249.0 million by Tempus Holdings (Hong Kong) Limited 	<ul style="list-style-type: none"> Financial adviser to OTO
<ul style="list-style-type: none"> ● China Automation Group Limited (569.hk) 	<ul style="list-style-type: none"> Conditional mandatory cash offers by Araco Investment Limited to acquire all the issued shares and to cancel all outstanding options of China Automation Group Limited (other than those already owned by the concert group) 	<ul style="list-style-type: none"> Financial adviser to Araco Investment Limited

BUSINESS

Name of customer(s) (stock code)	Deal description	Role
3. Privatisations		
<ul style="list-style-type: none"> Bluestone Global Holdings Limited 	<ul style="list-style-type: none"> Mandatory conditional general offer for Ports Design Limited (subsequently renamed to Portico International Holdings Limited, 0589.hk) value at approximately HK\$857.7 million on behalf of the offeror 	<ul style="list-style-type: none"> Financial adviser to Bluestone Global Holdings Limited
<ul style="list-style-type: none"> Wumei Holdings, Inc. and Wumart Stores (HK) Limited 	<ul style="list-style-type: none"> Privatisation of Wumart Stores, Inc. (1025.hk) by voluntary conditional cash offer valued at approximately HK\$3.6 billion on behalf of Wumei Holdings, Inc. and Wumart Stores (HK) Limited 	<ul style="list-style-type: none"> Financial adviser to Wumei Holdings, Inc. and Wumart Stores (HK) Limited
4. Reorganisations or restructurings		
<ul style="list-style-type: none"> China Nickel Resources Holdings Company Limited (subsequently renamed to Nickel Resources International Holdings Company Limited, 2889.hk) 	<ul style="list-style-type: none"> Issue of subscription shares to raise capital of approximately HK\$275.0 million to finance the debt restructuring 	<ul style="list-style-type: none"> Financial adviser to China Nickel Resources Holdings Company Limited
5. Equity fund raising		
<ul style="list-style-type: none"> Cosmopolitan International Holdings Limited (0120.hk), Paliburg Holdings Limited (0617.hk), Century City International Holdings Limited (0355.hk) and Regal Hotels International Holdings Limited (0078.hk) 	<ul style="list-style-type: none"> Open offer of shares and convertible preference shares and issue of convertible bonds of up to approximately HK\$1.4 billion of Cosmopolitan International Holdings Limited 	<ul style="list-style-type: none"> Financial advisers to Cosmopolitan International Holdings Limited, Paliburg Holdings Limited, Century City International Holdings Limited and Regal Hotels International Holdings Limited
<ul style="list-style-type: none"> King Fook Holdings Limited (0280.hk) 	<ul style="list-style-type: none"> 2 for 5 rights issue of shares to raise approximately HK\$156.6 million by King Fook Holdings Limited involving a whitewash waiver 	<ul style="list-style-type: none"> Financial adviser to King Fook Holdings Limited
<ul style="list-style-type: none"> Evergrande Real Estate Group Limited (3333.hk) 	<ul style="list-style-type: none"> Subscription of new shares of Mascotte Holdings Limited (subsequently renamed to HengTen Networks Group Limited, 0136.hk) valued up to approximately HK\$750.7 million by Evergrande Real Estate Group Limited involving a whitewash waiver 	<ul style="list-style-type: none"> Financial adviser to Evergrande Real Estate Group Limited

BUSINESS

(ii) *Independent financial advisers*

The appointment of independent financial advisers is required for certain types of transactions entered into by listed companies pursuant to the Listing Rules, the GEM Listing Rules and/or the Takeovers Code, as the case may be. As independent financial adviser, Somerley Capital is mainly engaged to issue opinion letters and give voting recommendations to the independent board committee and independent shareholders of listed companies. Such letters contain Somerley Capital's assessment on the fairness and reasonableness of the terms of the proposed transactions and providing recommendations as to how independent shareholders should vote on the proposed resolutions at the shareholders' meeting or providing advice to independent securities holders regarding acceptance in general offer situations. Such advice letters are incorporated into the circulars to be sent to shareholders of the clients pursuant to the Listing Rules, the GEM Listing Rules and/or the Takeovers Code, as the case may be. The scope of appointment would often also require the Group to obtain the necessary clearance or approval from the Stock Exchange or the SFC in relation to such advice letters.

The transactions in which the Group acted as independent financial advisers can be categorised into five major types, namely (1) acquisitions and disposals, (2) takeovers and the Takeovers Code related matters, (3) privatisations, (4) reorganisations and restructurings, and (5) equity fund raising.

Set out below are selected transactions handled or completed by Somerley Capital as independent financial adviser in the public domain during the Track Record Period:

<u>Name of customer(s) (stock code)</u>	<u>Deal description</u>	<u>Role</u>
1. Acquisitions and disposals		
<ul style="list-style-type: none">COFCO Land Holdings Limited (subsequently renamed to Joy City Property Limited, 0207.hk)	Injection of an approximately HK\$12.5 billion property portfolio by, among others, COFCO Land Limited	Independent financial adviser to COFCO Land Holdings Limited
<ul style="list-style-type: none">Hui Xian Real Estate Investment Trust (87001.hk)	Injection of an approximately RMB4.1 billion commercial property development by Cheung Kong (Holdings) Limited (subsequently renamed to CK Hutchison Holdings Limited, 0001.hk) and Hutchison Whampoa Limited	Independent financial adviser to Hui Xian Real Estate Investment Trust Limited
<ul style="list-style-type: none">China Overseas Land & Investment Ltd. (0688.hk)	Injection of an approximately RMB33.8 billion property portfolio by China State Construction Engineering Corporation Limited	Independent financial adviser to China Overseas Land & Investment Ltd.

BUSINESS

Name of customer(s) (stock code)	Deal description	Role
<ul style="list-style-type: none"> Renhe Commercial Holdings Company Limited (1387.hk) 	VSA of eight wholesaling and retailing agricultural markets valued at HK\$6.5 billion	Independent financial adviser to Renhe Commercial Holdings Company Limited
<ul style="list-style-type: none"> Alibaba Pictures Group Limited (1060.hk) 	Injection of online ticketing business and interactive financing and investment platform by Alibaba Group valued at US\$371.4 million	Independent financial adviser to Alibaba Pictures Group Limited
<ul style="list-style-type: none"> Sinopec Kanton Holdings Limited (0934.hk) 	Injection of a company principally engaged in provision of natural gas pipeline transmission services, at approximately RMB2.6 billion	Independent financial adviser to Sinopec Kanton Holdings Limited
<ul style="list-style-type: none"> CIAM Group Limited (subsequently renamed to FDG Kinetic Limited, 0378.hk) 	Disposal of an associate company at approximately HK\$520.0 million, assignment of shareholder's loan and provision of financial assistance	Independent financial adviser to CIAM Group
<ul style="list-style-type: none"> China Shipping Container Lines Company Limited (2866.hk) 	VSA of a portfolio of shipping related businesses of approximately RMB27.3 billion and disposal of certain subsidiaries and associate companies	Independent financial adviser to China Shipping Container Lines Company Limited
<ul style="list-style-type: none"> Phoenix Healthcare Group Company Limited (1515.hk) 	Acquisition of a group of companies engaged in the provision of general hospital services and hospital consultancy services in the PRC	Independent financial adviser to Phoenix Healthcare Group Company Limited

2. Takeovers and the Takeovers Code related matters

<ul style="list-style-type: none"> Wing Hang Bank, Limited (0302.hk) 	Voluntary conditional cash offer for Wing Hang Bank, Limited valued at approximately HK\$38.6 billion by Oversea-Chinese Banking Corporation Limited	Independent financial adviser to Wing Hang Bank, Limited
<ul style="list-style-type: none"> Hutchison Harbour Ring Limited (subsequently renamed to China Oceanwide Holdings Limited, 0715.hk) 	Mandatory unconditional cash offer for Hutchison Harbour Ring Limited valued at approximately HK\$5.4 billion by Oceanwide Holdings International Co., Ltd.	Independent financial adviser to Hutchison Harbour Ring Limited
<ul style="list-style-type: none"> Natural Beauty Bio-technology Limited (0157.hk) 	Mandatory unconditional cash offer for Natural Beauty Bio-technology Limited valued at approximately HK\$592.4 million by Next Focus Holdings Limited	Independent financial adviser to Natural Beauty Bio-technology Limited

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Name of customer(s) (stock code)	Deal description	Role
<ul style="list-style-type: none"> CIAM Group Limited (subsequently renamed to FDG Kinetic Limited, 0378.hk) 	Voluntary conditional offer for CIAM Group Limited in exchange for convertible bonds to be issued by FDG Electric Vehicles Limited (“FDGEV”) (0729.hk) valued at approximately HK\$1.6 billion by Sinopoly Strategic Investment Limited (a wholly-owned subsidiary of FDGEV)	Independent financial adviser to CIAM Group Limited
<ul style="list-style-type: none"> 21 Holdings Limited (subsequently renamed to Huanxi Media Group Limited, 1003.hk) 	Issue of subscription shares by 21 Holdings Limited to a group of investors with value of approximately HK\$680.6 million and application of whitewash waiver by the investors	Independent financial adviser to 21 Holdings Limited
<ul style="list-style-type: none"> China Jiu hao Health Industry Corporation Limited (subsequently renamed to Huayi Tencent Entertainment Company Limited, 419.hk) 	Issue of subscription shares to a group of investors with value of approximately HK\$547 million and application of whitewash waiver by the investors	Independent financial adviser to China Jiu hao Health Industry Corporation Limited
<ul style="list-style-type: none"> AGTech Holdings Limited (8279.hk) 	Issue of subscription shares and convertible bonds to Ali Fortune Investment Holdings Limited and other investors with value of approximately HK\$2.4 billion and application of whitewash waiver by the investors	Independent financial adviser to AGTech Holdings Limited
<ul style="list-style-type: none"> Armada Holdings Limited (583.hk) 	Mandatory unconditional cash offer by Great Wall Pan Asia (BVI) Holding Limited to acquire all of the issued shares in Armada Holdings Limited	Independent financial adviser to Armada Holdings Limited
3. Privatisations		
<ul style="list-style-type: none"> Great Wall Technology Company Limited (0074.hk) 	Privatisation of Great Wall Technology Company Limited by merger and absorption valued at RMB1.5 billion	Independent financial adviser to Great Wall Technology Company Limited
<ul style="list-style-type: none"> New World China Land Limited (0917.hk) 	Privatisation of New World China Land Limited by voluntary conditional cash offer valued at approximately HK\$21.3 billion	Independent financial adviser to New World China Land Limited
<ul style="list-style-type: none"> New World China Land Limited (0917.hk) 	Privatisation of New World China Voluntary conditional cash offer valued at approximately HK\$67.9 billion	Independent financial adviser to New World China Land Limited

BUSINESS

Name of customer(s) (stock code)	Deal description	Role
<ul style="list-style-type: none"> Nirvana Asia Limited (1438.hk) 	Proposed privatisation of Nirvana Asia Ltd by Asia Memorial Group Limited by way of a scheme of arrangement	Independent financial adviser to Nirvana Asia Limited
4. Reorganisations or restructurings		
<ul style="list-style-type: none"> CITIC Pacific Limited (subsequently renamed to CITIC Limited, 0267.hk) 	Injection of various assets with a value of approximately RMB227.0 billion by, among others, CITIC Group Corporation	Independent financial adviser to CITIC Pacific Limited
<ul style="list-style-type: none"> China CNR Corporation Limited (6199.hk) 	Merger of China CNR Corporation and CSR Corporation Limited valued at RMB76.1 billion; very substantial disposal for China CNR Corporation Limited	Independent financial adviser to China CNR Corporation Limited
<ul style="list-style-type: none"> Hutchison Whampoa Limited (0013.hk) 	Merger between Cheung Kong (Holdings) Limited (subsequently renamed CK Hutchison Holdings Limited, 0001.hk) and Hutchison Whampoa Limited valued at approximately HK\$552.7 billion	Independent financial adviser to Hutchison Whampoa Limited
<ul style="list-style-type: none"> China Billion Resources Limited (274.hk) 	open offer; issue of settlement shares and settlement convertible bonds under debt settlement agreements and application for whitewash waiver	Independent financial adviser to China Billion Resources Limited
<ul style="list-style-type: none"> Shun Cheong Holdings Limited (650.hk) 	VSA and reverse takeover in relation to the acquisition of a mining company valued at around US\$120 million; and special deal, connected transaction and very substantial disposal in relation to the divestment of entire equity interests in two subsidiaries	Independent financial adviser to Shun Cheong Holdings Limited
5. Equity fund raising		
<ul style="list-style-type: none"> Mongolian Mining Corporation (0975.hk) 	3 for 2 rights issue of shares to raise up to approximately HK\$1.6 billion by Mongolian Mining Corporation	Independent financial adviser to Mongolian Mining Corporation

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Name of customer(s) (stock code)	Deal description	Role
<ul style="list-style-type: none"> Reorient Group Limited (0376.hk) 	Subscription of new shares of Reorient Group Limited with a value of approximately HK\$3.9 billion by, among others, Yunfeng Financial Holdings Limited involving a whitewash waiver	Independent financial adviser to Reorient Group Limited
<ul style="list-style-type: none"> China Jiuhaio Health Industry Corporation Limited (subsequently renamed to Huayi Tencent Entertainment Company Limited, 0419.hk) 	Subscription of new shares of China Jiuhaio Health Industry Corporation Limited with value of approximately HK\$547.0 million by, among others, Huayi Brothers Media Corporation and Tencent Holdings Limited involving a whitewash waiver	Independent financial adviser to China Jiuhaio Health Industry Corporation Limited
<ul style="list-style-type: none"> Winsway Enterprises Holdings Limited (subsequently renamed to E-Commodities Holdings Limited, 1733.hk) 	Proposed share consolidation; proposed rights issue in the proportion of 3 rights shares and 9 anti-dilution shares for every 1 consolidated share held on the record date at HK\$0.69 per rights share	Independent financial adviser to Winsway Enterprises Holdings Limited

(iii) *Compliance advisers*

Pursuant to the Listing Rules and the GEM Listing Rules, each newly listed company in Hong Kong is required to engage a compliance adviser to assist companies comply with these rules for an initial period. This period commences from the date of listing and ends on the date on which the listed company complies with (i) the Listing Rules requirements in respect of its financial results for the first full financial year commencing after the date of listing or (ii) the GEM Listing Rules requirements in respect of its financial results for the second full financial year commencing after the date of its initial listing. At any time after the initial period, the Stock Exchange may direct the listed company to appoint a compliance adviser for a specified period and to undertake the compliance advisory role as may be specified by the Stock Exchange.

For the years ended 31 March 2015 and 31 March 2016, the Group was engaged by 24 and 26 listed companies on the Stock Exchange, respectively as their compliance adviser. During the period from 1 April 2016 to 30 September 2016, the Group was engaged by 19 listed companies on the Stock Exchange as their compliance adviser. In particular, the responsibilities of Somerley Capital as compliance adviser include (i) ensuring that clients are properly guided and advised as to compliance with the Listing Rules and the GEM Listing Rules (as the case may be) and all other applicable laws, rules, codes and guidelines; (ii) discussing with clients on their operating performance and financial condition with reference to the clients' business objective(s) as stated in their respective listing documents; (iii) ensuring clients' compliance with any undertakings provided by the clients and their directors at the time of listing and with the terms and conditions of any waiver granted to the clients by

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the Stock Exchange; (iv) providing clients with advice and guidance on compliance with the Listing Rules and the GEM Listing Rules (as the case may be) in relation to their regulatory announcements, circulars and financial reports; and (v) providing regular updates on any material changes of or supplements to the Listing Rules and the GEM Listing Rules (as the case may be) to clients' directors and senior management.

Somerley Capital is not aware of any of the listed companies to which it acted as compliance adviser during the Track Record Period and up to the Latest Practicable Date having non-compliance issues under the Listing Rules or the GEM Listing Rules (as the case may be) that resulted in disciplinary action (pursuant to Rule 2A.09 of the Listing Rules and/or Rule 3.10 of the GEM Listing Rules) being taken by the Stock Exchange.

Set out below are selected transactions which have been completed by Somerley Capital as compliance adviser during the Track Record Period (while others are being on-going transactions):

<u>Company name (stock code)</u>	<u>Principal business</u>
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For the financial year ended 31 March 2015

Birmingham International Holdings Limited (2309.hk)	Investment holding and operation of professional football club in the United Kingdom
China Daye Non-Ferrous Metals Mining Limited (0661.hk)	Mining and processing of mineral ores and trading of metal products
Shanghai Industrial Urban Development Group Limited (0563.hk)	Property development, property investment and hotel operation in the PRC
Xiwang Special Steel Company Limited (1266.hk)	Manufacture of integrated steel used and special steel products used in a variety of applications

For the financial year ended 31 March 2016

Besunyen Holdings Company Ltd. (0926.hk)	Manufacture and sales of therapeutic tea products
Chinalco Mining Corporation International (3668.hk)	Exploration, development and production of ore resources and other mining related activities

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<u>Company name (stock code)</u>	<u>Principal business</u>
CT Environmental Group Limited (1363.hk)	Supply of industrial water, provision of wastewater treatment plants operation services, wastewater project construction and operation services, provision of heating services, provision of sludge and solid waste treatment services
Hengshi Mining Investments Limited (1370.hk)	Exploration, mining, processing and trading of iron ore products
International Housewares Retail Company Ltd. (1373.hk)	Retail sales and trading of housewares products, licensing of franchise rights and provision of management services
Logan Property Holdings Company Ltd. (3380.hk)	Property development, property investment and construction in the PRC
Nexteer Automotive Group Ltd. (1316.hk)	Supply of steering systems & components driveline systems & components, utilised on a broad range of vehicles
TK Group (Holdings) Ltd. (2283.hk)	Manufacturing, sales, subcontracting, fabrication and modification of molds and plastic components in the PRC
Wisdom Holdings Group Ltd. (1661.hk)	Operation of sporting tournaments and production of television programmes, with a special emphasis on the development and extension of the sports industry chain
Xinchen China Power Holdings Limited (1148.hk)	Development, manufacture and sale of automotive engines for passenger vehicles and light duty commercial vehicles and manufacture of engine parts and components of the passenger vehicles in the PRC
For the six months ended 30 September 2016	
Dynagreen Environmental Protection Group Co., Ltd. (1330.hk)	Investment, technical consulting, construction, operation and maintenance of water to energy plants in the PRC treating municipal solid waste using waste incineration technology

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<u>Company name (stock code)</u>	<u>Principal business</u>
Hengxing Gold Holding Company Limited (2303.hk)	Own and operate the Gold Mountain Mine in PRC
Qingdao Port International Co. Ltd. (6198.hk)	Provision of containerised and non-containerised cargo handling services, port ancillary services and financial services at the port of Qingdao in the PRC
Q Technology (Group) Company Limited (1478.hk)	Design, research, development, manufacture & sales of camera modules & fingerprint recognition modules with focus on mid-to-high end camera & fingerprint recognition module market for Chinese branded smart phone and tablet PC manufacturers

Fees and payments

For acting as financial adviser and independent financial adviser, the Group usually charges stage-payment fees of an agreed monetary amount on a project-by-project basis, with reference to factors such as the complexity and size of the transactions, scope of work, expected execution time and expected period from the first engagement until completion of the transaction. When acting as arranger in connection with the introduction of investors to listed companies in Hong Kong and/or their major shareholders in a takeover situation, service fees are charged contingent upon the underlying transaction being completed. If Somerley Capital acts as agent or underwriter for fund raising transactions, a commission based on certain percentage of the offering value would be charged. When acting as financial adviser, Somerley Capital sometimes charges a success fee. No contingent fee is charged when Somerley Capital is acting as independent financial adviser. Payment of the advisory fees is in general based on milestones with reference to the progress of the relevant transactions in accordance with the engagement letters with the client, whilst placing/underwriting commission is payable upon completion of the relevant transaction.

For compliance advisory engagements, the Group generally charges its client a monthly fixed fee for providing compliance advisory services. The compliance advisory service fee is determined in advance with the client with reference to the expected volume of work, the manpower required and any complexities, such as whether the client is listed on an overseas exchange as well on Hong Kong and/or management resident in a different time zone.

During the Track Record Period, the advisory fees charged by the Group for acting as (i) financial advisers ranged from approximately HK\$50,000 to HK\$10 million; (ii) independent financial advisers ranged from approximately HK\$60,000 to HK\$5 million; and (iii) compliance advisers ranged from approximately HK\$30,000 to HK\$90,000 per month.

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The Group generally does not grant formal credit terms to clients. It usually issues an invoice in respect of (i) corporate finance advisory services after a pre-defined milestone under the mandate is achieved or upon completion of a transaction; and (ii) compliance adviser engagements on monthly basis. Payments are required to be made within a reasonable period of time after the issuance of an invoice and are usually settled by cheque or via wire transfer within three months of the date of invoice.

Salient terms of contracts

Set out below is a summary of the salient terms of the legally-binding contracts between the Group and its major clients for corporate finance advisory services.

Scope of work, deliverables and term of contract

The contracts specify the scope of work and particular deliverables, such the issue of announcements, shareholders' circulars and advice letters, to be provided by the Group. During the Track Record Period, contracts were generally for a period of three to twelve months, although some specified no term.

Confidentiality

As performance of the Group's work is likely to entail obtaining price sensitive information from clients, the Group is often required to comply with confidentiality obligations, unless required by applicable laws, rules or regulations to report or surrender information to government regulatory authorities.

Termination and indemnity

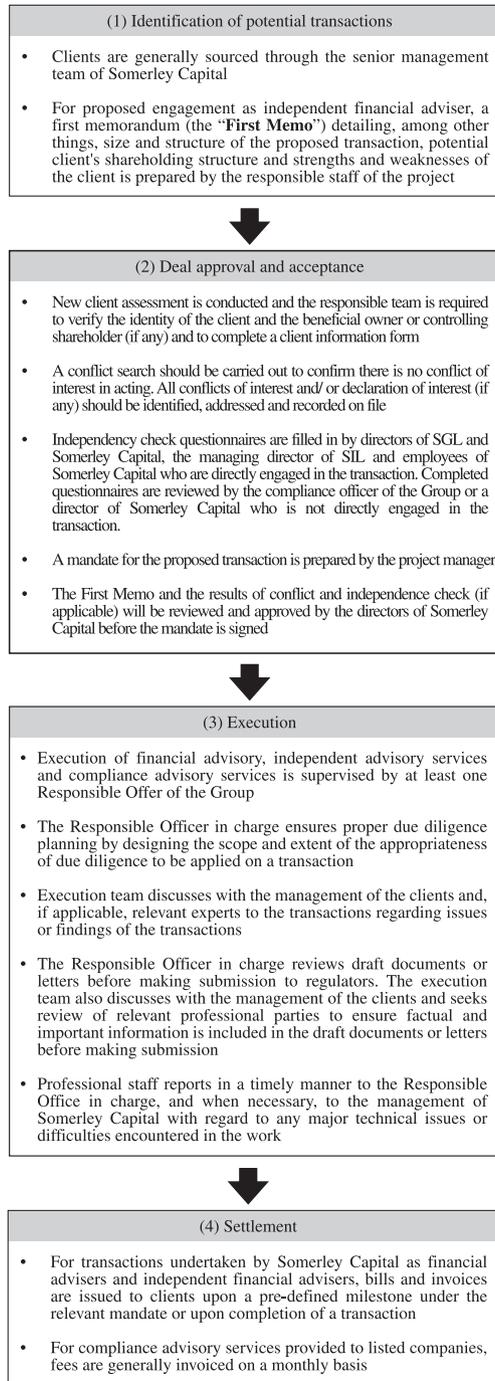
Contracts mostly provide for termination. For example, either party may be allowed to terminate the contract via written notice of an agreed period to the other party.

Clients are in general required to indemnify the Group where the Group sustains any loss due to handling the relevant transaction.

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Operation procedures

For illustration purposes, the operation procedures for the Group's corporate finance advisory services are outlined below:



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CLIENTS

Somerley Capital had acted for over 170 clients during the Track Record Period. Referrals by existing clients and professional parties have contributed to the client base of the Group.

The Group's top five largest clients

The largest client of the Group for each of the financial years ended 31 March 2015 and 31 March 2016 contributed approximately 12.8%, and 6.0% respectively of the Group's revenue. The five largest clients of the Group for each of the financial years ended 31 March 2015 and 31 March 2016 in aggregate accounted for approximately 39.0% and 18.7%, respectively of the Group's revenue. The largest client of the Group for the period from 1 April 2016 to 30 September 2016 contributed approximately 6.5% of the Group's revenue for that period. The five largest clients of the Group accounted for approximately 25.8% of the Group's revenue for the same period. Due to the "one-off" nature of many corporate finance transactions, the Group's largest clients' contribution to revenue will tend to vary from year to year.

The tables below set out the revenue generated from five largest clients of the Group, their business background, the services provided by the Group, for each of the financial years ended 31 March 2015 and 31 March 2016 and the period from 1 April 2016 to 30 September 2016.

For the financial year ended 31 March 2015

Rank	Clients	Nature of transaction	Revenue	% of total
			recognised during the year	revenue
			HK\$'million	%
1	Client A	advise the controlling shareholder of a Hong Kong listed company in relation to a takeover transaction of such Hong Kong listed company by an investor, and introduce an investor to such controlling shareholders of the Hong Kong listed company.	10.0	12.8
2	Client B	advise an investor in relation to a takeover transaction of a Hong Kong listed company, and introduce the investor to the controlling shareholders of the Hong Kong listed company.	8.5	10.8
3	Client C	provide independent advice on (i) a VSA under the Listing Rules, issue of consideration shares; and (ii) subscription of new shares by a connected person	6.8	8.7
4	Client D	provide independent advice on reorganisation and combination of businesses	3.8	4.9
5	Client E	act as the financial adviser to an offeror for a mandatory general offer	1.4	1.8
			30.5	39.0

BUSINESS

For the year ended 31 March 2016

<u>Rank</u>	<u>Clients</u>	<u>Nature of transaction</u>	<u>Revenue recognised during the year</u> HK\$'million	<u>% of total revenue</u> %
1	Client F	act as the financial adviser to the controlling shareholder in relation to a privatisation of a Hong Kong listed company	4.1	6.0
2	Client G	act as the financial adviser to an investor in relation to a takeover transaction of a Hong Kong listed company	3.0	4.4
3	Client H	act as the financial adviser to a Hong Kong listed company in relation to issuance of new shares of the company to a group of investors	2.0	2.9
4	Client I	act as the financial adviser to a Hong Kong listed company in relation to (i) update on continued suspension; (ii) proposed issue of subscription shares under the specific mandate; and (iii) application for whitewash waiver and special deal under the Takeovers Code.	1.8	2.7
5	Client J	provide independent advice on (i) connected and VSA under the Listing Rules; (ii) connected and major transactions under the Listing Rules; and (iii) continuing connected transactions under the Listing Rules	1.8	2.7
			<u>12.7</u>	<u>18.7</u>

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For the six months ended 30 September 2016

Rank	Clients	Nature of transaction	Revenue recognised during the period	% of total revenue
			HK\$'million	%
1	Client K	provide independent advice on a proposed rights issue	1.9	6.5
2	Client L	provide independent advice on (i) a VSD under the Listing Rules; and (ii) proposed spin-off of a subsidiary	1.6	5.3
3	Client M	act as financial adviser to an offeror for a mandatory general offer	1.5	5.0
4	Client N	provide independent advice on subscription of shares and convertible bonds which involved a whitewash waiver application	1.4	4.7
5	Client O	act as financial adviser on a VSD under the Listing Rules	1.3	4.3
			7.7	25.8

To the best knowledge of the Directors, none of the Directors, their close associates, or any person who owns more than 5% of the issued share capital of the Company, had more than 1% of the share capital of any of the Group's five largest clients during the Track Record Period.

SUPPLIERS AND INVENTORY

Due to the nature of its principal business activities, the Group had no major suppliers and carried no inventory during the Track Record Period. The Group incurred introduction expenses to two Independent Third Parties of approximately HK\$0.7 million for the year ended 31 March 2015 and introduction expense to a director of SIL of approximately HK\$1.6 million for the year ended 31 March 2016 and approximately HK\$0.6 million for the six months ended 30 September 2016 for their introduction of business opportunities to the Group. Such introduction expenses generally represented approximately 4% to 33% of contract value of the relevant transactions and were determined after arm's length negotiation between the Group and the respective referrers with reference to the effort and involvement of referrers, the complexity of the proposed transaction and the value of the proposed transactions.

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SALES AND MARKETING

The Group generally generates new business through referrals from existing clients, professional firms and the personal connections of Directors or employees of the Group. The Directors believe that the Listing will aid in enhancing public awareness of the brand of the Group and its services, which in turn will enable the Group to attract more clients and enrich its client profile.

During the Track Record Period, around one-fifth of the transactions (acting as financial adviser, independent financial adviser and/or compliance adviser) handled by the Group originated from Mr. Sabine's contacts and around one-fourth of the advisory fee generated by the Group were derived from transactions (acting as financial adviser, independent financial adviser and/or compliance adviser) which originated from Mr. Sabine's contacts as shown in the table below.

	<u>Number of transactions handled during the Track Record Period</u>		<u>Advisory fee of the Group during the Track Record Period</u>	
		<i>Approx. %</i>	<i>HK\$'000</i>	<i>Approx. %</i>
Mr. Sabine	47	18.9%	40,006	22.9%
Other members of the SCL Management Team (as defined below)	<u>202</u>	<u>81.1%</u>	<u>134,495</u>	<u>77.1%</u>
Total	<u>249</u>	<u>100.0%</u>	<u>174,501</u>	<u>100.0%</u>

The operation and execution of the transactions under the CF Business is currently managed by Mr. Chow and Mr. Cheung and the other directors of Somerley Capital (collectively, the “**SCL Management Team**”). Each of the members of the SCL Management Team has his/her own direct contacts with his/her respective clients and personal contacts with professional firms. The SCL Management Team is able to generate new business through their respective personal business network and deliver front-line services to the Group's clients.

RESEARCH AND DEVELOPMENT

During the Track Record Period and up to the Latest Practicable Date, the Group did not engage in any research and development.

REGULATIONS AND LICENSES

The financial industry in Hong Kong is highly regulated. The principal regulatory body governing the Group's business is the SFC. The Group's businesses are subject to various legislation and regulations and, upon Listing, the GEM Listing Rules.

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Somerley Capital is required to be licensed with the SFC. As at the Latest Practicable Date, the Group held the following licenses necessary to carry on its regulated activities as described in this prospectus:

<u>License holder</u>	<u>License</u>	<u>Date of issue</u>
Somerley Capital (<i>Note</i>)	License under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities	2 October 2013

Note: For Type 1 (dealing in securities) regulated activity, Somerley Capital shall not engage in dealing activities other than those relating to corporate finance.

Pursuant to the SFO, licensed corporations are required to submit annual returns to the SFC within one month after each anniversary date of their licences. Failure to submit annual return before the due date could result in suspension and revocation of the licence. Since its establishment, the Group has not experienced any difficulties in making the submission of the annual returns before the due date or has any of such licenses been revoked. The Directors confirm that the Group has obtained all requisite licenses, permits and certificates necessary to conduct its operations from the relevant governmental and regulatory bodies in Hong Kong and the Group had complied with all applicable laws, regulations, rules, codes and guidelines in Hong Kong in connection with the business and operation of the Group in all material respects.

The Group only allows licensed persons to conduct services in respect of corporate finance. All staff currently performing regulated activities are properly registered under SFO as either Licensed Representatives or Responsible Officers.

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The following table sets out the number of licensed persons in each of the regulated activities approved by the SFC as at the Latest Practicable Date:

<u>Regulated activities</u>	<u>Number of Responsible Officers (Note)</u>	<u>Number of Licensed Representatives (Note)</u>
Type 1 (dealing in securities)	5	12
Type 6 (advising on corporate finance)	9	14

Note: Respective licensed persons may hold multiple licenses on different regulated activities.

The following table sets out the Responsible Officers for each of the regulated activities approved by the SFC as at the Latest Practicable Date:

<u>Regulated activities</u>	<u>As at the Latest Practicable Date</u>
Type 1 (dealing in securities)	Mr. Sabine* Mr. Ching David* Mr. Cheng Yat Wai Mr. Wong C-Tsun Ms. Chow Chung Yan Stephanie
Type 6 (advising on corporate finance)	Mr. Sabine* Mr. Ng Ming Wah Charles Mr. Chow* Ms. Leung Lim Ng Jenny Ms. Tam Sze Ka Mr. Ching David* Mr. Cheng Yat Wai Mr. Wong C-Tsun Ms. Chow Chung Yan Stephanie

Note: * Registered Principal

MARKET AND COMPETITIVE LANDSCAPE

The financial services industry operates in a fast-changing business environment. Competition in the corporate finance sector in Hong Kong is intense because of the relatively large number of market players in corporate finance advisory services and because a substantial amount of capital is not required.

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With the increasing number of listed companies in Hong Kong, the level of equity fund raising on the Stock Exchange, either through IPOs or in the secondary market, has been substantial. IPOs have been an important source of equity funding. Rights issues, placings and “others” (which include funds raised through issue of consideration shares, warrants and share option schemes) have also been significant. While the market is active, competition in the underwriting and placing business in Hong Kong is intense because of the relatively large number of market players.

For details of the competition that the Group faces and will continue to face, please refer to the section headed “Industry Overview” in this prospectus.

PROPERTIES

As at the Latest Practicable Date, the Group did not own any property. It shared a segregated portion of premises with SGL and SIL as its head office and principal place of business in Hong Kong. Details of such premises and the sharing arrangement with SGL and SIL are set out under the paragraph headed “Original Office Sharing Agreement” and “The Office Sharing Agreement” under the section headed “Connected Transactions” in this prospectus.

As at the Latest Practicable Date, the aforesaid premises shared with SGL had a carrying value of less than 15% of the Group’s total assets. In accordance with section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance with respect to the requirement of the inclusion of a property valuation report in this document. As a result of the entering into of the SIL Disposal Agreement and suspension of SIL’s business operation, SIL has vacated the portion of the office premises occupied by it in January 2017. Please refer to the section headed “Relationship with Controlling Shareholders” for further information.

INTELLECTUAL PROPERTY RIGHTS

On 9 March 2017, the Company entered into a perpetual trademark usage agreement with SGL, a connected person of the Company, pursuant to which SGL granted a non-exclusive right by way of license to the Group to use the trademark  SOMERLEY (which is in the process of being assigned to SGL by SIL and registered under the name of SGL) in Hong Kong and the PRC.

Details of the intellectual property rights of the Group are set out in the paragraph headed “2. Intellectual property rights of the Group” in Appendix IV to this prospectus.

During the Track Record Period and up to the Latest Practicable Date, the Group was not involved in any proceedings with regard to, and the Group has not received notice of any claim of, infringement of any intellectual property rights that may be threatened or pending in which the Group may be involved either as a claimant or respondent.

INTERNAL CONTROL

Pursuant to section 169 of the SFO, SFC has published the SFC Code of Conduct for the purpose of giving guidance relating to the practices and standards with which intermediaries and their representatives are ordinarily expected to comply in carrying on the regulated activities for which they are licensed or registered.

The Internal Control Guidelines relate to the manner in which licensed or registered persons structure, manage and operate the respective regulated activities for which they are licensed or registered and in particular, the existence of satisfactory internal control and internal management systems (collectively, the “**Internal Controls**”).

Overview of internal control system

In this respect, Somerley Capital has drawn up and adopted a compliance manual, setting out corporate policies and key internal control guidelines and procedures, with emphasis on the professional ethics that all directors and staff are required to abide by.

The legal and compliance officer of the Group monitors the licensing requirements for corporation and individual licenses as well as the applicable regulatory requirements of the SFC. The Group has implemented guidelines and policies to address important internal control areas such as conflicts of interest, confidentiality, know your client requirements, independency checks, staff dealing policy, Chinese Wall, segregation of duties between front and back office staff, information technology systems and records retention. The compliance manual also contains internal control procedures for the issue of mandates, invoices, the collection of fees and personnel and other administration matters. The compliance manual includes guidelines for the reasonable due diligence by sponsors required under the provisions of the paragraph 17 of the SFC Code of Conduct, to the effect that a sponsor has to exercise reasonable judgment in conducting due diligence on listing applicants and ensure that all material issues are properly addressed before submitting listing applications. Members of the sponsor team should examine with professional scepticism the accuracy and completeness of statements and representations made or other information provided by a listing applicant and its directors until they have reasonably satisfied themselves in relation to the disclosure in the listing documents. Sponsor self-assessment is conducted annually to review and assess whether the systems and controls in respect of the Group’s engagement as sponsor remain effective.

Since the implementation of the New Sponsor Regime, additional in-house training has been arranged for licensed staff to update their professional knowledge of the New Sponsor Regime and the requirements of paragraph 17 of the SFC Code of Conduct and the Hong Kong Sponsor Due Diligence Guidelines. In-house training is also held regularly to update the professional knowledge and skills of licensed staff in corporate finance matters and market practice. Records of attendance are kept by the legal and compliance officer. The compliance manual is subject to periodic review for the purpose of enhancing internal control standards.

BUSINESS

The Directors are responsible for the overall implementation and enforcement of sound internal control policies and procedures pursuant to the GEM Listing Rules. Upon the Listing, Mr. Sabine, the chairman and executive Director of the Company, will be appointed as compliance officer pursuant to Rule 5.19 of the GEM Listing Rules. As the designated compliance officer, Mr. Sabine will be responsible for enhancing and sustaining sound internal control of the Company and report directly to the Board from time to time. Mr. Sabine will work with a team of supporting staff for such purpose comprising personnel from legal and compliance, finance, information technology and human resources and administration. Upon Listing, the Company will establish an Audit Committee comprising only independent non-executive Directors, whose responsibilities will include the monitoring of Internal Controls.

Review of internal control systems

Prior to Listing, the Company has engaged an independent internal control reviewer (the “**Internal Control Reviewer**”) to prepare an internal control review report on the Group. Following such review, the Group has adopted a revised operations manual which has included recommendations from the Internal Control Reviewer. Major findings and deficiencies identified in the internal control review report, the recommendations made by the Internal Control Reviewer and the remediation actions taken by the Group are set out in the following table:

<u>Major findings and deficiencies</u>	<u>Recommendations</u>	<u>Remediation actions taken by the Group</u>
Information technology general control		
— There was no backup archived off-site to minimise the risk of data loss	— There should be a remote backup strategy for storing critical data off-site for the sake of data protection	— The Group has engaged a storage company to keep the backup tapes in the off-site data storage in order to minimise the risk of the data loss
— There was no business continuity planning and disaster recovery plan prepared for emergencies and disruptions of computer system	— There should be backup strategy for computers and servers and the backup schedule to cater the business operations — There should be business continuity planning and disaster recovery plan of information technology facilities, as well as the incident response plan and crisis management procedures of cyber-attack. Also, specific site could be prepared for restoration of computer upon emergency	— The Group has adopted business continuity plan to specify the business continuity strategy, recovery priorities, recovery procedure, record backup and restoration. — The Group has performed the restoration on backup data and email record is kept as documentation

The Joint Sponsors have reviewed the internal control recommendations made by the Internal Control Reviewer, the responses and remediation actions taken by the Group and have discussed with the Internal Control Reviewer on its follow up reviews and are of the view that remediation actions taken by the Group are sufficient to address to the Internal Control Reviewer’s findings. The

Directors are of the view, and the Joint Sponsors concur, that the current internal control measures adopted by the Group are effective to ensure the Group's compliance with the relevant rules and regulations.

Key internal control procedures of the Group

Important internal control areas for the Company are principally as follows:

Conflicts of interest and disclosure

The compliance manual contains guidelines on conflicts of interest and disclosure requirements. When being approached to act for a client or in a transaction which may give rise to any actual or potential conflicts of interest with the Group, the Shareholders, members of the Board or staff who may be involved in the transaction, such conflicts of interest should be immediately disclosed for review as to whether the Company can act in the matter. If appropriate and where approval to act in writing is given by the Board, such approval should be placed on file as a record. All proper and reasonable steps must be taken to avoid conflicts of interest.

Confidentiality

Confidentiality of client's information is paramount. As a general rule, no information concerning the affairs of the Company and its subsidiaries or its clients may be disclosed to any third party at any time subject to the requirements of applicable laws and regulations. In order to ensure that information on clients and their transactions are confidentially treated, personnel are provided with unpublished price-sensitive or confidential information which are necessary to perform their assignments only on a need-to-know basis. Staff in possession of price-sensitive or confidential information are required to ensure such information is handled carefully in compliance with the relevant laws and regulation and relevant documents are properly secured and cannot be accessed by third parties.

Staff dealings

Policies and guidelines have been established regarding securities dealings by directors and staff to safeguard the standing of the Company and its subsidiaries in the market place and to maintain standards of conduct within the Group.

No Directors or staff of the Group are allowed to trade securities of companies to which the Group is providing corporate finance advisory services until the relevant transactions are completed or until the transactions are no longer price-sensitive in nature. Restricted list, as mentioned below, is maintained and updated regularly and all staff are strictly prohibited to purchase and/or sell the listed securities where the relevant stock codes are in the restricted list to avoid conflict of interest and insider dealing. Professional staff are required to obtain

the written consent from the Company to be in compliance of Rule 12.2 of the SFC Code of Conduct. All staff have to declare their listed dealings in securities on a monthly and annual basis. A staff dealing policy is set out in the compliance manual.

Insider dealing is strictly prohibited. It is critical to prevent leakage of insider information to any person or party and a strict inside dealing policy is contained in the compliance manual.

Restricted list and conflict checks

In order to prevent potential conflicts of interest from arising, a restricted list is circulated to all staff once a potential project involving any listed company is identified. Staff are strictly prohibited from trading in the securities of listed companies whose stock codes have been placed on the restricted list. After a potential project is identified, a conflict of interest check and independence check have to be conducted before clearance is given to act in the matter.

All staff is required to avoid any actual or potential conflict of interest and act in the best interest of clients.

Project codenames and Chinese Wall

Project codenames are used to prevent the release of non-public material information. A Chinese Wall has been established between Somerley Capital and SIL including physical segregation of the office areas and servers.

Liquidity risk management

Somerley Capital is required to maintain at all times a minimum paid-up share capital and liquid capital pursuant to the FRR. In this regard, the finance department regularly prepares Somerley Capital's financial returns and computes the liquid capital in accordance with requirements set out in the FRR. Such liquid capital computation is monitored by the finance department on a daily basis so as to ensure constant compliance with the relevant requirements by Somerley Capital. Further, the financial returns are reviewed and approved by the Responsible Officers and thereafter submitted to the SFC no later than three weeks after each calendar month.

During the Track Record Period and up to the Latest Practicable Date, the Group complied in all material respects in relation to the minimum liquid capital requirement as laid down by the SFC.

Information technology systems

As mentioned in the Circular to All Licensed Corporations on Information Technology Management issued by the SFC on 16 March 2010, licensed corporations are required to establish policies and procedures to ensure the integrity, security, availability, reliability and

thoroughness of all information, including documentation and electronically stored data, relevant to the firm's business operations. The Group has employed a senior information technology consultant and engaged service providers to ensure proper and stable operations of the Group's information technology system, to provide maintenance and support in a timely manner, to review the current operating systems and to implement a recovery system and a plan to address contingencies and business continuity issues. Daily backup procedures and a business continuity plan has been adopted to ensure continuity of the Group's operations.

During the Track Record Period and up to the Latest Practicable Date, the Group has not experienced any major breakdown of its information technology systems and there was no significant disruption to the operations of the Group due to any failure in the information technology systems.

Details of the risks relating to the information technology system are set out in the paragraph headed "The Group may experience failure in or disruption to its computer systems and data storage" under the section headed "Risk Factors" in this prospectus.

Independency checks for sponsor and independent financial adviser's engagement

There are detailed procedures contained in the compliance manual on independency checks for sponsor's and independent financial adviser's work to comply with regulatory requirements before sponsor's declaration to the Stock Exchange pursuant to Appendix 19 of the Listing Rules of Appendix 7 of the GEM Listing Rules (as the case may be), independent financial adviser's declaration and undertaking to the Stock Exchange pursuant to Appendices 21 and 22 of the Listing Rules of Appendix 13 and 14 of the GEM Listing Rules (as the case may be) and independence confirmation by the independent financial adviser to the SFC pursuant to the Takeovers Code.

Records retention

The policy for record retention is set out in the compliance manual in accordance the SFC's requirements. Proper books and records are retained for at least seven years to evidence a proper audit trail of work done.

Know your clients and anti-money laundering and counter terrorist financing

Licensed corporations registered under the SFO are required to comply with the Hong Kong laws and the SFC Guidance Notes on Prevention of Money Laundering and Terrorist Financing Guidance Note which require licensed corporations, amongst other things, to adopt and enforce "know your clients" policies and procedures. Staff of licensed corporations who know, suspect or have reasonable grounds to believe that a client might have engaged in money laundering activities must immediately report to the legal and compliance division for attention and handling which, in turn, will be reported to the JFIU. The Group's compliance manual contains provisions to this effect.

BUSINESS

Complaints and regulatory compliance

During the Track Record Period and up to the Latest Practicable Date, the Group has not received any written complaints from its clients and has not been subject to any litigation or claims resulting from services provided to its clients. As at the Latest Practicable Date, to the best knowledge of the Directors, no disciplinary, investigation or enforcement action is being taken against members of the Group and/or its staff.

Somerley Capital are required to submit monthly FRR return to the SFC. Monthly FRR return and management accounts are prepared by the finance department for internal review. Final approved monthly FRR return will be submitted by compliance department of the Group to the SFC. During the Track Record Period and up to the Latest Practicable Date, the Group has complied with the FRR at all times.

Save as disclosed and to the best knowledge and belief of the Directors, the Directors consider there has not been any material non-compliance by the Group of the requirements under SFO and guidelines provided by the SFC.

INSURANCE COVERAGE

During the Track Record Period and up to the Latest Practicable Date, the Group had maintained (i) employees' compensation insurance in accordance with the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong); and (ii) hospital, surgical and clinical insurance for staff members as part of the employee benefits.

Certain types of risks, such as the risk in relation to the collectability of trade receivables and liabilities arising from events such as epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks, are not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks.

For the years ended 31 March 2015 and 31 March 2016 and the six months ended 30 September 2016, the total insurance expenses incurred by the Group amounted to approximately HK\$0.4 million, HK\$0.4 million and HK\$0.2 million respectively. The Directors consider that the Group has obtained adequate insurance coverage for the operation of its business, which is consistent with industry norms having regard to the Group's current operations and the prevailing industry practice in Hong Kong. The Directors have confirmed that no material claim had been made in respect of any of the Group's insurance policies during the Track Record Period and up to the Latest Practicable Date.

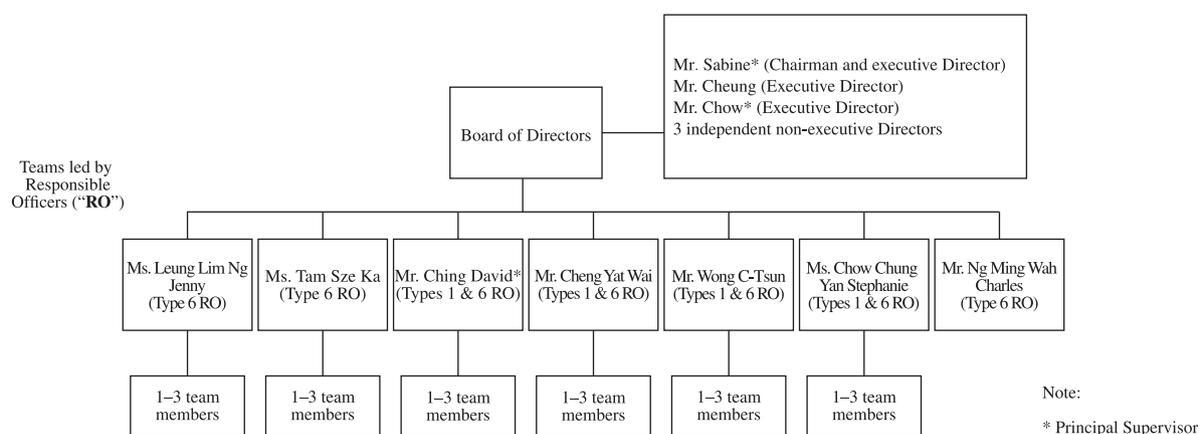
BUSINESS

EMPLOYEES

As at the Latest Practicable Date, the Group had 35 employees. The following table sets out a breakdown of the Group's employees by function as at the Latest Practicable Date:

	As at the Latest Practicable Date
Human Resources and Administration	8
CF Business	23
Legal and Compliance	1
Finance	1
Information Technology	2
	35

Set out below is the organisation chart of the Group as at the Latest Practicable Date:



Each team, headed by a Responsible Officer, brings business opportunities into the Group, and undertakes projects assigned by the executive Directors, after considering the resources, the pipeline and experience of each team.

The Directors believe that ability of the Group to recruit and retain experienced and skilled staff is crucial to its growth and development. In order to maintain the SFC licenses to carry on regulated activities, Responsible Officers and Licensed Representatives of the Group are required to take sufficient number of hours of continuous professional training. To ensure that the employees, in particular the Responsible Officers and Licensed Representatives, are able to fulfil such training requirements and to update the staff on market practices and developments in the financial industry and the relevant laws and regulations, the Group organises training courses, which sometimes involve external professional parties, for its employees.

BUSINESS

The Group has maintained a good relationship with its employees during the Track Record Period and up to the Latest Practicable Date. The Group has not experienced any strikes or labour disputes which have materially and adversely interfered with its operations.

The Group has established a remuneration and review management system. The head of each team is responsible for conducting review and performance appraisal of the staff of their own team.

HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

The Group maintains medical insurance for its employees in Hong Kong. The Group adopts policies and procedures regarding work safety and occupational health issues.

During the Track Record Period and up to the Latest Practicable Date, the Group did not incur any cost of compliance with applicable environmental protection and safety rules and regulations, as the Group does not generate industrial pollutants and did not raise any material safety issues due to nature of business of the Group.

During the Track Record Period and up to the Latest Practicable Date, the Group had not come across any material non-compliance issues in respect of any applicable laws and regulations on environmental protection, and work safety or any complaints from the employees, customers or the public in respect of work safety and health issues relating to the Group's operations. The Directors are of the view that there are no environmental and safety laws and regulations which may affect the provision of corporate finance advisory services in any material respect and that the operations of the Group are in compliance with the applicable laws and regulations of Hong Kong in all material respects.

LITIGATION AND DISCIPLINARY ACTIONS

Litigation

During the Track Record Period and up to the Latest Practicable Date, the Group had not been involved in and was not subject to any actual, pending or threatened litigation, arbitration or other claims which would have a material adverse impact on the operations, financial position and reputation of the Group.

Disciplinary actions against members of the Group and/or the employees

The Directors confirm that during the Track Record Period and up to the Latest Practicable Date, no disciplinary action has been taken by the SFC, the Stock Exchange and/or any law enforcement authority in Hong Kong against members of the Group and/or its employees.

COMPLIANCE

The Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there was no material impact non-compliance or systemic non-compliance in respect of any applicable laws and regulations in Hong Kong.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

OVERVIEW

The Board consists of three executive Directors and three independent non-executive Directors. The following table sets out the summary information in respect of the Directors:

Name	Age	Present Position	Time of joining the Group or SIL (Note 1)	Date of appointment as Director	Roles and responsibilities
Executive Directors					
Mr. SABINE Martin Nevil	69	Chairman of the Board, executive Director and chairman of Somerley Capital	Founder	21 April 2016	Overseeing business development of the Group, cultivating long-term client relationship, introducing new clients and projects, monitoring industry developments and liaising with team heads and members on specific transactions
Mr. CHEUNG Tei Sing Jamie (莊棣盛)	46	Executive Director and vice president of Somerley Capital	March 1996 (Note 2)	21 April 2016	Formulating business and corporate strategies and project origination
Mr. CHOW Wai Hung Kenneth (鄧偉雄)	46	Executive Director and managing director of Somerley Capital	May 2006	21 April 2016	Supervising and leading execution of corporate finance projects
Independent non-executive Directors (in alphabetical order)					
Mr. CHENG Yuk Wo (鄭毓和)	56	Independent non-executive Director	9 March 2017	9 March 2017	Providing independent advice to the Board
Mr. HIGGS Jeremy James	62	Independent non-executive Director	9 March 2017	9 March 2017	Providing independent advice to the Board
Mr. YUEN Kam Tim Francis (袁錦添)	63	Independent non-executive Director	9 March 2017	9 March 2017	Providing independent advice to the Board

Notes:

- SIL is the predecessor of Somerley Capital. Details of the relationship between SIL and Somerley Capital are set out in the sections headed “History and Development” and “Relationship with Controlling Shareholders” in this prospectus.
- During the period between September 2003 and May 2005, Mr. Cheung left SIL of his own accord. For details, please refer to the information of Mr. Cheung under the sub-section headed “Directors” below.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

In addition to the executive Directors, members of the senior management of the Group comprise the following:

<u>Name</u>	<u>Age</u>	<u>Present Position</u>	<u>Time of joining the Group or SIL (Note)</u>	<u>Date of appointment as senior management of the Group</u>	<u>Roles and responsibilities</u>
Mr. SABINE Martin Nevil	69	Compliance officer	Founder	Founder	Enhancing and sustaining sound internal control of the Group
Mr. NG Ming Wah Charles (吳明華)	67	Director of Somerley Capital	September 2007	16 October 2013	
Ms. LEUNG Lim Ng Jenny (梁念吾)	46	Director of Somerley Capital	March 2010	16 October 2013	
Ms. TAM Sze Ka (譚思嘉)	39	Director of Somerley Capital	June 2007	16 October 2013	
Mr. CHING David (秦思良)	45	Director of Somerley Capital	November 2007	2 October 2013	Supervising and leading execution of corporate finance projects
Mr. CHENG Yat Wai (鄭逸威)	40	Director of Somerley Capital	May 2005	1 February 2014	
Mr. WONG C-Tsun (王思峻)	36	Director of Somerley Capital	October 2007	1 February 2014	
Ms. CHOW Chung Yan Stephanie (周頌恩)	40	Director of Somerley Capital	September 2007	15 October 2015	
Mr. PANG Mo Cheung (彭武祥)	32	Financial controller of the Group	January 2014	2 January 2014	Accounting and financial management of the Group
Ms. LAM Yuen Ling Eva (林婉玲)	50	Company Secretary	N/A	9 March 2017	Company secretarial matters of the Group

Note: SIL is the predecessor of Somerley Capital, details of the relationship between SIL and Somerley Capital are set out in the sections headed “History and Development” and “Relationship with Controlling Shareholders” in this prospectus.

All the executive Directors and directors of Somerley Capital had been employees of SIL (formerly named Somerley Limited), the predecessor of Somerley Capital, prior to Somerley Capital becoming the operating subsidiary of SGL carrying out the CF Business (for further details, please

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

refer to the section headed “History and Development” in this prospectus) with effect from 1 January 2014. As a result, employments between the above persons and SIL were terminated with effect from 1 January 2014.

The following set out information of the Directors and senior management of the Group in further details:

DIRECTORS

The Board currently consists of six Directors, comprising three executive Directors, and three independent non-executive Directors. Set out below is information concerning the Directors:

Mr. SABINE Martin Nevil

Chairman of the Board, executive Director and chairman of Somerley Capital

Mr. Sabine, aged 69, is the chairman of the Board and Somerley Capital. Mr. Sabine is responsible for overseeing business development of the Group, cultivating long-term client relationship, introducing new clients and projects, monitoring industry developments and liaising with team heads and members on specific transactions. He graduated with a Bachelor of Arts degree from the University of Oxford in July 1969. He was awarded a Thouron Scholarship to attend the Wharton Graduate School of Business of the University of Pennsylvania in that year. He received a Master’s Degree in Business Administration from the Wharton Graduate School of Business and was elected to the Beta Gamma Sigma honour society in April 1971.

After graduation, Mr. Sabine worked in the financial field in London before coming to Hong Kong in 1977. After working in the corporate finance department of Wardley Limited, a wholly-owned subsidiary of The Hongkong and Shanghai Banking Corporation Limited until 1983, latterly as a director, he set up SIL in 1983. Since that time, SIL and now Somerley Capital have developed into one of the most active firms in the corporate finance advisory field in Hong Kong. Mr. Sabine is chairman of the Board and of Somerley Capital and is their ultimate controlling shareholder. 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.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. CHEUNG Tei Sing Jamie (莊棣盛)

Executive Director and vice president of Somerley Capital

Mr. Cheung, aged 46, 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 (鄒偉雄)

Executive Director and managing director of Somerley Capital

Mr. Chow, aged 46, 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 18 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 HKICPA since May 2016 and was qualified as a member of CPA Australia and a member of the Institute of Chartered Accountants in Australia in March 1996 and March 1997 respectively.

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

Mr. CHENG Yuk Wo (鄭毓和)

Independent non-executive Director

Mr. Cheng, aged 56, was appointed as the independent non-executive Director on 9 March 2017. 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

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

the Institute of Chartered Accountants in England and Wales and the HKICPA 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 listed companies 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) and Miricor Enterprises Holdings Limited (stock code: 8358). Besides, Mr. Cheng was an independent non-executive director of Imagi International Holdings Limited (stock code: 585), a company listed on the Stock Exchange, from July 2010 to January 2016.

Mr. HIGGS Jeremy James

Independent non-executive Director

Mr. Higgs, aged 62, was appointed as the independent non-executive Director on 9 March 2017. Mr. Higgs is the principal founder and managing director of Environmental Investment Services Asia Limited, incorporated in 2009 as Hong Kong's first independent funds management company specialising in equity investment in the Asian environmental sector. He is also the portfolio manager of the Green Dragon Fund, launched in 2006 and pioneering investments in the emerging low carbon goods and services sector of the Asia Pacific region, having a special focus on China.

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

Mr. YUEN Kam Tim Francis (袁錦添)

Independent non-executive Director

Mr. Yuen, aged 63, was appointed as the independent non-executive Director on 9 March 2017. 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,

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

media and travel services, for 14 years from 1989 to 2003. He had also served in Sun Hung Kai Securities Limited, a leading Hong Kong securities brokerage and financial service company, for 10 years from 1979 to 1989, where he headed the secretarial and share registration departments. He has been a fellow member of the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators, the United Kingdom since August 1994 and April 1989 respectively.

SENIOR MANAGEMENT

The Group's senior management comprises all the executive Directors, the compliance officer of the Group, all the directors and Responsible Officers of Somerley Capital, the financial controller of the Group and the company secretary of the Group. Set out in the summary table below is information in respect of the senior management of the Group (except for the executive Directors):

Mr. SABINE Martin Nevil

Compliance officer

Please refer to the sub-section headed "Directors" for the profile of Mr. Sabine.

Mr. NG Ming Wah Charles (吳明華)

Director of Somerley Capital

Mr. Ng, aged 67, 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 in depth 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), a company listed on the Stock Exchange, and acts as a member of each of its audit, remuneration and nomination committees. In addition, Mr. Ng is a member of the Board of Governors of the Hong Kong Arts Centre. During the three years prior to the Latest Practicable Date, Mr. Ng was an independent non-executive director of China Aircraft Leasing Group Holdings Limited (stock code: 1848), a company listed on the Stock Exchange, from 11 September 2013 to 17 May 2016.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Ms. LEUNG Lim Ng Jenny (梁念吾)

Director of Somerley Capital

Ms. Leung, aged 46, joined SIL as director in March 2010. She has been a director of Somerley Capital since October 2013. She 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 15 years of experience in corporate finance. In the past, she held senior positions with a number of corporate finance advisory firms and brokerage house including Piper Jaffray Asia Ltd. (from 2006 to 2008 with last position as a principal) and Dao Heng Securities Limited (from 2000 to 2006 with last position as director of corporate finance). She handled various IPOs, M&A transactions and fund raising exercises.

Ms. TAM Sze Ka (譚思嘉)

Director of Somerley Capital

Ms. Tam, aged 39, 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 of University of London, United Kingdom, through long-distance learning in August 2007.

Ms. Tam has over 16 years of experience in corporate finance and has worked in various financial institutions involving in corporate finance. Prior to joining SIL, Ms. Tam worked in RexCapital (Hong Kong) Limited from October 2004 to May 2007, with last position as senior manager — corporate finance.

Mr. CHING David (秦思良)

Director of Somerley Capital

Mr. Ching, aged 45, is a director of Somerley Capital. He has been a Responsible Officer for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities and a Principal since 2 October 2013. He is responsible for supervising and leading execution of corporate finance projects. He joined SIL as associate director in November 2007.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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

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

Mr. CHENG Yat Wai (鄭逸威)

Director of Somerley Capital

Mr. Cheng, aged 40, 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 HKICPA 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 15 years of experience in corporate finance, accounting and auditing. From September 2000 to June 2002, Mr. Cheng worked in Arthur Andersen & Co, which is principally engaged in assurance and business advisory services, with last position as staff accountant and the main role of performing auditing of companies. From July 2002 to June 2004, he worked in PricewaterhouseCoopers Ltd., which principally engages in assurance and business advisory services, with last position as senior associate and the main role of in charge of group audits. From June 2004 to April 2005, he worked in Platinum Management Services Limited, which principally engages in corporate finance business, with last position as manager and main role of execution of corporate finance projects.

Mr. WONG C-Tsun (王思峻)

Director of Somerley Capital

Mr. Wong, aged 36, joined SIL as manager in October 2007. He has acted as a director of Somerley Capital since February 2014, and has acted as a Responsible Officer for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 28 April 2014, and is responsible for supervising and leading execution of corporate finance projects.

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

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Wong has over 13 years of experience in corporate finance, accounting and auditing. From September 2002 to July 2007, Mr. Wong worked in the audit and assurance division of KPMG, with last position as assistant manager.

Ms. CHOW Chung Yan Stephanie (周頌恩)

Director of Somerley Capital

Ms. Chow, aged 40, joined SIL as manager in September 2007. She has acted as a director of Somerley Capital since October 2015. She has acted as a Responsible Officer for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 15 October 2015, and is responsible for supervising and leading execution of corporate finance projects.

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

Ms. Chow has over 13 years of experience in corporate finance and restructuring. From October 2002 to July 2006, Ms. Chow worked in Alvarez & Marsal Asia Limited, an international corporate advisory firm, with last position as senior accountant.

Mr. PANG Mo Cheung (彭武祥)

Financial controller of the Group

Mr. Pang, aged 32, joined the Group in January 2014 as financial controller. He is primarily responsible for the overall accounting and financial management of the Group.

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

Ms. LAM Yuen Ling Eva (林婉玲)

Company secretary

Ms. Lam, aged 50, was appointed as company secretary of the Company on 9 March 2017. Ms. Lam has over 20 years of experience in company secretarial services and commercial solutions. She is currently a director of BMI Listed Corporate Services Limited and is responsible for supervising the company secretarial teams to provide full range of listed and private company secretarial services to clients. Ms. Lam obtained a Higher Certificate in Company Secretaryship and Administration from the Hong Kong Polytechnic University in November 1993 and was awarded a degree of Master of Science in Corporate Governance and Directorship by the Hong Kong Baptist University in November 2015. Ms. Lam has been a fellow of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators since September 2014.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Before joining BMI Listed Corporate Services Limited on 1 September 2014, she worked at Ho and Ho & Company, a certified public accounting firm, as a senior secretarial assistant from April 1993 to May 2005, at Premier Corporate Services Limited, an accounting and company secretarial services provider, as a senior secretarial assistant from May 2005 to August 2005 and at Norcola Company Limited, a corporate secretarial services provider, as an assistant manager from September 2005, and was promoted to manager in December 2010 and then to director in June 2011.

Ms. Lam is currently the company secretary of several companies the shares of which are listed on the Stock Exchange, including, Shenzhen Expressway Company Limited (stock code: 548), China Suntien Green Energy Corporation Limited (stock code: 956), Grand Field Group Holdings Limited (stock code: 115), Bamboos Health Care Holdings Limited (stock code: 2293) and Grand T G Gold Holdings Limited (stock code: 8299).

The Group engages Ms. Lam, who has substantial experience in company secretarial services for listed and private companies in Hong Kong to ensure the Group's compliance with the Companies Ordinance and the relevant requirements under the GEM Listing Rules.

General

Mr. Yuen was a director of the following companies, which were all incorporated in Hong Kong prior to their respective dissolution:

<u>Name of company</u>	<u>Date of dissolution</u>	<u>Nature of business prior to dissolution</u>	<u>Means of dissolution</u>
Achilowa Limited	9-May-2003	Never commenced business	Voluntary deregistration dissolved pursuant to the Predecessor Companies Ordinance (“ Deregistration ”)
Bestforce Investments Limited 力佳投資有限公司	21-Dec-2001	General business	Striking off dissolved pursuant to the Predecessor Companies Ordinance (“ Striking Off ”)
Bestray Investments Limited 錦明投資有限公司	21-Dec-2001	General business	Striking Off
Bm Union Communications Limited 邦盟聯合傳訊有限公司	7-May-2010	Never commenced business	Deregistration
Buymewine.Com Limited	28-Feb-2003	Never commenced business	Deregistration
China Economic Development Research Centre Limited 香港中國經濟發展研究中心有限公司	7-Mar-2003	Never commenced business	Deregistration

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

<u>Name of company</u>	<u>Date of dissolution</u>	<u>Nature of business prior to dissolution</u>	<u>Means of dissolution</u>
Doncrown Company Limited 敦冠有限公司	2-Mar-2001	Never commenced business	Deregistration
Eastern Express Daily Limited	23-Nov-2001	Never commenced business	Striking Off
Eastern Express Weekly Limited	23-Nov-2001	Never commenced business	Striking Off
Express Eastern Daily Limited	23-Nov-2001	Never commenced business	Striking Off
Express Eastern News Limited	23-Nov-2001	Never commenced business	Striking Off
Express Eastern Weekly Limited	23-Nov-2001	Never commenced business	Striking Off
Express Oriental Daily Limited	23-Nov-2001	Never commenced business	Striking Off
Express Oriental News Limited	23-Nov-2001	Never commenced business	Striking Off
Express Sunday News Limited	23-Nov-2001	Never commenced business	Striking Off
Express Weekly Limited 快週刊有限公司	23-Nov-2001	General business	Striking Off
Golden Adventures Limited 歷勝有限公司	28-Feb-2003	Never commenced business	Deregistration
Grandable Court Limited 金寶居有限公司	2-Aug-2002	Never commenced business	Deregistration
Great Stone Management Limited 基石管理有限公司	20-Jul-2001	General business	Striking Off
Great Treasure Profits Limited 寶藏有限公司	28-Feb-2003	Never commenced business	Deregistration
Greenstar Limited 鍵達有限公司	28-Feb-2003	Never commenced business	Deregistration
In Express Weekly Limited 流行快報週刊有限公司	23-Nov-2001	Never commenced business	Striking Off
Jeful Company Limited 置豐有限公司	10-Oct-2003	Never commenced business	Deregistration
King Shine Industrial Limited 昆澤實業有限公司	28-Feb-2003	Never commenced business	Deregistration
Kingplan Investments Limited 興平投資有限公司	22-Dec-2000	Never commenced business	Deregistration

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

<u>Name of company</u>	<u>Date of dissolution</u>	<u>Nature of business prior to dissolution</u>	<u>Means of dissolution</u>
Kingpress Investments Limited 興栢投資有限公司	20-Jul-2001	General business	Striking Off
Longmark Limited 永徽有限公司	11-Sep-2003	Never commenced business	Deregistration
Mei Cheong Ieong Hong (H.K.) Limited	6-Nov-2006	Investment holding	Compulsory winding up (<i>Note 1</i>)
Million Plus Investments Limited 明厚投資有限公司	20-Jul-2001	General business	Striking Off
Milway Investments Limited 萬熙投資有限公司	28-Feb-2003	Never commenced business	Deregistration
Newname Investments Limited 新銘投資有限公司	20-Jul-2001	General business	Striking Off
Open Earn Investments Limited 開潤投資有限公司	21-Dec-2001	General business	Striking Off
Pemajor.Com Limited	28-Feb-2003	Never commenced business	Deregistration
Pcx Cybernet Limited	9-May-2003	Never commenced business	Deregistration
Perfect Jade International Limited 燦華國際有限公司	28-Feb-2003	Never commenced business	Deregistration
Sanewell Investments Limited 善威投資有限公司	22-Jun-2001	General business	Striking Off
Scinsurer.Com Limited	28-Feb-2003	Never commenced business	Deregistration
Scyeah.Com.Hk Limited	28-Feb-2003	Never commenced business	Deregistration
Skymate Resources Limited 天 美資源有限公司	2-Mar-2001	Never commenced business	Deregistration
Skypress Investments Limited 天栢投資有限公司	21-Dec-2001	General business	Striking Off
Smartearn Investments Limited 駿盈投資有限公司	20-Jul-2001	General business	Striking Off
South China Food And Catering Limited 南華飲食 有限公司	9-May-2003	Never commenced business	Deregistration
South China Publishers Limited 南華出版社有限公司	17-Apr-2003	Never commenced business	Deregistration

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

<u>Name of company</u>	<u>Date of dissolution</u>	<u>Nature of business prior to dissolution</u>	<u>Means of dissolution</u>
South China Shenyang (Yan Lu) Limited (南華瀋陽(艷路)有限公司)	28-Feb-2003	Never commenced business	Deregistration
South China Strategic Publishing Limited 南華策略出版有限公司	23-Nov-2001	Never commenced business	Striking Off
Sunday Express News Limited 星期日快報有限公司	23-Nov-2001	Never commenced business	Striking Off
T & D Creation Limited 天達基業有限公司	9-May-2003	Never commenced business	Deregistration
Tenper Investments Limited 添栢投資有限公司	28-Feb-2003	Never commenced business	Deregistration
Treenic Investments Limited 樹力投資有限公司	16-May-2003	General business	Deregistration
Tung Wing Investments Limited 東詠投資有限公司	7-Sep-2001	General business	Deregistration
Union Comsec Applications Limited 聯合公司秘書軟件有限公司	5-Jul-2013	Never commenced business	Deregistration
Victory Long Limited 勝隆有限公司	28-Feb-2003	Never commenced business	Deregistration
Whiz Kids Express Daily Limited 兒童快報有限公司	23-Nov-2001	Never commenced business	Striking Off
Winpress Investments Limited 榮栢投資有限公司	21-Mar-2003	General business	Striking Off
Wiseton Investments Limited 慧昌投資有限公司	20-Jul-2001	General business	Striking Off
Yongder Hall (China) Limited 養德堂(中國)股份有限公司	7-Mar-2003	Never commenced business	Deregistration
Yongder Hall Design Solutions Limited	18-May-2001	Never commenced business	Striking Off
Yongder Hall Printing Direction Limited	21-Feb-2003	Never commenced business	Striking Off
Yongder Hall Publishing Limited 養德堂出版有限公司	9-May-2003	Never commenced business	Deregistration

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

<u>Name of company</u>	<u>Date of dissolution</u>	<u>Nature of business prior to dissolution</u>	<u>Means of dissolution</u>
Young Express Daily Limited	23-Nov-2001	Never commenced business	Striking Off
Young Express News Limited 偶像快報有限公司	23-Nov-2001	Never commenced business	Striking Off
Young Express Weekly Limited 偶像快報週刊有限公司	23-Nov-2001	Never commenced business	Striking Off
Zie Yongder Company Limited 施養德企業有限公司	21-Mar-2003	General business	Striking Off

Note 1: Mr. Yuen had never been actively involved in the management of the company.

Mr. Yuen confirmed that there is no wrongful act on his part leading to the above dissolutions and is not aware of any actual or potential claim has been or will be made against him as a result of the dissolutions, and that no misconduct or misfeasance had been involved in the dissolutions of these companies.

The Directors are of the view that Mr. Yuen's involvement in the above dissolved companies does not affect his suitability to act as a director of a listed issuer.

Save as disclosed above, none of the Directors or the senior management of the Group:

- (i) held any directorships in any companies listed in Hong Kong or overseas during the three years prior to the Latest Practicable Date; and
- (ii) had any relationships with any Directors, senior management, substantial shareholders or controlling shareholders of the Company as at the Latest Practicable Date.

Save as disclosed above, none of the Directors had any other information that needs to be disclosed pursuant to the requirements under Rule 17.50(2)(h) to (v) of the GEM Listing Rules.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors and senior management of the Group having made all reasonable enquiries, there was no other matter with respect to the appointment of the Directors and senior management of the Group that needs to be brought to the attention of the Shareholders.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

BOARD COMMITTEES

The Board has established an audit committee, a remuneration committee and a nomination committee. Details of each of the above committees are as follows:

Audit Committee

The Audit Committee was established on 9 March 2017 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee include 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 internal control and risk management system of the Group, and monitoring any continuing connected transaction.

The Audit Committee comprises three Directors, namely Mr. CHENG Yuk Wo, Mr. HIGGS Jeremy James and Mr. YUEN Kam Tim Francis. Mr. CHENG Yuk Wo is the chairman of the Audit Committee.

Remuneration Committee

The Remuneration Committee was established on 9 March 2017 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Remuneration Committee include making recommendations to the Board on the remuneration policy relating to the Directors and senior management of the Group, reviewing performance-based remuneration and ensuring none of the Directors determines their own remuneration.

The Remuneration Committee comprises three Directors, namely Mr. YUEN Kam Tim Francis, Mr. CHENG Yuk Wo and Mr. CHEUNG Tei Sing Jamie. Mr. YUEN Kam Tim Francis is the chairman of the Remuneration Committee.

Nomination Committee

The Nomination Committee was established on 9 March 2017 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Nomination Committee include 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.

The Nomination Committee comprises three Directors, namely Mr. HIGGS Jeremy James, Mr. YUEN Kam Tim Francis and Mr. SABINE Martin Nevil. Mr. HIGGS Jeremy James is the chairman of the Nomination Committee.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

REMUNERATION

The Directors and senior management of the Group receive compensation in the form of salaries, benefits in kind, discretionary bonuses related to the performance of the Group, and options conditionally granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme. The Group also reimburses them for expenses which are necessarily and reasonably incurred in relation to all business and affairs carried out by the Group from time to time or for providing services to the Group or executing their functions in relation to the business and operations of the Group. The Group regularly reviews and determines the remuneration and compensation package of the Directors and senior management of the Group, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of the Directors and senior management of the Group, and the performance of the Group.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

For each of the two years ended 31 March 2016 and the six months ended 30 September 2016, the aggregate emoluments paid and benefits in kind granted by the Group to the Directors were approximately HK\$16.2 million, HK\$11.7 million and HK\$7.2 million respectively, which included contribution to retirement benefits scheme of approximately HK\$36,000, HK\$36,000 and HK\$18,000 respectively. For each of the two years ended 31 March 2016, the aggregate remuneration comprising salaries, allowances, other benefits, discretionary bonuses and contributions to retirement benefit scheme, paid to the five highest paid individuals (other than the Directors) by the Group was approximately HK\$5.4 million and HK\$4.9 million respectively. For the six months ended 30 September 2016, the aggregate remuneration comprising salaries, allowances, other benefits, share-based payment and contributions to retirement benefit scheme, paid to the five highest paid individuals (other than the Directors) by the Group was approximately HK\$2.4 million. Save as disclosed in this prospectus, no other emoluments have been paid, or are payable, by the Group to the Directors and the five highest paid individuals in respect of each of the two years ended 31 March 2016 and the six months ended 30 September 2016.

Under the arrangements currently in force, it is estimated that the aggregate remuneration payable to, and benefits in kind receivable by, the Directors (excluding discretionary bonus and share-based payment) for the year ending 31 March 2017 will be approximately HK\$10.0 million. Upon Listing, the Remuneration Committee will make recommendations on the remuneration of the Directors. Accordingly, the historical remuneration to the Directors during the Track Record Period may or may not reflect their future levels of remuneration.

During the Track Record Period, no remuneration was paid by the Group to, or received by, the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which any of the Directors waived or agreed to waive any remuneration during the Track Record Period.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

For additional information on the Directors' remuneration during the Track Record Period as well as information on the five highest paid individuals, please refer to the Accountant's Report set out in Appendix I to this prospectus.

SUCCESSION PLAN OF LEADERSHIP OF THE COMPANY

The Company has established a succession plan (the “**Succession Plan**”) to provide continuity in leadership and to fill vacancies arising in key positions. Mr. Sabine and other senior executives will meet regularly with the human resources manager on human resources issues including the Succession Plan. More importantly, the Nomination Committee will review the Succession Plan every financial year. Pursuant to the present Succession Plan, there are two potential candidates capable of taking on Mr. Sabine's role in the event that he should become unable to perform his duties or in due course steps down from his directorship. In addition, as advised by Mr. Sabine, he considers that he still has a positive role to play and has no plan or desire to step down in the next few years.

SHARE PURCHASE SCHEME

SGL transferred approximately 9.6% of the then entire issued share capital of each of Somerley Capital and the Company to the SM Transferees. Further information on the Share Purchase Scheme is set forth in the paragraph headed “Reorganisation” in the section headed “History and Development” in this prospectus.

PRE-IPO SHARE OPTION SCHEME

The Company has adopted the Pre-IPO Share Option Scheme. Further information on the Pre-IPO Share Option Scheme is set forth in the paragraph headed “1. Pre-IPO Share Option Scheme” under the section headed “D. Other Information” in Appendix IV to this prospectus.

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme. Further information on the Share Option Scheme is set forth in the paragraph headed “2. Share Option Scheme” under the section headed “D. Other Information” in Appendix IV to this prospectus.

JOINT COMPLIANCE ADVISERS

The Company has appointed Somerley Capital and Halcyon Capital as its joint compliance advisers in accordance with Rule 6A.19 of the GEM Listing Rules. Pursuant to Rule 6A.23 of the GEM Listing Rules, the Company will seek advice from the joint compliance advisers on a timely basis in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including Share issues and Share repurchases;

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

- where the Company proposes to use the proceeds of the Hong Kong Public Offering in a manner different from that detailed in this prospectus or where its business activities, developments or results of the Company deviate from any forecast, estimate, or other information in this prospectus;
- where the Stock Exchange makes an inquiry of the Company under Rule 17.11 of the GEM Listing Rules.

The term of appointment of the joint compliance advisers will commence on the Listing Date and will end on the date of despatch of the annual report of the Company in respect of its financial results for the second full financial year commencing after the Listing Date.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

THE CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Hong Kong Public Offering (without taking into account the Shares which may fall to be issued upon the exercise of the options which have been granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme), SGL will hold approximately 67.00% of the issued share capital of the Company. SGL is in turn owned as to approximately 57.14%, 20.48%, 12.86% and 9.52% by Mr. Sabine, Mr. Fletcher, Mr. Cheung and Ms. Fong, respectively, as at the Latest Practicable Date. Mr. Sabine and Mr. Cheung are executive Directors whereas Mr. Fletcher and Ms. Fong hold no position in the Group and take no part in its operations. However, Mr. Fletcher owns approximately 20.48% of SGL as at the Latest Practicable Date, which is a substantial interest in the Group. Mr. Sabine, Mr. Fletcher and Mr. Cheung, as SGL Shareholders, have during the Track Record Period had an informal arrangement whereby they would act together in concert (the “**Acting-in-concert Arrangement**”). On 9 March 2017, Mr. Sabine, Mr. Fletcher and Mr. Cheung entered into a deed of acting in concert to confirm and undertake the Acting-in-concert Arrangement upon the Listing and during the period they remain interested directly or indirectly in the Shares. Ms. Fong, the other SGL Shareholder (other than Mr. Sabine, Mr. Fletcher and Mr. Cheung who are acting in concert) voted individually according to her own interest and decision. For the purpose of the GEM Listing Rules, SGL, together with Mr. Sabine, Mr. Fletcher and Mr. Cheung (who have been acting in concert in respect of their interests in the Group) will be the Controlling Shareholders of the Company upon Listing. Ms. Fong is not regarded as one of the Controlling Shareholders because she is a passive investor holding an effective attributable equity interest of less than 10% in the Company and is not a party to the concert party arrangement among Mr. Sabine, Mr. Fletcher and Mr. Cheung. Ms. Fong has not been involved in the operations of the Group in the Track Record Period and up to the Latest Practicable Date, she was not involved in the operation of the CF Business under SIL, prior to the formation of Somerley Capital, she has not taken any role in the listing and planning process and further she has no role in the future planning of the CF Business.

Mr. Sabine was the founder of the CF Business and the Non-CF Business and has overseen their development. His role in the Group is mainly cultivating long-term client relationships, introducing new clients and projects, monitoring industry developments and liaising with team heads and members on specific transactions. His role in the SIL Group involved mainly liaising with Mr. Fletcher, Ms. Fong and Mr. Adams on the progress of the SIL Group’s business and introducing new clients and projects from time to time. On 24 May 2016, Mr. Sabine resigned as a director and responsible officer of SIL and ceased to be involved in the day to day operation of the Non-CF Business. Ms. Fong and another director of SIL resigned as a director and a responsible officer of SIL, effective on 29 December 2016. Consequently, SIL currently has only one responsible officer which is insufficient to support its licensed activities pursuant to the licensing requirements of the SFO and therefore, has suspended its business operations in Hong Kong.

On 29 November 2016, SGL entered into the SIL Disposal Agreement with the Purchaser pursuant to which SGL conditionally agreed to sell, and the Purchaser conditionally agreed to buy, the entire issued share capital of SIL (the “**Target Shares**”).

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Pursuant to the SIL Disposal Agreement, completion of the SIL Disposal Agreement will take place upon fulfilment of the conditions precedent as set out in the agreement, including, among others, (i) the Purchaser having conducted and completed the legal and financial due diligence investigation on SIL within one (1) month from the execution date of the SIL Disposal Agreement and the results of the due diligence investigation are satisfactory to the Purchaser acting reasonably; (ii) SGL having procured that SIL has completed the transfer of all subsidiaries of SIL; and (iii) approval having been obtained from the SFC for the transfer of the Target Shares pursuant to the SIL Disposal Agreement and the licenses granted by the SFC for SIL to perform regulated activities regarding Types 1, 4 and 6 regulated activities remain in force.

On 14 December 2016, SGL obtained a written confirmation from the Purchaser that the Purchaser was satisfied with the results of the due diligence investigation of SIL. On 19 December 2016, an agreement was entered into among SGL, SIL and Satiyi Limited (a company wholly-owned by a director of the Shanghai WFOE), pursuant to which Satiyi Limited will acquire the entire interests in Jieli Ventures (which currently holds the Beijing WFOE and the Shanghai WFOE) from SIL (the “**Jieli Disposal**”). The completion of the Jieli Disposal took place on 21 February 2017. Accordingly, the conditions (i) and (ii) of the SIL Disposal Agreement, set out in the above paragraph, has been fulfilled. Therefore, the key remaining material condition to be satisfied is the obtaining of the approval by SFC in connection with the transfer of the Target Shares. Such approvals involve the application of change of substantial shareholders in a licensed corporation, and applications of the new responsible officers to be submitted to the SFC.

The parties to the SIL Disposal Agreement extended the long stop date of the SIL Disposal Agreement to 30 April 2017. If completion has not occurred before the long stop date of the SIL Disposal Agreement or upon notice given by either party to the SIL Disposal Agreement at any time until completion, the SIL Disposal Agreement will be terminated. The Directors expect completion will take place in April 2017.

As discussed under the section headed “History and Development” in this prospectus, the nature of the Non-CF Business has already become substantially different from that of the CF Business and therefore, the decision was made to exclude SIL from the Listing. Further, as it is difficult to predict whether a transaction with a large fee will be completed in a particular financial reporting period, the Controlling Shareholders believe the results of SIL tend to be volatile, which is a potential risk in the eyes of some members of SGL.

Given the decision to exclude SIL from the Listing, the Controlling Shareholders have considered the strategic plans and requirements of SIL in the future and determined that, as opposed to business carried out by Somerley Capital which has a long established standing and reputation in its business of Hong Kong corporate finance, SIL focused on the field of international M&A with emphasis in the PRC. As such, the Controlling Shareholders came to the conclusion that, whether the Listing would proceed or not, SIL would operate more effectively with the support of a substantial PRC shareholder.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The Controlling Shareholders are of the view that SIL (including its licences and business operation) is a quality and valuable asset, which could be sold to a willing buyer at a reasonable consideration. The Purchaser offered an attractive purchase price as considered by SGL, and therefore, the SIL Disposal Agreement was entered into on 29 November 2016.

SIL has vacated the portion of the office premises occupied by it in January 2017.

Ms. Fong and another director of SIL resigned as a director and a responsible officer of SIL, effective on 29 December 2016. Consequently, SIL currently has only one responsible officer which is insufficient to support its licensed activities pursuant to the licensing requirements of the SFO. The Purchaser is currently in the process of recruiting qualified candidate(s) to fill the vacancy of responsible officer(s) of SIL.

The Controlling Shareholders confirm that SIL has suspended its business operations in Hong Kong with effect from 29 December 2016. The Controlling Shareholders has given irrevocable undertaking in favour of the Company, the Joint Sponsors and the Underwriters and pursuant to the Non-competition Undertaking that, in the event the SIL Disposal Agreement is not completed for any reasons, SIL will not resume its business operations in Hong Kong and will remain dormant, until and unless it is otherwise disposed of by the Controlling Shareholders.

In light of the above, the Directors are of the view that there will no longer be any potential competition between the Company and the Controlling Shareholders upon the Listing.

For further information on the shareholding of the Controlling Shareholders in the Company, please refer to the section headed “Substantial Shareholders” in this prospectus.

Competing business

None of the Controlling Shareholders nor any of the Directors and their respective close associates was, as at the Latest Practicable Date, interested in any business, other than the Group, which competed or might compete with the Group’s CF Business which requires disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

Independence from the Controlling Shareholders

Financial independence

The Group maintains independent accounting systems/records and makes financial decisions according to its own business needs. The Group is financially independent from the Controlling Shareholders. After SGL made the initial capital injection of HK\$10 million when setting up Somerley Capital in 2013, Somerley Capital has funded itself from its own resources and cash flow. Except that SIL or SGL (as the case may be) has provided guarantees as tenant to the landlord of the office premises of the Group for securing the due performance and observance of the obligations of the Group in respect of the sharing of occupation of the premises, it has not required any advances/guarantees from the Controlling Shareholders and/or their respective associates, nor have the Controlling Shareholders injected any further capital into Somerley Capital or the Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

In respect of the financial years ended 31 March 2015 and 2016, Somerley Capital declared and paid dividends of HK\$6 million and HK\$8 million respectively to SGL. The Group had not declared any dividend for the six months ended 30 September 2016.

Operational independence

The Group conducts its business independently, communicates with and serves its separate client base independently and has all the human and other resources and facilities needed to operate its business independently. The Group has established its own organisational structure of six professional teams each reporting to a Responsible Officer. All professional staff are employed directly by Somerley Capital.

With the trademark license granted to the Group by SGL and the Office Sharing Agreement entered into with SGL, Somerley Capital and the Company, the Group owns or has the right to use all material operational facilities in connection with the CF Business and holds all relevant business and regulatory licenses. Back office supporting staff, namely legal and compliance, finance, human resources and general administration and information technology, are directly employed by Somerley Capital. Supporting staff also provide administrative and business support to SGL. The provision of administrative and business support by the Group to SGL are defined under and governed by the Master Service Agreement. The Group has established and maintains a comprehensive set of internal control procedures for the purposes of corporate governance. Details of the trademark license agreement, the Office Sharing Agreement and the Master Service Agreement which constitute continued connected transactions are set out in the section headed “Connected Transactions” in this prospectus.

Management independence

The Board is comprised of three executive Directors and three independent non-executive Directors. Mr. Sabine, an executive Director, is the controlling shareholder of SGL. Mr. Sabine resigned as director and responsible officer of SIL on 24 May 2016. Mr. Cheung, an executive Director, is a minority shareholder and a director of SGL but does not participate in the operations of SIL. With these exceptions, the Company has an independent Board with a majority of members not connected with the Controlling Shareholders. The Company is confident that the Board will function independently from the Controlling Shareholders because:

- a) each of the Directors is aware of his fiduciary duties as a director which require, among other things, that he acts for the benefit and in the best interests of the Company and Shareholders as a whole, and does not allow any conflict to arise between his duties as a Director and his personal interest;
- b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Group and the Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum; and

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- c) the three independent non-executive Directors (representing half the members of the Board and have extensive experience in different areas and professions) will bring independent judgment to the decision-making process of the Board.

Apart from the Board, the Group's management team includes nine senior management members not connected with the Controlling Shareholders who have substantial experience of the Group's business. The management team is able to implement the Group's policies and strategies and perform its roles in the Company independently from the Controlling Shareholders and their respective close associates.

Non-competition

Because of the different underlying business nature, the CF Business and the Non-CF Business have not competed with each other in the Track Record Period and up to the Latest Practicable Date. There has been no common client during the Track Record Period and up to the date of the SIL Disposal Agreement. Only on very limited occasions have there been engagements handled by Somerley Capital or SIL which have been referred by the other. Save for an introduction expense to a director of SIL of approximately HK\$2.2 million for his introduction of business opportunities to the Group, no referral fee has been paid by or is payable by Somerley Capital to SIL or its directors or staff, or vice versa, and no mandate has been signed containing fee sharing arrangements between Somerley Capital and SIL during the Track Record Period. Upon completion of the SIL Disposal Agreement, SGL will only hold Somerley Capital and will not be interested the Non-CF Business.

NON-COMPETITION UNDERTAKING

Each of the Controlling Shareholders (collectively, the “**Covenantors**”) has entered into the Non-competition Undertaking with the Company, pursuant to which each of the Controlling Shareholders irrevocably and unconditionally, jointly and severally, undertakes in favour of the Company (for itself and, if applicable, on behalf of its subsidiaries) that it shall not and shall procure that its close associates (other than members of the Group) not, engage in, invest in, participate in, hold on or interest in, whether on its own account or in conjunction with or on behalf of any person, company or otherwise, the Competing Business.

The Non-competition Undertaking will cease to have effect, with respect to a party or parties (as the case may be), on the earlier of: (a) the date upon which the Covenantors and their associates cease to own 30% (or such other amount as may from time to time be specified in the Takeovers Code) or more of the then issued share capital of the Company directly or indirectly; (b) the Shares cease to be listed and traded on GEM or other recognised stock exchange; (c) in respect of any Covenantor, when it ceases to be a Controlling Shareholder of the Company; and (d) the death of any Covenantor, in respect of the obligations of that Covenantor under the Non-competition Undertaking. As Ms. Fong is not regarded as one of the Controlling Shareholders, she will not be one of the Covenantors to enter into the Non-competition Undertaking. The Directors are of the view that whether Ms. Fong is a party to enter into the Non-competition Undertaking does not

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

prejudice the interest of the Group as the other shareholders of SGL, namely Mr. Sabine, Mr. Fletcher and Mr. Cheung (in aggregate hold over 90% of the issued share capital of SGL), have entered into the Non-competition Undertaking.

The undertakings given in the Non-competition Undertaking do not apply with respect to any passive investments in any company amounting to 5% or less of the issued shares or stock of any class or debentures of that company listed on any recognised stock exchange.

The above undertakings are given in favour of the Group. They do not prevent the Group, if the Board should so decide in the future, entering into areas of business which may overlap or compete to a certain extent with the Non-CF Business, although the Company has no present intention to do so.

New business opportunity

In the event that any new business opportunity is made available to any of the Covenantors relating to the Competing Business (the “**Business Opportunity**”), each of the Covenantors shall, direct to the Company any such Business Opportunity by serving to the Company a written notice. Such written notice shall include all information and documents possessed by any of the Covenantors in respect of the Business Opportunity to enable the Company to evaluate the merit of the Business Opportunity. Each of the Covenantors should provide all reasonable and prompt assistance as requested by the Company to enable the Company to secure the Business Opportunity.

If there is any disagreement between any of the Covenantors and the Company as to whether any new business opportunity shall constitute a Business Opportunity, the matter shall be determined by an expert nominated by the independent non-executive Directors and agreed to by the Covenantor(s), such agreement not to be unreasonably withheld or unduly delayed, whose decision shall be final and binding.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Non-solicitation

Each of the Controlling Shareholders irrevocably undertakes in favour of the Company that it will not, and will procure each of its close associates not to; without the prior written consent of the Company, directly or indirectly:

- (a) solicit, interfere with or endeavour to entice away from the Company or any company of the Group, or contract or deal with or engage (in such a way as to adversely affect the business of the Company or the Group as carried from time to time) any person who, to his/its knowledge:
 - (i) is now or has during the two years preceding the date of the Non-competition Undertaking been, a client, customer, supplier or agent of, or consultant or adviser to or in the habit of dealing with, the Company or any company of the Group or was prior to the listing of the shares of the Company on GEM, in the process of negotiating, or contemplating, doing business with, the Company or any company of the Group; or
 - (ii) is now or has during the six months preceding the date of Non-competition Undertaking been, an officer or employee of the Company or any company of the Group and either occupies a senior position within the Company or any company of the Group or is likely to be in possession of any confidential information of the Company or the Group or is otherwise important to the business and affairs of the Company or any company of the Group; and
- (b) advise, counsel, procure or assist any other person to do any of the things referred to in (a)(i) and (a)(ii) above.

Each of the Controlling Shareholders undertakes to indemnify and keep indemnified the Group against any damage, loss or liability suffered by the Company or any other member of the Group arising out of or in connection with any breach of the undertakings and/or obligations under the Non-competition Undertaking by any of the Covenantors, including any costs and expenses incurred as a result of such breach provided that such indemnity shall be without prejudice to any other rights and remedies the Company is entitled to in relation to any such breach, including specific performance, and all such other things and remedies are hereby expressly reserved by the Company.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

The Company adopted the following measures to strengthen its corporate governance practice and to safeguard the interests of the Shareholders:

1. the Company adopted the Articles on 9 March 2017, the provisions of which provide that a Director shall absent himself/herself from participating in Board meetings (nor shall he/she be counted in the quorum) and voting on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested unless otherwise provided in the Articles;
2. the independent non-executive Directors will review, on an annual basis, compliance with the Non-competition Undertaking by the Controlling Shareholders;
3. the Controlling Shareholders undertake to provide all information requested by the Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Non-competition Undertaking;
4. the Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Non-competition Undertaking of the Controlling Shareholders in the annual reports of the Company;
5. the Controlling Shareholders will make an annual declaration on compliance with their Non-competition Undertaking in the annual report of the Company;
6. the independent non-executive Directors may appoint an independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the Non-competition Undertaking or connected transaction(s) at the cost of the Company.

Further, any transaction that is proposed between the Group and the Controlling Shareholders and their respective associates will be required to comply with the requirements of the GEM Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent Shareholders' approval requirements.

None of the members of the Group has experienced any dispute with its shareholders or among its shareholders themselves and the Directors believe that each member of the Group has maintained positive relationship with its shareholders. With the corporate governance measures including the measures set out in this paragraph headed "Corporate Governance Measures", the Directors believe that the interests of the Shareholders will be protected.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

DISCONTINUED TRANSACTIONS WITH RELATED PARTIES

Original Office Sharing Agreement

SIL entered into a tenancy agreement dated 17 April 2015 (the “**Tenancy Agreement**”) with the landlord in respect of the premises at 20th Floor, China Building, 29 Queen’s Road Central, Hong Kong (the “**Property**”) for a term commencing from 1 July 2015 and expiring on 30 June 2018. On 1 December 2016, SGL, SIL and the landlord entered into a novation agreement (the “**Novation Agreement**”) pursuant to which the parties agreed that SGL would take up the Tenancy Agreement in the place of SIL, assuming all SIL’s rights, interests and obligations with effect from 1 November 2016. During the Track Record Period and up to and including 31 October 2016, SIL has shared the occupation of the Property with Somerley Capital under the Original Office Sharing Agreement. The principal terms of the Original Office Sharing Agreement are set out below:

Location of the property:	A portion of 20th Floor, China Building, 29 Queen’s Road Central, Hong Kong
Term:	<ul style="list-style-type: none">• The sharing by Somerley Capital has commenced from 1 July 2015 and shall continue until 30 June 2018 (both dates inclusive)• The sharing by the Company (and any other members of the Group which have obtained the necessary prior approval of the landlord) has commenced from 24 May 2016 and shall continue until 30 June 2018 (both dates inclusive)
Floor area occupied by the SIL and the Group:	<ul style="list-style-type: none">• 1,593 square feet of the Property shall be occupied by SIL• 3,107 square feet of the Property shall be occupied by the Group• 4,406 square feet of the Property shall be shared by SIL and the Group as a common area

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Sharing fees payable by the Group:

The Group shall pay sharing fees equivalent to the Group's portion (the "**Sharing Portion**") of the rental costs incurred by the Group under the Tenancy Agreement (which includes rent, management service charges, air-conditioning charges, Government Rent, rates and water consumption charges and other premise costs) on a monthly basis. The Sharing Portion shall be determined with reference to the floor area of the Property occupied by the Group. The area of the common area occupied by the Group for the purpose of the calculation of Sharing Portion will be determined with reference to the average ratio of Somerley Capital's revenue to SIL's revenue for the two preceding financial years of the relevant sharing fees payment month and the financial year of the relevant sharing fees payment month.

Since the effective date of the Novation Agreement on 1 November 2016, the Original Office Sharing Agreement has been lapsed.

The sharing fees paid by Somerley Capital to SIL in respect of the sharing of occupation of the Property as head office and principal place of business in Hong Kong were approximately HK\$5.3 million, HK\$6.0 million and HK\$3.2 million for the years ended 31 March 2015 and 31 March 2016 and the six months ended 30 September 2016 respectively.

Original Master Service Agreement

Somerley Capital entered into a master service agreement with SIL and SGL on 1 April 2014, and Somerley Capital (as service provider) has provided various administrative and business support services including management and consultancy services to SIL and SGL. During the Track Record Period, except for the service support as described under the section headed "Discontinued Transactions With Related Parties — Service Support Arrangement" below, no services have been provided by SIL or SGL to Somerley Capital. As SGL has entered into the SIL Disposal Agreement with the Purchaser to sell its entire interest in SIL and completion of which is expected to be in April 2017, Somerley Capital entered into the Master Service Agreement (which replaced and superseded the master service agreement among Somerley Capital, SIL and SGL dated 1 April 2014) with SGL (as service recipient) on 9 March 2017.

The service fee incomes received by Somerley Capital from providing administrative and business support services for the years ended 31 March 2015 and 31 March 2016 and the six months ended 30 September 2016 were approximately HK\$3.8 million, HK\$3.6 million and HK\$1.5 million respectively.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Services Support Arrangement

During the Track Record Period, SIL provided service support to Somerley Capital on ad hoc basis through BRO and the Shanghai WFOE. SIL charged Somerley Capital a service fee on an hourly rate based on the seniority of the staff. Somerley Capital and SIL have mutually agreed to terminate this service support arrangement prior to the Listing.

For the year ended 31 March 2015, the aggregate amount of service fees paid by Somerley Capital to SIL was approximately HK\$0.2 million. No service support has been provided by SIL for the year ended 31 March 2016 and up to the Latest Practicable Date.

Warranty and guarantee provided by SIL

In order to accomplish the arrangement under the Original Office Sharing Agreement, each of Somerley Capital and the Company entered into a deed of guarantee and indemnity with SIL and the landlord under the Tenancy Agreement on 2 June 2015 pursuant to which the landlord agreed to allow SIL (as tenant) to share occupation of the Property with Somerley Capital and the Company. Pursuant to such deed of guarantee and indemnity, SIL warrants and guarantees that Somerley Capital and the Company shall perform and observe all the terms of the deed.

Conclusion

The Directors consider that the Original Office Sharing Agreement, the original master service agreement, the service support arrangement and the warranty and guarantee provided by SIL were arrived at arm's length negotiation; the terms were fair and reasonable and in the interest of the Company and the Shareholders as a whole.

For other related party transactions of the Group during the Track Record Period, please refer to Note 27(a) to the Accountant's Report in Appendix I to this prospectus.

CONNECTED TRANSACTIONS

CONNECTED PERSONS

SGL, Mr. Sabine, Mr. Fletcher and Mr. Cheung are the Controlling Shareholders of the Company and each of them is therefore a connected person of the Company as defined under the GEM Listing Rules. The following transactions between the Group and SGL constituted or will constitute connected transactions within the meaning of the GEM Listing Rules upon Listing.

CONTINUING CONNECTED TRANSACTIONS

The Group has entered into certain transactions with connected persons of the Company which will continue after the Listing and will constitute continuing connected transactions within the meaning of the GEM Listing Rules.

(A) Non-exempt continuing connected transactions

The Office Sharing Agreement

Background of the continuing connected transaction

Upon the effective date of the Novation Agreement, the Original Office Sharing Agreement was lapsed. SGL, Somerley Capital and the Company entered into the Office Sharing Agreement dated 9 March 2017 with respect to the sharing of occupation of the Property, which will constitute continuing connected transaction for the Group under Chapter 20 of the GEM Listing Rules.

Principal terms of the Office Sharing Agreement

Location of the property:	A portion of 20th Floor, China Building, 29 Queen's Road Central, Hong Kong
Term:	<ul style="list-style-type: none">• The sharing by Somerley Capital has commenced from 1 November 2016 and shall continue until 30 June 2018 (both dates inclusive)• The sharing by the Company (and any other members of the Group which have obtained the necessary prior approval of the landlord) has commenced from 1 November 2016 and shall continue until 30 June 2018 (both dates inclusive)

CONNECTED TRANSACTIONS

Floor area occupied by SGL, SIL and the Group:

- 1,593 square feet of the Property shall be occupied by SIL
- 3,107 square feet of the Property shall be occupied by the Group
- 4,406 square feet of the Property shall be shared by SIL and the Group as a common area

In light of the disposal of SIL by the Controlling Shareholders pursuant to the SIL Disposal Agreement, SIL has vacated the occupation of its portion of the Property in January 2017. SGL shall take up the vacant area from SIL since 1 February 2017 and allow additional floor area to be occupied by the Group since 1 July 2017. Accordingly, the floor area occupied by SGL and the Group will change to the following,

- 1,593 square feet of the Property shall be occupied by SGL during the period from 1 February 2017 to 30 June 2017; starting from 1 July 2017, 265 square feet of the Property shall be occupied by SGL (referred to as the “**SGL Portion**”)
- 3,107 square feet of the Property shall be occupied by the Group during the period from 1 February 2017 to 30 June 2017; starting from 1 July 2017, 4,435 square feet of the Property shall be occupied by the Group (referred to as the “**SCHL Portion**”)
- 4,406 square feet of the Property shall be shared by SGL and the Group as a common area

Sharing fees payable by the Group:

The Group shall pay sharing fee equivalent to the Sharing Portion of the rental costs incurred by the Group under the Tenancy Agreement (which includes rent, management service charges, air-conditioning charges, Government Rent, rates and water consumption charges and other premise costs) on a monthly basis. The Sharing Portion shall be determined with reference to the floor area of the Property occupied by the Group.

CONNECTED TRANSACTIONS

Prior to 31 January 2017, the area of the common area occupied by the Group for the purpose of the calculation of the Sharing Portion will be determined with reference to the average ratio of Somerley Capital's revenue to SIL's revenue for the two preceding financial years of the relevant sharing fees payment month and the period from the first date after the preceding financial year of the relevant sharing fees payment month to 31 January 2017.

Starting from 1 February 2017, the area of the common area occupied by the Group for the purpose of the calculation of the Sharing Portion will be determined with reference to the ratio of the SGL Portion and the SCHL Portion from time to time.

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

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

Historical Transaction Amounts

The sharing fees paid by Somerley Capital to SIL under the Original Office Sharing Agreement in respect of the sharing of occupation of the Property as head office and principal place of business in Hong Kong were approximately HK\$5.3 million, HK\$6.0 million and HK\$3.2 million for the years ended 31 March 2015 and 31 March 2016 and the six months ended 30 September 2016 respectively.

CONNECTED TRANSACTIONS

Proposed Annual Caps

The Directors expect that the maximum aggregate annual amount payable under the Office Sharing Agreement for each of the years ending 31 March 2017, 31 March 2018 and 31 March 2019 will not exceed HK\$520,000, HK\$8.2 million and HK\$2.3 million respectively.

In determining the proposed annual caps for the maximum annual amount payable under the Office Sharing Agreement, the Directors have considered (i) the annual rent, management service charges, rates and government rent, charge of water consumption and other expenses related to the Property payable by the Group under the Original Office Sharing Agreement during the Track Record Period; (ii) the Group's sharing portion of the rental costs under the Office Sharing Agreement; and (iii) the expected increase in management service charges and other expenses related to the Property.

GEM Listing Rules Implications

As the highest applicable percentage ratio (other than profits ratio) in respect of the maximum aggregate amount payable by the Group under the Office Sharing Agreement is, on an annual basis, expected to be less than 25% and the annual consideration is less than HK\$10 million, the transactions contemplated under the Office Sharing Agreement will constitute continuing connected transactions subject to the reporting, annual review and announcement requirements but exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

CONNECTED TRANSACTIONS

(B) Exempt continuing connected transactions

Master Service Agreement

As discussed under the section headed “Discontinued Transactions with Related Parties — Original Master Service Agreement” above, Somerley Capital (as service provider) has provided various administrative and business support services including management and consultancy services to SIL and SGL. It is anticipated that Somerley Capital will continue to provide general administrative services to SGL after the Listing. Therefore, the provision of general administrative services by Somerley Capital to SGL will constitute continuing connected transaction for the Group under Chapter 20 of the GEM Listing Rules.

On 9 March 2017, Somerley Capital entered into the Master Service Agreement (which replaced and superseded the master service agreement among Somerley Capital, SIL and SGL dated 1 April 2014) with SGL (as service recipient) in connection with the provision of administrative services by Somerley Capital to SGL for a term commencing from 9 March 2017 and ending on 31 March 2019. Such administrative services comprise procurement of cleaning services, maintenance and upkeep of the Property, finance and accounting, human resources, legal, office security and information technology support services. Pursuant to the Master Service Agreement, SGL shall pay a service fee equivalent to the costs incurred by Somerley Capital in providing the services and which, depending on the nature of services provided, shall be determined and allocated to SGL pursuant to (i) the actual usage of relevant services by the service recipient (for services including procurement of conference call system and insurance); (ii) the area of the Property occupied by the service recipient (for services relating to maintenance and upkeep of the Property); and/or (iii) the headcount of the service recipient (for services including procurement of cleaning service, office security and maintenance of information technology system).

The Directors (including the independent non-executive Directors), after reviewing the Master Service Agreement, are of the view that the Master Service Agreement has been entered into on normal commercial terms or better, in the ordinary and usual course of business of the Group and the terms of the Master Service Agreement are fair and reasonable and in the interests of the Company and Shareholders as a whole.

Since each of the applicable ratios calculated with reference to Rule 19.07 of the GEM Listing Rules is expected to be less than 5% and the total consideration is less HK\$3,000,000, the Master Service Agreement is fully exempt from the reporting, annual review, announcement and shareholders’ approval requirements applicable to continuing connected transactions under Chapter 20 of the GEM Listing Rules on the basis that it falls within the de minimis threshold as stipulated under Rule 20.74(1)(a) of the GEM Listing Rules.

CONNECTED TRANSACTIONS

Grant of rights to use trademark by SGL to the Group

SGL is in the progress of being assigned and registering the trademarks (including but not limited to  SOMERLEY) in Hong Kong and the PRC (the “**Trademarks**”) under its name. Prior to such assignment being completed, SGL has been granted the right, and is entitled, to use the Trademarks and sub-licence the Trademarks to the Company.

As the Group will use the Trademark for corporate identification in Hong Kong and the PRC, the Company entered into a perpetual trademark usage agreement (the “**Trademark Usage Agreement**”) with SGL on 9 March 2017 for regulating the use of the Trademark. Under the Trademark Usage Agreement, SGL granted a non-exclusive license to the Group to use the Trademark in Hong Kong and the PRC for HK\$1 per annum commencing from the date of the Trademark Usage Agreement for an indefinite period (subject to the termination clause therein).

In the event SGL or the Company breaches the terms of the Trademark Usage Agreement in any material respect, the non-breaching party may terminate the Trademark Usage Agreement by giving notice of such termination in writing to the breaching party and such termination shall take effect immediately upon receipt of such written notice.

Further particulars of the Trademarks are set out in paragraph “2. Intellectual property rights of the Group” of the section headed “Statutory and General Information” in Appendix IV to this prospectus.

The Directors (including the independent non-executive Directors), after reviewing the Trademark Usage Agreement, are of the view that the Trademark Usage Agreement has been entered into on normal commercial terms or better, in the ordinary and usual course of business of the Group and the terms of the Trademark Usage Agreement are fair and reasonable and in the interests of the Company and Shareholders as a whole.

Since each of the applicable ratios calculated with reference to Rule 19.07 of the GEM Listing Rules is expected to be less than 0.1%, the Trademark Usage Agreement is fully exempt from the reporting, annual review, announcement and shareholders’ approval requirements applicable to continuing connected transactions under Chapter 20 of the GEM Listing Rules on the basis that it falls within the de minimis threshold as stipulated under Rule 20.74(1)(a) of the GEM Listing Rules.

Warranty and guarantee provided by SGL

In order to accomplish the arrangement under the Office Sharing Agreement, each of Somerley Capital and the Company entered into a deed of guarantee and indemnity (the “**Deed**”) with SGL and the landlord under the Tenancy Agreement on 24 May 2016, pursuant to which the landlord agreed to allow SGL following effective of the Novation Agreement (as tenant) to share occupation of the Property with Somerley Capital and the Company. Pursuant to the Deed, SGL warrants and guarantees that Somerley Capital and the Company shall perform and observe all the terms of the Deed.

CONNECTED TRANSACTIONS

The Directors (including the independent non-executive Directors), after reviewing the Deed, are of the view that the warranty and guarantee provided by SGL are for the benefit of the Company and Somerley Capital, and are on normal commercial terms or better where no security over the assets of the Group is granted, therefore, the transaction will be fully exempt from all disclosure, annual review and shareholders' approval requirements under Chapter 20 of the GEM Listing Rules on the basis that it falls within the fully exempted financial assistance received by the Group under Rule 20.88 of the GEM Listing Rules.

WAIVER APPLICATION FOR CONTINUING CONNECTED TRANSACTIONS

Upon Listing, the transactions contemplated under the Office Sharing Agreement as described in the paragraph headed "(A) Non-exempt Continuing Connected Transaction" above will constitute continuing connected transaction exempt from the circular (including independent financial advice) and shareholders' approval requirements but are subject to the reporting and announcement requirements under Chapter 20 of the GEM Listing Rules.

The Directors (including independent non-executive Directors) are of the view that the continuing connected transaction under the Office Sharing Agreement described above has been and will be conducted, and carried out, on normal commercial terms and in the ordinary and usual course of business of the Group which are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Having considered the factors and information mentioned above, the Directors (including independent non-executive Directors) also consider that the annual caps under the Office Sharing Agreement set out above for the relevant continuing connected transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The continuing connected transactions under the Office Sharing Agreement as described above are expected to continue on a recurring basis after the Listing and have been fully disclosed in this prospectus and potential investors will participate in the Listing on the basis of such disclosure. The Directors consider that it would be impractical, unduly burdensome and would add unnecessary administrative costs and workload for the Directors to make disclosure of the transactions in compliance with the reporting and announcement requirements (as the case may be) under Chapter 20 of the GEM Listing Rules.

Accordingly, 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 will comply with other applicable provisions set out in Chapter 20 of the GEM Listing Rules in relation to the continuing connected transaction of the Group. In the event of any further amendments to the GEM Listing Rules imposing more stringent requirement, the Company will take appropriate steps to ensure compliances with such requirements within a reasonable period of time.

CONNECTED TRANSACTIONS

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors have reviewed the relevant documents (including the Fair Rent Opinion), information and historical figures provided by the Group and have participated in the due diligence and discussions with the management teams as well as the legal advisers in connection with the Listing. They have obtained necessary representations and confirmations from the Company and the Directors.

Based on the above, the Joint Sponsors are of the view that the above non-exempt continuing connected transaction has been and will be entered into in the ordinary and usual course of business of the Group, on normal commercial terms that are fair and reasonable and in the interests of the Shareholders as a whole. The Joint Sponsors are also of the view that the annual caps for the above non-exempt continuing connected transaction are fair and reasonable and in the interests of the Shareholders as a whole.

The Joint Sponsors consider that (i) it is normal business practice for license agreement of the type of the Trademark Usage Agreement to be of a duration longer than three years; and (ii) a longer duration of the licence term will afford a greater degree of stability and continuity to the business of the Group and is for the benefit of the Group.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, immediately after completion of the Capitalisation Issue and the Hong Kong Public Offering (without taking into account any Shares that may be allotted and issued upon the exercise of any options granted or may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme), the following persons will have interests or short positions in the Shares or the underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Long position in the Shares

Name	Capacity/Nature of interest	Number of Shares held as at the Latest Practicable Date	Percentage of shareholding as at the Latest Practicable Date (approximate)	Number of Shares held immediately after completion of the Capitalisation Issue and the Hong Kong Public Offering	Percentage of interests in the Company immediately after completion of the Capitalisation Issue and the Hong Kong Public Offering (approximate)
SGL	Beneficial owner	18,089,870	90.45%	90,449,350	67.00%
Mr. Sabine	Interest of a controlled corporation (<i>Note 1</i>); interest held jointly with other persons (<i>Note 1</i>)	18,348,158	91.74%	91,740,790	67.96%
Maureen Alice SABINE (“Mrs. Sabine”)	Interest of a Spouse (<i>Note 3</i>)	18,348,158	91.74%	91,740,790	67.96%
Mr. Fletcher	Interest of a controlled corporation (<i>Note 1</i>); interest held jointly with other persons (<i>Note 1</i>)	18,348,158	91.74%	91,740,790	67.96%
Jacqueline FLETCHER (“Mrs. Fletcher”)	Interest of a Spouse (<i>Note 4</i>)	18,348,158	91.74%	91,740,790	67.96%
Mr. Cheung	Beneficial owner (<i>Note 2</i>); interest of a controlled corporation (<i>Note 1</i>); interest held jointly with other persons (<i>Note 1</i>)	18,348,158	91.74%	91,740,790	67.96%
Helen Oi Yan CHOI (“Mrs. Cheung”)	Interest of a Spouse (<i>Note 5</i>)	18,348,158	91.74%	91,740,790	67.96%

SUBSTANTIAL SHAREHOLDERS

Note 1: SGL will be directly interested in 90,449,350 Shares immediately after completion of the Capitalisation Issue and the Hong Kong Public Offering and SGL is wholly-owned by the SGL Shareholders, among which Mr. Sabine, Mr. Fletcher and Mr. Cheung are acting in concert in respect of their interests in the Company and therefore, each of Mr. Sabine, Mr. Fletcher and Mr. Cheung is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.

Note 2: Mr. Cheung will be directly interested in 1,291,440 Shares immediately after completion of the Capitalisation Issue and the Hong Kong Public Offering.

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

Note 4: 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.

Note 5: 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.

Long position in the underlying Shares

Name	Capacity/nature	Number of underlying Shares held/interested	Percentage of shareholding (approximate)
Mr. Cheung	Beneficial owner (<i>Note 1</i>)	645,717	0.48%
Mrs. Cheung	Interest of a Spouse (<i>Note 3</i>)	645,717	0.48%
Mr. Sabine	Interest held jointly with other persons (<i>Note 2</i>)	645,717	0.48%
Mrs. Sabine	Interest of a Spouse (<i>Note 4</i>)	645,717	0.48%
Mr. Fletcher	Interest held jointly with other persons (<i>Note 2</i>)	645,717	0.48%
Mrs. Fletcher	Interest of a Spouse (<i>Note 5</i>)	645,717	0.48%

Note 1: This represents the underlying Shares under the option granted to Mr. Cheung under the Pre-IPO Share Option Scheme.

Note 2: SGL, the holding company of the Company, is wholly-owned by the SGL Shareholders, among which Mr. Sabine, Mr. Fletcher and Mr. Cheung are acting in concert in respect of their interests in the Company and therefore, each of Mr. Sabine, Mr. Fletcher and Mr. Cheung is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.

Note 3: 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.

SUBSTANTIAL SHAREHOLDERS

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

Note 5: 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.

Save as disclosed herein, the Directors are not aware of any person who will, immediately after completion of the Capitalisation Issue and the Hong Kong Public Offering (without taking into account any Shares that may be allotted and issued upon the exercise of any options granted or may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme), have an interest or short position in Shares or underlying Shares which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group. The Directors are not aware of any arrangement which may at a subsequent date result in a change of control of the Company.

UNDERTAKINGS

Each of the Controlling Shareholders has given certain undertakings in respect of the Shares held by them to the Company. The Controlling Shareholders have also given undertakings to the Company and the Stock Exchange as required by Rule 13.19 of the GEM Listing Rules and are bound by the non-disposal restrictions as imposed by Rule 13.19 of the GEM Listing Rules. Further details of such undertakings are set out in the paragraph headed “Undertaking” under the section headed “Underwriting” in this prospectus.

SHARE CAPITAL

SHARE CAPITAL

The tables below set out information with respect to the share capital of the Company after completion of the Capitalisation Issue and the Hong Kong Public Offering.

Authorised Share Capital:

	HK\$
200,000,000	2,000,000
Shares of HK\$0.01 each	

Assuming the options granted under the Pre-IPO Share Option Scheme are not exercised and without taking into account any Shares that may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme, the Company's issued share capital immediately after completion of the Capitalisation Issue and the Hong Kong Public Offering will be as follows:

Shares	HK\$
20,000,000	200,000
80,000,000	800,000
Issue	
35,000,000	350,000
Public Offering	
135,000,000	1,350,000
Total	

Assuming the options granted under the Pre-IPO Share Option Scheme are exercised in full and without taking into account any Shares that may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme, the Company's issued share capital immediately following completion of the Capitalisation Issue and the Hong Kong Public Offering will be as follows:

Shares	HK\$
20,000,000	200,000.00
80,000,000	800,000.00
Issue	
35,000,000	350,000.00
Public Offering	
12,340,937	123,409.37
Shares to be issued upon exercise of the options granted under the Pre-IPO Share Option Scheme	
147,340,937	1,473,409.37
Total	

SHARE CAPITAL

ASSUMPTIONS

The above tables assume that the Hong Kong Public Offering and the Capitalisation Issue has become unconditional and Shares have been issued pursuant thereto. They take no account of any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares as described below.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, the Company must maintain the minimum prescribed percentage of at least 25% of the total issued share capital of the Company in the hands of the public.

RANKING

The Offer Shares will rank pari passu in all respects with all Shares currently in issue or to be issued. In particular, they will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus save for the entitlements under the Capitalisation Issue.

SHARE OPTION SCHEMES

The Company has conditionally adopted the Share Option Schemes, the major terms of which are set out in the paragraphs headed “1. Pre-IPO Share Option Scheme” and “2. Share Option Scheme” under the section headed “D. Other Information” in Appendix IV to this prospectus, respectively. Terms of the Share Option Schemes are in compliance with Chapter 23 of the GEM Listing Rules. Options to subscribe for 12,340,937 Shares have been conditionally granted under the Pre-IPO Share Option Scheme. No options have been granted under the Share Option Scheme as at the Latest Practicable Date.

Save as disclosed above, the Company did not have any outstanding share option(s), warrant(s), convertible instruments(s), or similar right(s) convertible into Shares as at the Latest Practicable Date.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Hong Kong Public Offering becoming unconditional, the Directors have been granted a general unconditional mandate to allot and issue and deal with the unissued Shares with an aggregate nominal value of not exceeding the sum of:

- (a) 20% of the aggregate nominal amount of the share capital of the Company in issue immediately following the completion of the Capitalisation Issue and the Hong Kong Public Offering (without taking into account any Shares which may be allotted and issued upon the exercise of options granted or may be granted under the Share Option Schemes); and

SHARE CAPITAL

- (b) the aggregate nominal value of the share capital of the Company which may be repurchased by the Company (if any) under the general mandate to repurchase Shares referred to below.

The Directors may, in addition to the Shares which they are authorised to issue under the general mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants of the Company, scrip dividends or similar arrangements or options providing for the allotment of Shares in lieu of the whole or in any part of any cash dividends or options to be granted under the Share Option Schemes and any option scheme or similar arrangement for the time being adopted.

The general mandate to issue Shares will remain in effect until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting; or
- (b) the date by which the next annual general meeting is required by the Articles or any applicable law(s) to be held; or
- (c) the time when such mandate is varied, revoked or renewed by an ordinary resolution of the Shareholders in a general meeting.

Further details of such general mandate are set out in paragraph headed “3. Resolution in writing of the Shareholders passed on 9 March 2017” under the section headed “A. Further information about the Company” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Hong Kong Public Offering becoming unconditional, the Directors have been granted a general unconditional mandate to exercise all powers of the Company to repurchase Shares with an aggregate nominal amount not exceeding 10% of the aggregate of the nominal amount of the share capital of the Company in issue immediately following completion of the Capitalisation Issue and the Hong Kong Public Offering (without taking into account any Shares that may be allotted and issued upon the exercise of the options that were granted under the Pre-IPO Share Option Scheme and the options that may be granted under the Share Option Scheme).

The general mandate only relates to repurchases made on the Stock Exchange or any other stock exchange on which the Shares are Listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the GEM Listing Rules. A summary of the relevant requirements of the GEM Listing Rules is set out in the paragraph headed “6. Repurchase of the Company’s own securities” under the section headed “A. Further information about the Company” in Appendix IV to this prospectus. The general mandate to repurchase Shares will remain in effect until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting;

SHARE CAPITAL

- (b) the date by which the next annual general meeting is required by the Articles or any applicable law(s) to be held; or
- (c) the time when such mandate is varied, revoked or renewed by an ordinary resolution of the Shareholders in a general meeting.

Further details of such general mandate are set out in the paragraph headed “6. Repurchase of the Company’s own securities” under the section headed “A. Further information about the Company” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the Articles. Accordingly, the Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in the section headed “Summary of the Constitution of the Company and Cayman Company Law” in Appendix III to this prospectus.

FINANCIAL INFORMATION

Potential investors should read this section in conjunction with the Group's audited combined financial statements for each of the years ended 31 March 2015 and 31 March 2016 and the six months ended 30 September 2016, including the notes thereto, as set out in the Accountant's Report set out in Appendix I to this prospectus. The Group's combined financial statements have been prepared in accordance with HKFRSs as adapted by the HKICPA. Potential investors should read the entire Accountant's Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by the Group in light of the Group's experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet the Group's expectations and projections depend on a number of risks and uncertainties over which the Group does not have control. For further information, see the sections headed "Risk Factors" and "Forward-looking Statements" in this prospectus.

OVERVIEW

The Group is one of the most active financial advisory groups based in Hong Kong based on the tables set out in the section headed "Industry Overview" in this prospectus. The Group's corporate finance advisory services during the Track Record Period and up to the Latest Practicable Date mainly included:

- (i) acting as financial adviser to Hong Kong public listed companies, major shareholders and investors of these companies and parties seeking to control or invest in listed companies in Hong Kong (mostly in transactions which involve the Listing Rules, the GEM Listing Rules and/or the Takeovers Code). This includes acting as arranger in connection with the introduction of investors to listed companies in Hong Kong and/or their major shareholders in a takeover transaction;
- (ii) acting as independent financial adviser to independent board committees and/or independent shareholders of listed companies in Hong Kong; and
- (iii) acting as compliance adviser, mostly for newly listed companies in Hong Kong.

The Group's revenue for the years ended 31 March 2015 and 31 March 2016 and the six months ended 30 September 2016 amounted to approximately HK\$78.2 million, HK\$67.9 million and HK\$30.0 million, respectively. The Group's total comprehensive income or loss for the years ended 31 March 2015 and 31 March 2016 and the six months ended 30 September 2016 amounted

FINANCIAL INFORMATION

to profits of approximately HK\$18.2 million, HK\$9.3 million and a loss of approximately HK\$5.7 million, respectively. Please refer to the section headed “Business” in this prospectus for a detailed discussion of the Group’s business activities during the Track Record Period.

BASIS OF PRESENTATION

In preparation for the Listing, the companies comprising the Group carried out the Reorganisation, further details of which are explained in the paragraph headed “Reorganisation” under the section headed “History and Development” in this prospectus. The Reorganisation involved business combinations of entities under common control before and immediately after the Reorganisation.

Following the completion of the Reorganisation on 9 March 2017, the Company has become the holding company of the subsidiaries now comprising the Group.

The Group resulting from the Reorganisation is regarded and accounted for as a continuing group. Accordingly, the combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement of cash flows of the Group for the Track Record Period have been prepared and include the financial information of the companies now comprising the Group as if the current group structure had been in existence throughout the Track Record Period. The combined statements of financial position of the Group as at 31 March 2015, 31 March 2016 and 30 September 2016 have been prepared to present the assets and liabilities of the Group as at the end of the reporting periods as if the current structure of the Group had been in existence at those dates.

KEY FACTORS AFFECTING THE GROUP’S RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The financial condition and results of operations of the Group have been and will continue to be affected by a number of factors, including those discussed below, some of which are beyond the Group’s control.

Performance of Hong Kong financial market and economic conditions

The Group generates revenue through provision of corporate finance advisory services. Changes in market conditions affect the corporate finance business and the Group’s financial performance are heavily impacted by the performance of Hong Kong financial markets and general economic conditions. Hong Kong financial markets are in turn subject to the changes in global economic and socio-political environments. Fluctuations in the global corporate finance environment and capital raising activity levels may have adverse effects on Hong Kong’s financial markets and therefore on the performance of the Group.

FINANCIAL INFORMATION

Level of competition in the financial services industry

Competition in the financial services industry is keen and the corporate finance advisory fee charged by different firms can vary significantly. For acting as financial adviser and independent financial adviser, the Group usually charges stage-payment fees of an agreed monetary amount on a project-by-project basis, with reference to factors such as the complexity of the transactions, scope of work, expected execution time and expected period from the first engagement until completion of the transaction.

For compliance advisory engagements, the Group generally charges its client a monthly fixed fee for providing compliance advisory services. The compliance advisory service fee is determined in advance with the client with reference to the expected volume of work, the manpower required and any complexities, such as whether the client is also listed on an overseas exchange and/or management resident in a different time zone. Therefore there is no universal or objective standard for setting corporate finance advisory fees. New entrants to the market may accept a lower fee to gain market visibility and/or experience of different types of transactions. The Group, therefore, may face competition from competitors in terms of fee level. According to information published by the SFC, as at the end of December 2016, there were 288 licensed corporations and 33 registered institutions for Type 6 regulated activity. If the Group is unable to maintain competitiveness, the business, financial condition and results of operation may be materially and adversely affected.

Client base

The Group's revenue and financial performance are affected by its client base. Revenue derived from its top five clients approximated 39.0% and 18.7% of the Group's total revenue for the years ended 31 March 2015 and 31 March 2016, respectively. Revenue derived from its top five clients approximated 25.8% of the Group's total revenue for the six months ended 30 September 2016. The Group's top five clients vary year by year and different clients require different services. Changes in client mix may affect the Group's business operation and financial performance.

Loss of key management personnel

The Group's ability to maintain revenue and profitability depends on its retention of key management personnel. The Group considers its key management personnel as a critical resource for its business and any loss of such management personnel may have an adverse impact on the Group's revenue and profitability.

Under the licensing requirements of the SFO, Somerley Capital has to maintain at least two Responsible Officers for each of its regulated activities and at least two Principals at all times in order to maintain eligibility to act as a sponsor for IPOs and/or as compliance adviser. In the event that Somerley Capital fails to meet the specified personnel criteria and no acceptable replacement is appointed in a timely manner, Somerley Capital will be unable to fulfill the relevant licensing requirements which could restrict its ability to carry out the respective regulated activity and therefore, result in an adverse impact on the Group's business operations and financial performance.

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Out of the total staff of 35 as of the Latest Practicable Date, 10 were key management personnel. All of the Responsible Officers have more than 13 years of relevant experience, and most of them have been with the Group and the SIL Group for over 8 years.

Changes in applicable laws and regulations governing the corporate finance advisory industry in Hong Kong

The Group's business operations are regulated with reference to licensing and financial requirements that Somerley Capital, Responsible Officers and Licensed Representatives are required to comply with. As a licensed corporation, Somerley Capital is required to maintain a specified level of liquid capital required for the business under the FRR. Rules and regulations applicable to the Group include, amongst others, the SFO, the FRR, the Companies Ordinance, the Listing Rules, the GEM Listing Rules and the Takeovers Code. Regulatory changes may result in additional restrictions on Somerley Capital's activities and have an adverse effect on the Group's business, financial condition, results of operation and prospects.

Failure to comply with applicable rules and regulations may result in fines, restrictions on Somerley Capital's business activities or, in serious cases, suspension or revocation of some or all of Somerley Capital's business licenses and/or criminal liability on the Group and the Directors.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company has identified certain accounting policies that are significant to the preparation of its combined financial statements. These significant accounting policies, which are important for understanding the Group's financial conditions and results of operations, are set out in detail in Note 4 to the Accountant's Report in Appendix I to this prospectus. The preparation of the combined financial statements in conformity with the HKFRSs requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various factors believed to be reasonable under the circumstances, and form the basis of making the judgements about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The following paragraphs discuss the critical accounting policies and estimates applied in preparing the combined financial statements:

Merger accounting for business combination involving entities under common control

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

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

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

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

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- i. financial 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 agreement; and
- ii. 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
- iii. management fee income, when relevant services have been rendered.

Impairment of trade receivables

The Group makes allowance for doubtful debts based on an assessment of the recoverability of trade receivables. Allowances are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation of the recoverability of trade receivables is different from the original estimate, such difference will impact the carrying value of trade receivables and allowance is made for doubtful debts in the year in which such estimation has changed.

As at 31 March 2015, 31 March 2016 and 30 September 2016, the carrying values of trade receivables were approximately HK\$8.0 million, HK\$7.5 million and HK\$6.3 million, respectively. No provision for doubtful receivable was made for the years ended 31 March 2015 and 31 March 2016, and the six months ended 30 September 2016.

FINANCIAL INFORMATION

RESULTS OF OPERATIONS OF THE GROUP

The following tables sets out selected financial information relating to the Group's results of operations during the Track Record Period as extracted from the Accountant's Report included as Appendix I to this prospectus:

	Year ended 31 March		Six months ended 30 September	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Revenue	78,175	67,945	32,008	30,027
Other income	3,850	3,626	1,787	1,531
Employee benefits costs	(47,958)	(45,565)	(23,111)	(25,820)
Depreciation for property and equipment	(2,700)	(891)	(789)	(123)
Introduction expenses	(700)	(1,604)	(766)	(608)
Other operating expenses	<u>(8,848)</u>	<u>(12,028)</u>	<u>(4,611)</u>	<u>(9,762)</u>
Profit (loss) before tax	21,819	11,483	4,518	(4,755)
Income tax expense	<u>(3,621)</u>	<u>(2,184)</u>	<u>(786)</u>	<u>(958)</u>
Profit (loss) and total comprehensive income (expenses) for the year/ period attributable to the owners of the Company	<u>18,198</u>	<u>9,299</u>	<u>3,732</u>	<u>(5,713)</u>

DESCRIPTION OF CERTAIN INCOME STATEMENT ITEMS

The following discussion is based on the Group's historical results of operations and may not be indicative of the Group's future operating performance.

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Revenue

During the Track Record Period, the Group's revenue was primarily derived from (i) advising on transactions or compliance matters under the Listing Rules, the GEM Listing Rules or the Takeovers Code (as the case may be) in the capacity of financial advisers; and (ii) giving opinions or recommendations to the independent board committee and the independent shareholders of listed companies in the capacity of independent financial advisers. The following table sets forth a breakdown of the Group's revenue and the percentage contribution to the total revenue:

	Year ended 31 March				Six months ended 30 September			
	2015		2016		2015		2016	
	Approximate HK\$'000	%	Approximate HK\$'000	%	Approximate HK\$'000 (unaudited)	%	Approximate HK\$'000	%
Fee income from acting as financial adviser	32,347	41.4	24,242	35.7	14,071	44.0	7,390	24.6
Fee income from acting as independent financial adviser	33,921	43.4	31,756	46.7	12,630	39.5	17,274	57.5
Fee income from acting as compliance adviser	11,277	14.4	11,023	16.2	4,907	15.3	5,271	17.6
Others	630	0.8	924	1.4	400	1.2	92	0.3
Total revenue	78,175	100.0	67,945	100.0	32,008	100.0	30,027	100.0

The revenue of the Group decreased by approximately HK\$10.3 million, or 13.2%, from approximately HK\$78.2 million for the year ended 31 March 2015 to approximately HK\$67.9 million for the year ended 31 March 2016. The decrease in revenue of the Group for the year ended 31 March 2016 was mainly because of two significant transactions during the year ended 31 March 2015 in respect of which the Group provided financial advisory service including investor arranger service in relation to the acquisition of an equity interest in a listed company, for which the Group was remunerated on the basis of a percentage of the investment. No financial advisory transaction of comparable fee amount was recorded in respect of the year ended 31 March 2016.

The revenue of the Group decreased by approximately HK\$2.0 million, or 6.3%, from approximately HK\$32.0 million for the six months ended 30 September 2015 to approximately HK\$30.0 million for the six months ended 30 September 2016. The revenue of the Group decreased mainly because of the decrease in revenue contributed from acting as financial adviser resulted from the sizes and scales of the transactions (in which the Group acted as financial adviser) for the six months ended 30 September 2016 being not as substantial as those in the six months ended 30 September 2015, which exceeded the increase in revenue contributed from acting as independent financial adviser and compliance adviser for the same period.

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The following table sets out the summary of transactions (acting as financial adviser, independent financial adviser and/or compliance adviser) handled by the Group during the Track Record Period and up to 28 February 2017:

<u>Type of transaction</u>	<u>Year ended 31 March</u>		<u>Six months ended</u>	<u>From</u>
	<u>2015</u>	<u>2016</u>	<u>30 September</u>	<u>1 April 2016</u>
	<u>Number</u>	<u>Number</u>	<u>2016</u>	<u>up to</u>
				<u>28 February 2017</u>
				<i>(Note 2)</i>
				<u>Number</u>
Acting as financial adviser				
— completed during the year/period	15	17	8	16
— ongoing	7	6	9	13
— terminated <i>(Note 1)</i>	<u>7</u>	<u>10</u>	<u>2</u>	<u>3</u>
	<u>29</u>	<u>33</u>	<u>19</u>	<u>32</u>
Acting as independent financial adviser				
— completed during the year/period	51	48	23	51
— ongoing	6	9	12	9
— terminated <i>(Note 1)</i>	<u>3</u>	<u>6</u>	<u>1</u>	<u>4</u>
	<u>60</u>	<u>63</u>	<u>36</u>	<u>64</u>
Acting as compliance adviser				
— completed during the year/period	5	10	6	8
— ongoing	<u>19</u>	<u>16</u>	<u>13</u>	<u>11</u>
	<u>24</u>	<u>26</u>	<u>19</u>	<u>19</u>
Total	<u><u>113</u></u>	<u><u>122</u></u>	<u><u>74</u></u>	<u><u>115</u></u>

Subsequent to the Track Record Period and up to the Latest Practicable Date, the Group has participated in one underwriting transaction and has acted as a sponsor for one transaction.

Note 1: During the year/period, several transactions were terminated for a number of reasons, which mainly include (i) the clients decided not to proceed with the transaction; and (ii) the clients failed to obtain relevant regulatory approval to proceed with the transaction

Note 2: Based on the information available to the management of the Group up to 28 February 2017, the estimated revenue for the year ending 31 March 2017 from mandated transactions amounts to approximately HK\$65.2 million. For sake of prudence, the mandated revenue: (i) does not take into account financial advisory mandates with fee income based on a percentage of the total transaction value upon successful completion of the transaction; (ii) does not take into account compliance advisory mandates of the clients which have not yet been listed on the Stock Exchange as at 28 February 2017; and (iii) for compliance advisory mandates, includes monthly fees up to four/three months after the end of the relevant clients'

FINANCIAL INFORMATION

financial year end with reference to compliance with Rule 13.46(1) of the Listing Rules/Rule 18.03 of the GEM Listing Rules (as the case maybe). Prospective investors are advised to exercise caution when interpreting the figure.

The Group did not generate any advisory fee income from any connected person during the Track Record Period.

Other income

The Group's other income primarily includes management service fee income from SIL, a fellow subsidiary, and exchange gain. Details of the underlying master service agreement dated 1 April 2014 is set out in the section headed "Connected Transactions" in this prospectus.

Employee benefits costs

	Year ended 31 March		Six months ended 30 September	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Salaries, allowances and other benefits	29,048	32,822	16,683	17,515
Discretionary bonuses	18,398	12,176	6,138	3,000
Share-based payments	—	—	—	5,036
Retirement benefits scheme contribution	512	567	290	269
	<u>47,958</u>	<u>45,565</u>	<u>23,111</u>	<u>25,820</u>

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

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Employee benefits costs decreased by approximately 5.0% from approximately HK\$48.0 million for the year ended 31 March 2015 to approximately HK\$45.6 million for the year ended 31 March 2016, primarily due to the decrease in bonus which was as a result of the decrease in revenue.

Employee benefits costs increased by approximately 11.7% from approximately HK\$23.1 million for the six months ended 30 September 2015 to approximately HK\$25.8 million for the six months ended 30 September 2016 primarily due to the combining effects of (i) the share-based payments of approximately HK\$5.0 million recognised for the six months ended 30 September 2016 and the details of the Share Purchase Scheme and Pre-IPO Share Option Scheme are set out in the paragraph headed “D. Other Information” in Appendix IV to this prospectus; and (ii) the decrease in bonus which was as a result of the decrease in revenue.

Gross profit

Due to the nature of the Group’s business, no gross profit was recorded by the Group.

Introduction expenses

During the Track Record Period, the introduction expenses were paid for the business referrals.

For the year ended 31 March 2015, the Group incurred introduction expenses to two Independent Third Parties of approximately HK\$0.7 million and for the year ended 31 March 2016, the Group incurred introduction expenses to a director of SIL of approximately HK\$1.6 million for their introduction of business opportunities to the Group.

For the six months ended 30 September 2015 and 30 September 2016, the Group incurred introduction expenses to a director of SIL of approximately HK\$0.8 million and HK\$0.6 million, respectively, for his introduction of business opportunities to the Group.

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Set out below are the introduction expenses of the Group during the Track Record Period and the advisory fee generated from the introduction:

<u>Payees</u>	<u>Amount of introduction expenses (HK\$'000)</u>	<u>Advisory fee generated from the introduction (HK\$'000)</u>	<u>Number of transaction(s) referred</u>
<i>For the year ended 31 March 2015</i>			
Agent A (an Independent Third Party)	300	8,455	1
Agent B (an Independent Third Party)	400	1,200	1
<i>For the year ended 31 March 2016</i>			
a director of SIL	1,604	8,347 (Note)	10
<i>For the six months ended 30 September 2016</i>			
a director of SIL	608	2,608 (Note)	6

Note: During the year/period, a director of SIL introduced a series of transactions to the Group which included transactions in which the Group acted as compliance adviser with term from the date of listing of the relevant clients to four/three months after the end of the relevant clients' financial year following the listing. The sum of the monthly fee generated from the compliance advisory role during the relevant financial year was adopted in calculating the advisory fee generated.

All the business opportunities referred by the above referrers were/will be executed by the staff of the CF Business. Such introduction expenses generally represented approximately 4% to 33% of the contract value of the relevant transactions and were determined after arm's length negotiation between the Group and the respective referrers with reference to the effort and involvement of referrers, the complexity of the proposed transaction and the value of the proposed transactions. All the introduction expenses are payable by milestone or upon successful completion/conclusion of the relevant transaction(s) and when the Group's professional fees have been successfully collected from the client. In addition, the Directors confirm that for all the transactions referred by the above referrers, the respective clients acknowledged the payment of introduction expenses by the Group to the respective referrers.

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Other operating expenses

The other operating expenses primarily include rental expenses, travelling expenses, bad debt expenses in respect of trade receivables and non-recurring listing expenses. The other expenses are mainly utility expenses, building management fees, telecommunication expenses and insurance expenses.

	Year ended 31 March		Six months ended 30 September	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Rental expenses	4,330	4,962	2,433	2,682
Travelling expenses	787	768	360	424
Bad debt expenses in respect of trade receivables	—	1,300	—	—
Listing expenses	—	1,241	—	4,391
Others	<u>3,731</u>	<u>3,757</u>	<u>1,818</u>	<u>2,265</u>
Total	<u><u>8,848</u></u>	<u><u>12,028</u></u>	<u><u>4,611</u></u>	<u><u>9,762</u></u>

The other operating expenses increased by approximately 36.4% to approximately HK\$12.0 million for the year ended 31 March 2016 from approximately HK\$8.8 million for the year ended 31 March 2015. The increase was primarily attributable to (i) the recognition of non-recurring listing expenses of approximately HK\$1.2 million; and (ii) the recognition of bad debt expenses in respect of trade receivables of approximately HK\$1.3 million during the year ended 31 March 2016.

The other operating expenses increased by approximately 113.0% to approximately HK\$9.8 million for the six months ended 30 September 2016 from approximately HK\$4.6 million for the six months ended 30 September 2015. The increase was primarily attributable to the recognition of non-recurring listing expenses of approximately HK\$4.4 million for the six months ended 30 September 2016.

Others primarily consist of various miscellaneous expenses including stationery, repair and maintenance, information technology support, professional service fees (including company secretary fee and taxation service fee) and auditor's remuneration.

Profit (loss) before tax

The Group's profit before tax decreased by approximately 47.2% to approximately HK\$11.5 million for the year ended 31 March 2016 from approximately HK\$21.8 million for the year ended 31 March 2015. This was because of (i) the percentage drop in employee benefits costs during the relevant year being less than that in the Group's total revenue (resulting in the ratio of employee benefits costs to revenue increasing to approximately 67.2% for the year ended 31 March 2016, as

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compared to approximately 61.4% for the year ended 31 March 2015); and (ii) the increase in other operating expenses as mentioned in the sub-paragraph headed “Other operating expenses” in this section.

The Group’s profit before tax approximated HK\$4.5 million for the six months ended 30 September 2015 while loss before tax approximated HK\$4.8 million for the six months ended 30 September 2016. This was mainly because of (i) the decrease in revenue as mentioned in the sub-paragraph headed “Revenue” in this section; and (ii) the increase in expenses for the six months ended 30 September 2016, mainly resulted from (a) the recognition of the non-recurring share-based payment expenses as mentioned in the sub-paragraph headed “Employee benefits costs” in this section; and (b) the increase in other operating expenses as mentioned in the sub-paragraph headed “Other operating expenses” in this section.

Income tax expense

The Group’s income tax expense primarily includes provision for Hong Kong current and deferred income tax expenses. The effective tax rates of the Group, calculated as the income tax expense divided by the profit before income tax.

The effective tax rate of the Group for the year ended 31 March 2016 of approximately 19.1% was higher than the standard tax rate of Hong Kong of 16.5% was mainly due to the non-recurring listing expenses incurred by the Group amounting to approximately HK\$1.2 million which were not deductible for tax purpose in Hong Kong during the year.

The effective tax rate for the six months ended 30 September 2015 approximated 17.4%. Despite loss before tax of approximately HK\$4.8 million for the six months ended 30 September 2016, income tax expense of approximately HK\$1.0 million was incurred because both share based payment expenses and listing expenses were not tax deductible for tax purpose in Hong Kong.

The Directors confirm that the Group has made all required tax filings in all relevant jurisdictions and paid all tax liabilities that have become due. The Group is not subject to any dispute or potential dispute with any tax authorities.

Profit (loss) for the year/period attributable to the owners of the Company and net profit margin

The Group’s profit for the year attributable to the owners of the Company was approximately HK\$18.2 million and HK\$9.3 million for the years ended 31 March 2015 and 31 March 2016, respectively. The Group’s net profit margin was approximately 23.3% and 13.7% for the years ended 31 March 2015 and 31 March 2016, respectively. The decrease was mainly attributable to (i) the percentage drop in employee benefits cost during the relevant year being less than that in the Group’s total revenue and the increase in other operating expenses as mentioned in the sub-paragraph headed “Profit before tax” in this section; and (ii) the increase in the Group’s effective

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tax rate from approximately 16.5% for the year ended 31 March 2015 to approximately 19.1% for the year ended 31 March 2016 resulted from the reason mentioned in the sub-paragraph headed “Income tax expense” in this section.

The Group recorded profit for the period attributable to the owners of the Company of approximately HK\$3.7 million for the six months ended 30 September 2015 and loss for the period attributable to the owners of the Company of approximately HK\$5.7 million for the six months ended 30 September 2016, respectively. The Group’s net profit margin was approximately 11.7% for the six months ended 30 September 2015. Profit margin was not applicable for the six months ended 30 September 2016 as the Group recorded loss for that period because of the decrease in revenue and increase in expenses as mentioned in the sub-paragraph headed “Profit (loss) before tax” in this section.

LIQUIDITY AND CAPITAL RESOURCES

The Group’s primary uses of cash are mainly to finance its operations and satisfy its capital expenditure needs. During the Track Record Period, the Group’s principal sources of liquidity and capital resources were net cash from business operations.

The following table sets out selected cash flow data from the combined statements of cash flows. This information should be read together with the combined financial information contained in the Accountant’s Report in Appendix I to this prospectus.

	<u>Year ended 31 March</u>		<u>Six months ended</u>
	<u>2015</u>	<u>2016</u>	<u>30 September</u>
	HK\$’000	HK\$’000	2016
			HK\$’000
Operating cash flows before movements in working capital	24,511	13,767	434
Net cash from (used in) operating activities	33,179	152	(6,207)
Net cash used in investing activity	(4,130)	(33)	(300)
Net cash used in financing activity	—	(6,000)	(8,617)
Net increase (decrease) in cash and cash equivalents	29,049	(5,881)	(15,124)
Cash and cash equivalents at the beginning of the year/period	12,713	41,762	35,881
Cash and cash equivalents at the end of the year/period	41,762	35,881	20,757

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Net cash from (used in) operating activities

Net cash from (used in) operating activities reflect the profit or loss for the year/period adjusted for non-cash items such as depreciation, the effects of cash flows arising from increases or decreases in trade receivables, prepayments, and deposits and other receivables, balances with related companies, other payables and accruals, and tax payments.

For the year ended 31 March 2015, net cash from operating activities of approximately HK\$33.2 million was primarily due to (i) profit before tax of approximately HK\$21.8 million which was primarily adjusted for depreciation of approximately HK\$2.7 million; (ii) increase in trade receivables of approximately HK\$1.2 million; (iii) increase in other payables and accruals of approximately HK\$14.6 million; (iv) decrease in amount due to a fellow subsidiary of approximately HK\$3.6 million; and (v) income tax paid of approximately HK\$1.2 million.

For the year ended 31 March 2016, net cash from operating activities of approximately HK\$0.2 million was primarily due to (i) profit before tax of approximately HK\$11.5 million which was primarily adjusted for depreciation of approximately HK\$0.9 million and bad debt expenses in respect of trade receivables of approximately HK\$1.3 million; (ii) increase in trade receivables of approximately HK\$0.9 million; (iii) increase in prepayment, deposits and other receivables of approximately HK\$0.5 million; (iv) decrease in other payables and accruals of approximately HK\$6.5 million; (v) increase in amount due to a fellow subsidiary of approximately HK\$0.2 million; and (vi) income tax paid of approximately HK\$5.9 million.

For the six months ended 30 September 2016, net cash used in operating activities of approximately HK\$6.2 million was primarily due to (i) loss before tax of approximately HK\$4.8 million which was primarily adjusted for share-based payments of approximately HK\$5.0 million and depreciation for property and equipment of approximately HK\$0.1 million; (ii) decrease in trade receivables of approximately HK\$1.2 million; (iii) increase in prepayment, deposits and other receivables of approximately HK\$1.6 million; (iv) decrease in other payables and accruals of approximately HK\$5.2 million; and (v) income tax paid of approximately HK\$0.9 million.

Net cash used in investing activity

Net cash used in investing activity was payment for the purchase of fixtures, fittings and equipment during the Track Record Period.

Net cash used in financing activity

During the year ended 31 March 2016, net cash used in financing activity was payment of the final dividend of HK\$6.0 million by Somerley Capital to its sole shareholder for the year ended 31 March 2015.

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During the six months ended 30 September 2016, net cash used in financing activity comprises payment of the dividend of HK\$8.0 million by Somerley Capital to its sole Shareholder for the year ended 31 March 2016 and settlement of balance due to the sole Shareholder as at 31 March 2016.

Working capital

Taking into account the Group's net cash from business operations and the net proceeds from the Hong Kong Public Offering, the Directors are satisfied, after due and careful inquiry, that the Group will have sufficient available working capital for its present requirements for at least the next 12 months from the date of this prospectus.

Capital expenditure

The Group's capital expenditure for the year ended 31 March 2015 amounted to approximately HK\$4.1 million, comprising expenditures for computer equipment and leasehold improvements.

The Group's capital expenditure for the year ended 31 March 2016 amounted to approximately HK\$33,000, comprising expenditures for computer equipment.

The Group's capital expenditure for the six months ended 30 September 2016 amounted to approximately HK\$0.3 million, comprising expenditure for computer equipment.

The Group expects to meet future capital expenditure requirements through available cash and cash equivalents and cash generated from operations, as well as net proceeds from the Hong Kong Public Offering.

Foreign exchange liabilities

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

Financial resources

Prior to the completion of the Hong Kong Public Offering, the Group's operations and investments have been principally financed by net cash generated from business operations. As at 30 September 2016, the Group had cash and cash equivalents of approximately HK\$20.8 million.

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NET CURRENT ASSETS

The table below sets forth the Group's current assets and current liabilities at the respective financial position dates indicated:

	As at 31 March		As at 30 September	As at 31 January
	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current assets				
Trade receivables	7,955	7,529	6,320	7,282
Prepayments, deposits and other receivables	169	639	2,225	2,198
Amount due from a fellow subsidiary	—	—	—	554
Amount due from ultimate holding company	—	—	100	100
Tax recoverable	—	506	516	558
Cash and cash equivalents	<u>41,762</u>	<u>35,881</u>	<u>20,757</u>	<u>21,797</u>
	<u>49,886</u>	<u>44,555</u>	<u>29,918</u>	<u>32,489</u>
Current liabilities				
Other payables and accruals	16,041	17,501	4,261	1,904
Amount due to a fellow subsidiary	309	489	395	—
Amount due to ultimate holding company	617	617	—	1,685
Tax payable	<u>3,120</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>20,087</u>	<u>18,607</u>	<u>4,656</u>	<u>3,589</u>
Net current assets	<u>29,799</u>	<u>25,948</u>	<u>25,262</u>	<u>28,900</u>

As at 31 March 2015 and 31 March 2016, the Group had net current assets of approximately HK\$29.8 million and HK\$25.9 million respectively. The decrease was mainly attributable to declared dividends of HK\$8.0 million and payment of provisional tax of approximately HK\$2.8 million for the year ended 31 March 2016.

As at 30 September 2016, the net current assets decreased to approximately HK\$25.3 million. The decrease was mainly attributable to payment of provisional tax of approximately HK\$0.9 million for the six months ended 30 September 2016.

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As at 31 January 2017, the net current assets increased to approximately HK\$28.9 million. The increase was mainly attributable to the profit after tax of approximately HK\$2.8 million for four months ended 31 January 2017.

Trade receivables

The trade receivables primarily relates to receivables arising from the corporate finance advisory service business.

Trade receivables of approximately HK\$8.0 million, HK\$7.5 million and HK\$6.3 million as at 31 March 2015, 31 March 2016 and 30 September 2016 respectively were due from a number of independent customers that engaged the Group's corporate finance advisory service.

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

	<u>At 31 March 2015</u>	<u>At 31 March 2016</u>	<u>At 30 September 2016</u>
	HK\$'000	HK\$'000	HK\$'000
Within 90 days	7,743	6,836	5,820
91–180 days	212	543	500
Over 180 days	<u>—</u>	<u>150</u>	<u>—</u>
Total	<u><u>7,955</u></u>	<u><u>7,529</u></u>	<u><u>6,320</u></u>

The following is an ageing analysis of the trade receivables which are past due but not impaired.

	<u>At 31 March 2015</u>	<u>At 31 March 2016</u>	<u>At 30 September 2016</u>
	HK\$'000	HK\$'000	HK\$'000
Within 90 days	7,743	6,836	5,160
91–180 days	212	543	500
Over 180 days	<u>—</u>	<u>150</u>	<u>—</u>
Total	<u><u>7,955</u></u>	<u><u>7,529</u></u>	<u><u>5,660</u></u>
Average trade receivables turnover days (number of days)	<u><u>34.3</u></u>	<u><u>41.6</u></u>	<u><u>42.1</u></u>

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The Directors regularly assess the collectability of the trade receivables on a case-by-case basis to determine if any provision for trade receivables is necessary. The Director's assessment is based on, among other things, the evaluation of collectability of the trade receivables, ageing analysis of the receivables, the ultimate realisation of these outstandings, the current creditworthiness, the past collection history of and the Group's current and potential future business relationship with each debtor. If the financial conditions of the Group's debtors deteriorate, resulting in an impairment of their ability to make payments, provision for trade receivables may be required. No provision for doubtful receivable was made for the years ended 31 March 2015 and 31 March 2016 and for the six months ended 30 September 2016.

As at the Latest Practicable Date, 98.1% of the trade receivables as at 30 September 2016 arising from corporate finance activities have been subsequently settled.

Prepayments, deposits and other receivables

Prepayments, deposits and other receivables mainly represent prepayment of operating expenses and prepaid listing expenses.

Property interest

During the Track Record Period and up to the Latest Practicable Date, the Group did not own any properties.

Amount due to a fellow subsidiary and amount due to ultimate holding company

Amount due to a fellow subsidiary and amount due to ultimate holding company mainly represent the balances with the related parties which are non-trading in nature, unsecured, repayable on demand, and non-interest bearing. Such amount as at 30 September 2016 was subsequently settled in December 2016. The amount due to ultimate holding company as at 31 January 2017 was subsequently settled in February 2017.

Amount due from a fellow subsidiary and amount due from ultimate holding company

Amount due from a fellow subsidiary and amount due from ultimate holding company mainly represent the balances with the related parties which are non-trading in nature, unsecured, repayable on demand, and non-interest bearing. The amount due from a fellow subsidiary and amount due from ultimate holding company as at 31 January 2017 were subsequently settled in February and March 2017 respectively.

Cash and cash equivalents

Cash and cash equivalents comprise cash held and short term bank deposits with an original maturity of three months or less. Cash and cash equivalents amounted to approximately HK\$41.8 million and HK\$35.9 million as at 31 March 2015 and 31 March 2016, respectively. The decrease in cash and cash equivalents was primarily due to the decrease in net cash from operating activities and the increase in net cash used in financing activity.

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The cash and cash equivalents further decreased to approximately HK\$20.8 million as at 30 September 2016 because of the net cash used in operating activities and the increase in net cash used in investing activity and financing activity.

Other payables and accruals

Other payables and accruals mainly represent bonus payable to employees, dividend payable to the shareholders of Somerley Capital and operating expenses payable to vendors.

	<u>As at 31 March</u>		<u>As at 30 September</u>
	<u>2015</u>	<u>2016</u>	<u>2016</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Bonus payables	15,585	8,508	2,418
Dividend payable	—	8,000	—
Introduction expense payable	—	495	—
Other payables	243	239	1,703
Accruals	<u>213</u>	<u>259</u>	<u>140</u>
	<u>16,041</u>	<u>17,501</u>	<u>4,261</u>

The increase in other payables and accruals from approximately HK\$16.0 million as at 31 March 2015 to approximately HK\$17.5 million as at 31 March 2016 was mainly attributable to the offsetting effect of (i) the dividend payable of HK\$8.0 million declared during the year ended 31 March 2016 which was subsequently settled in May 2016; and (ii) the decrease in bonus payable to employees which was as a result of the decrease in revenue for the year ended 31 March 2016.

The other payables and accruals further decreased to approximately HK\$4.3 million as at 30 September mainly due to (i) the payment of dividends of HK\$8.0 million for the year ended 31 March 2016; and (ii) the payment of bonus of HK\$8.5 million for the year ended 31 March 2016, during the six months ended 30 September 2016.

Tax payable

The tax payable of the Group was approximately HK\$3.1 million as at 31 March 2015. No tax payable was recorded by the Group as at 31 March 2016 and 30 September 2016, mainly due to the payment of a provisional tax of approximately HK\$2.8 million and HK\$0.9 million.

Provision for long service payments

The Group makes provision for probable future long service payments to employees in accordance with 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 mandatory provident fund scheme for the employees and subject to a cap of HK\$390,000 per employee.

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Borrowings

During the Track Record Period, the Group had no banking facilities and no borrowings.

Security

During the Track Record Period, the Group had no mortgages or charges.

Contingent liabilities

During the Track Record Period, the Group had no material contingent liabilities.

DISTRIBUTABLE RESERVES

As at 30 September 2016, the aggregate amount of distributable reserves available for distribution to the Shareholders was approximately HK\$10.7 million.

DIVIDENDS AND DIVIDEND POLICY

The Directors place a high priority on the payment of dividends to Shareholders as a tangible demonstration of the progress of the Group.

The Group had declared dividends in the amount of HK\$6.0 million and HK\$8.0 million in respect of the years ended 31 March 2015 and 2016, respectively which is in total about half the aggregate profits after tax of the Group for those years. The Board has absolute discretion as to whether to declare any dividend for any year, the amount of dividend and the means of payment. Such discretion is subject to the applicable laws and regulations and may also require the approval of Shareholders. The amount of any dividends to be declared and paid in the future will depend on, among other things, the Group's results of operations and its cash flows and financial condition, and other factors the Directors consider relevant. Subject to these factors, and as a guideline, the Directors expect to pay at least 40% of annual profits after tax to the Shareholders as interim and/or final dividends.

Prospective investors should note that if the reasons set out in the paragraph headed "Recent Development and Material Adverse Change" set out in the section headed "Summary" in this prospectus materialise, the Directors expect no dividend will be declared for the year ending 31 March 2017.

IMPACT OF LISTING EXPENSES

The listing expenses represent fees and costs incurred for the issue of new Shares and the listing of the Shares on GEM. As the issue of new Shares is the issue of an equity instrument, but the listing of existing and new Shares is not, the listing expenses are required to be allocated between two transactions with reference to the proportion of the number of new Shares to be issued to the total number of Shares in issue upon Listing. Since the number of new Shares to be issued represents approximately 25.9% of the total number of Shares in issue upon Listing, listing

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expenses directly attributable to the issue of new Shares are accounted for as a deduction from equity, whilst expenses that are not clearly separable are allocated to equity and profit or loss on a ratio of approximately 25.9:74.1.

The Directors are of the view that listing expenses in relation to the Listing will have an impact on the financial results of the Group for the year ending 31 March 2017. Based on the midpoint of the indicative price range for the Hong Kong Public Offering, the estimated listing expenses are approximately HK\$15.4 million (excluding the sponsorship fee to Somerley Capital as one of the Joint Sponsors), of which approximately HK\$5.3 million is directly attributable to the issue of Offer Shares and is expected to be accounted for as a deduction from equity. During the year ended 31 March 2016 and the six months ended 30 September 2016, the Group recognised listing expenses of approximately HK\$1.2 million and HK\$4.4 million in the combined statement of profit or loss and other comprehensive income, respectively. In addition to the HK\$4.4 million already recognised for the six months ended 30 September 2016, the remaining listing expenses of approximately HK\$4.5 million are also expected to be charged to the combined statement of profit or loss and other comprehensive income of the Group for the year ending 31 March 2017.

The Directors would like to emphasise that the listing expenses are an estimate for reference only. The final amount to be recognised in the equity and the combined statement of profit or loss and other comprehensive income of the Group for the year ending 31 March 2017 is subject to adjustment when the final expenses are known.

OFF-BALANCE SHEET ARRANGEMENT

The Group did not have any outstanding off-balance sheet guarantees, interest rate swap transactions, foreign currency and commodity forward contracts or other off-balance sheet arrangements during the Track Record Period. The Group does not engage in trading activities involving non-exchange traded contracts or transactions involving, or otherwise form relationships with, unconsolidated entities or financial partnerships that are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in note 27 of Section A to the Accountant's Report in Appendix I in this prospectus, the Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms were no less favourable to the Group than terms available from Independent Third Parties and were fair and reasonable and in the interest of the Shareholders as a whole. The Directors also confirm that such related party transactions did not distort the Group's results during the Track Record Period and would not make its historical results not reflective of future performance.

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INDEBTEDNESS

As at 31 January 2017, being the latest practicable date for the purpose of this statement of indebtedness, the Group had no outstanding mortgages, charges, debentures or other loan capital or bank overdrafts, loans or other similar indebtedness or hire purchase commitments or finance lease commitments or any guarantees or other material contingent liabilities.

The Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since 30 September 2016 and up to the Latest Practicable Date.

COMMITMENTS

Capital commitments

As at 31 March 2015, the Group had no capital commitments. As at 31 March 2016, the Group had capital commitments of approximately HK\$0.3 million, due to the purchase of computer equipment for the existing Hong Kong office.

As at 30 September 2016, the Group had capital commitments of approximately HK\$0.4 million, due to the purchase of computer equipment for its current Hong Kong office.

SUMMARY OF KEY FINANCIAL RATIOS

The following table sets forth a summary of the Group's key financial ratios as at/for the years ended 31 March 2015 and 31 March 2016 and as at/for the six months ended 30 September 2016, and should be read in conjunction with the Accountant's Report included as Appendix I to this prospectus.

	As at/for the year ended 31 March		As at/for the six months ended
	2015	2016	30 September 2016
Net profit margin	23.3%	13.7%	N/A
Return on equity	58.5%	35.2%	N/A
Return on assets	35.4%	20.5%	N/A
Current ratio	2.5	2.4	6.4
Gearing ratio	0%	0%	0%

Net profit margin

Net profit margin is calculated by the profit for the year divided by the revenue for the respective year and multiplied by 100%.

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The Group's net profit margin was approximately 23.3% for the year ended 31 March 2015 and decreased to approximately 13.7% for the year ended 31 March 2016. Net profit margin was not applicable for the six months ended 30 September 2016 as the Group recorded a loss for that period. Details are set out in the sub-paragraph headed "Profit (loss) for the year/period attributable to the owners of the Company and net profit margin" in this section.

Return on equity

Return on equity is calculated by the profit for the year divided by total equity at the end of the respective year and multiplied by 100%.

The Group's return on equity was approximately 58.5% for the year ended 31 March 2015 and decreased to approximately 35.2% for the year ended 31 March 2016. The decrease was mainly due to the decrease in net profit after tax of approximately HK\$8.9 million, which was partially off-set by the net decrease in total equity which mainly resulted from (i) payment of dividends of HK\$6.0 million for the year ended 31 March 2015; and (ii) the declaration of dividends of HK\$8.0 million for the year ended 31 March 2016. Return on equity was not applicable for the six months ended 30 September 2016 as the Group recorded a loss for that period.

Return on assets

Return on assets is calculated by the profit for the year divided by total assets at the end of the respective year and multiplied by 100%.

The Group's return on assets was approximately 35.4% for the year ended 31 March 2015 and decreased to approximately 20.5% for the year ended 31 March 2016. The decrease was mainly due to the decrease in net profit after tax of approximately HK\$8.9 million which was partially off-set by the decrease in total assets due to dividends of HK\$6.0 million declared for the year ended 31 March 2015 and paid during the year ended 31 March 2016. Return on assets was not applicable for the six months ended 30 September 2016 as the Group recorded a loss for that period.

Current ratio

Current ratio is calculated by dividing current assets by current liabilities as at the end of the respective year.

The Group's current ratio was approximately 2.5 as at 31 March 2015 and approximately 2.4 as at 31 March 2016 with no material changes. The current ratio increased to approximately 6.4 as at 30 September 2016 primarily because of the settlement of dividends for the year ended 31 March 2016 during the six months ended 30 September 2016 and no dividends were declared during the six months ended 30 September 2016.

Gearing ratio

Gearing ratio is calculated by dividing total debt by total assets as at the end of the respective year.

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The Group's gearing ratios for the years ended 31 March 2015 and 31 March 2016 and for the six months ended 30 September 2016 were all 0% as the Group did not have any borrowing during the Track Record Period.

FINANCIAL RISKS

The main financial risks arising from the Group's business activities include interest rate risk, currency risk, credit risk and liquidity risk.

Interest rate risk

The exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing financial instruments. As at 31 March 2015, 31 March 2016 and 30 September 2016, the Group's financial instruments predominately are short-term bank deposits which were carried at minimal interest rates, and therefore management considers the Group's exposure to interest rate risk is minimal.

Currency risk

Currency risk is the risk of loss due to adverse movements in foreign exchange rates relating to assets denominated in foreign currency. During the Track Record Period, the Group's transactions were mainly in Hong Kong dollars and U.S. dollars. As the Hong Kong dollar is pegged to the U.S. dollar, the Group's exposure to currency risk is considered minimal.

Credit risk

Trade receivables represent the Group's major exposure to credit risk arising from default of the counterparty, with a maximum exposure equal to the carrying amounts in the combined statements of financial position.

Trade receivables from clients arising from provision of corporate finance advisory services are due upon the issuance of invoice and the Responsible Officers are responsible for overall monitoring of the credit risk of their clients. Individual impairment assessment has been performed as at 31 March 2015, 31 March 2016 and 30 September 2016.

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

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

FINANCIAL INFORMATION

Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. The Group is exposed to liquidity risk in respect of settlement of other payables and accruals, its financial obligations and also in respect of its cash flow management. In addition, Somerley Capital is regulated by SFC and is subject to certain capital requirements under the FRR. Accordingly, the Group has to monitor the liquidity of this subsidiary to ensure compliance with the relevant rules. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

Please see the section headed "Unaudited Pro Forma Financial Information" included as Appendix II to this prospectus for details.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

The Directors have confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

MATERIAL ADVERSE CHANGES

The Directors confirm that so far as they are aware, save for the Group recorded a net loss after tax of approximately HK\$5.7 million for the six months ended 30 September 2016, mainly resulted from (1) the impact of the non-recurring listing expenses and the share-based payment expenses; and (2) the decrease in revenue for the six months ended 30 September 2016 compared with the corresponding period in 2015 as set out in the sub-paragraph headed "Profit (loss) for the year/period attributable to the owners of the Company and net profit margin" in this section, (i) there have been no material adverse changes in the market or industry environment that materially and adversely affect the Group's financial and operating position since 31 March 2016 and up to the date of this prospectus; (ii) there have been no material adverse changes in the trading and financial position or prospects of the Group since 31 March 2016 and up to the date of this prospectus; and (iii) no event has occurred since 31 March 2016 and up to the date of this prospectus that would materially and adversely affect the information shown in the Accountant's Report set out in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND BUSINESS OBJECTIVES

Business strategies of the Group

The Directors believe there is still scope to strengthen the Group's existing corporate finance advisory services to clients by ensuring it stays closely attuned to the market and regulatory environment for corporate finance transactions. In addition, the Group aims to build on its existing capabilities to enhance its service offering in the areas of capital markets and restructuring transactions. The Group seeks to build long term relationships with corporate clients, developing an in-depth knowledge of their business and gaining the confidence of key decision-takers, so as to be able to provide timely assistance in the critical stages of their development.

Further strengthening corporate finance teams

The Directors consider that the CF Business will remain the core business of the Group. Strong teams of professional staff equipped with appropriate industry knowledge and the ability to foster good client relationships are crucial to the continuing success of Somerley Capital. The Directors will continue to strengthen the corporate finance teams and, where justified, build and expand new client service teams to ensure the Group has sufficient depth and breadth of expertise to continue to provide high quality advice and execution. The Group will consider hiring additional staff and strengthening its capability in areas such as advice to companies coming under financial pressure, including restructuring debt. The Group will also continue to provide opportunities to its staff to hone their professional skills through training and take on more responsibility through promotions as their experience increases. One of the main purposes of the Listing is to provide a more attractive remuneration package to staff through the Share Incentive Plan in order to align staff remuneration to corporate performance.

The Group intends to build on its ability to provide high quality corporate finance advisory services to both listed and non-listed companies. The Directors believe that the Group's standing will foster its contacts with professional intermediaries in the industry including fellow corporate finance specialists, brokers, accounting firms, law firms, private equity firms and institutional investors in Hong Kong and the PRC.

Development of the equity capital markets capability

The Directors believe that developing the Group's equity capital markets capability is complementary to the Group's existing corporate finance advisory business. The development of the Group's fund raising capability in equity market transactions will enhance the Group's overall ability to serve its corporate clients through both initial public offerings and follow-on fund raising exercises. With active relationships with many listed companies in Hong Kong, the Group would be in a good position to offer underwriting services to such clients as long as they consider the Group has the financial strength to do so. Somerley Capital is currently licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO, where such service is provided pursuant to corporate finance advisory activities. Type 1 (dealing in securities) regulated activity licence is needed for equity capital market activities and underwriting activities in Hong Kong. SIL, the

FUTURE PLANS AND USE OF PROCEEDS

predecessor of Somerley Capital, held licences to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities in Hong Kong following the implementation of the SFO on 1 April 2003. Somerley Capital was granted a licence by the SFC to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities on 2 October 2013.

As at the Latest Practicable Date, 5 out of 9 Responsible Officers held licences for Type 1 (dealing in securities) regulated activity. All of these 5 Responsible Officers have more than 13 years of relevant experience, and all of them have been with the Group and the SIL Group for over 8 years.

In the past, the staff of the Group (either through Somerly Capital or the CF Business of SIL, the predecessor of Somerley Capital) have engaged in equity capital market activities, including placing and underwriting of securities which were listed on the Stock Exchange. Completed examples include:

Announcement Date	Securities underwritten/placed by the CF Business of SIL (the predecessor of Somerley Capital)/Somerley Capital	Nature and size (approximately)
October 2016	Gemilang International Limited (stock code: 6163)	Global offering of HK\$80 million
April 2013	King Fook Holdings Limited (stock code: 0280)	Rights issue of HK\$120 million
June 2011	China.com Inc. (now known as Sino Splendid Holdings Ltd., stock code: 8006)	Placing of HK\$18 million
November 2010	Kee Shing (Holdings) Limited (now known as Gemini Investments (Holdings) Limited, stock code: 0174)	Placing of HK\$124 million
May 2010	Shell Electric Mfg. (Holdings) Company Limited (now known as China Overseas Grand Oceans Group Ltd., stock code 0081)	Placing of HK\$205 million
May 2008	Hongkong Chinese Limited (stock code: 0655)	Rights issue of HK\$471 million

Based on the above, the Directors are of the view that Somerley Capital possesses adequate qualifications and experience to develop the Group's equity capital market business.

FUTURE PLANS AND USE OF PROCEEDS

Somerley Capital is a licensed sponsor with three registered Principals. The Directors intend, when market conditions are favourable, to increase the Group's activities in the IPO market, targeting small to medium-sized companies. The Group intends to add an additional professional team specialised in providing sponsorship services to selected clients pursuing an IPO.

The Group has made proposals for acting as sponsor and underwriting securities to be listed on the Stock Exchange but has not been in a financial position to push strongly owing to its small capital base and no fee was generated from such activities during the Track Record Period. As a commercial matter, the choice of sponsor or underwriter will generally take into consideration the underwriting capability of the firm.

The Group will draw on its existing corporate client base to enhance its ability to manage equity and equity related placing transactions. The Group intends to apply proceeds to earmark sufficient financial resources to fulfill its underwriting obligations. Such amount, demonstrating sufficient financial resources to fulfil the Group's underwriting obligations, could be used on a revolving basis, on different equity market transactions in future. It is not a "one time expense", to be immediately consumed, unless substantial underwriting calls are experienced and even then funds would be recycled as securities taken under such underwriting commitments are held in the market. Funds will be deposited as short term deposits to act as a "reserve" in the form of share capital or subordinated loan of Somerley Capital. Such "reserve" will enhance the "liquid capital" (as defined in the FRR).

With a strengthened capital base after the Listing, the Group will be able to participate more actively as underwriters in IPOs and other equity offerings, and aims to participate in a larger number of transactions involving a higher value amount of underwriting commitment in equity offerings of clients. Such transactions would complement the Group's existing corporate finance advisory services. By demonstrating that the Group has resources to put "skin in the game" itself, it will be more credible in approaching potential sub-underwriters, so leveraging the Group's overall underwriting capacity further.

Enhancement of the information technology capability

During the Track Record Period, the Group has enhanced the capability and security of its information technology systems. The Directors believe such systems underpin the Group's operations and provide critical support to the services it offers. Accordingly, the Group will review developments in information technology and systems as they relate to the Group's business and work with specialist service providers in the sector to maintain and enhance the Group's information technology capability. This will include updating equipment and software, implementing business continuity plan and drawing on other technical support needed to support to the Group's business and to make high quality, detailed and timely deliverables to clients.

FUTURE PLANS AND USE OF PROCEEDS

Future plans, business objectives and strategies

Reasons for the Listing

The Directors believe that the Listing will enhance the Group's profile, strengthen its financial position and competitiveness and provide the Group with additional capital to implement its future plans set out in the paragraph headed "Implementation Plans" below. The Directors consider that the Share Incentive Plan forms a critical element in motivating and retaining staff of Somerley Capital and for such incentives to work most effectively.

Use of net proceeds

The estimated net proceeds from the Hong Kong Public Offering (the "Net Proceeds"), assuming a Offer Price per Offer Share of HK\$2.00 (being the mid-point of the indicative Offer Price range of HK\$1.70 to HK\$2.30 as stated in this prospectus), are expected to be approximately HK\$54.6 million, after deduction of the professional fees, underwriting commissions and other fees by the Group in connection with the Hong Kong Public Offering and the Listing. The Group intends to apply the Net Proceeds for the following purposes:

1. approximately HK\$8.8 million (or approximately 16.1% of the Net Proceeds) to expand its corporate finance advisory business;
2. approximately HK\$23.6 million (or approximately 43.2% of the Net Proceeds) to develop its equity capital markets business, including approximately HK\$14.8 million for supporting its underwriting business;
3. approximately HK\$7.5 million (or approximately 13.8% of the Net Proceeds) to enhance the information technology capability of the Group;
4. approximately HK\$10.7 million (or approximately 19.6% of the Net Proceeds) to expand the office(s) of the Group to cope with the expansion of corporate finance advisory business. In addition, the Group plans to rent a new office upon the end of the tenancy contract in the current office to facilitate the expansion of corporate finance advisory business and development of the equity capital markets business and the underwriting business, including the relocation and leasehold improvement expense of the new office; and
5. as to the remaining approximately HK\$4.0 million (or approximately 7.3% of the Net Proceeds) to be applied as the general working capital of the Group.

If the final Offer Price is set at (i) the lowest; or (ii) the highest of the indicative Offer Price range, the total proceeds from the Hong Kong Public Offering are estimated to be (i) approximately HK\$59.5 million; or (ii) approximately HK\$80.5 million, respectively. In such event, the estimated net proceeds will (i) decrease by approximately HK\$10.1 million; or (ii) increase by approximately HK\$10.2 million, respectively. In case of any decrease or increase in the net proceeds the Group

FUTURE PLANS AND USE OF PROCEEDS

intends to apportion such effect in the proportion of approximately 20%, 70% and 10% for the expenditure on items 1, 2 and 4 mentioned above respectively, while the proposed amounts for items 3 and 5 above remain the same.

The terms and levels of experience of the staff to be recruited are set by reference to the current employment arrangements of the Group and its peers. The final outcome of recruitment and rental is subject to various macro-economic factors, including market sentiment and demand and supply of available human resources/office.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, the Group intends to deposit the net proceeds as short term deposits. The Group will make an appropriate announcement if there is a material change to the above use of net proceeds.

Implementation plans

The Group's implementation plans are set out below for each of the six-month periods (except for the first period which commenced on the Listing Date) up to 30 September 2018. Investors should note that the implementation plans and their scheduled times for attainment are formulated on the bases and assumptions referred to in the paragraph headed "Bases and key assumptions" below. These bases and assumptions are inherently subject to uncertainties, variables and unpredictable factors, in particular the risk factors set out in the section headed "Risk Factors" in this prospectus. The actual progress of the Group's business may vary from the business objectives set out above. There is no assurance that the plans of the Group will materialise in accordance with the expected time-frame or that the objectives of the Group will be accomplished at all.

FUTURE PLANS AND USE OF PROCEEDS

Based on the Group's objectives, the Directors intend to carry out the following implementation plans:

For the period from the Listing Date to 30 September 2017

Expansion of the corporate finance advisory business	Development of the equity capital markets operations	Enhancement of the information technology systems of the Group	Expansion of office
Recruit one additional senior and two additional mid-level professional staff with experience in corporate finance advisory business	Recruit one additional senior and two additional mid-level professional staff with experience in equity capital markets operations Earmark sufficient financial resources to fulfill the Group's underwriting obligations* <i>*Note:</i> such financial resources could be used on a revolving basis, on different equity market transactions in future Participate in underwriting equity offerings	Enhance server equipment; implement cyber risk assessment and business continuity plan Additional information technology equipment for additional staff	Pay rental expense

Approximate amount to be applied from the Net Proceeds:

HK\$1.0 million	HK\$15.8 million	HK\$4.6 million	HK\$0.7 million
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FUTURE PLANS AND USE OF PROCEEDS

For the period from 1 October 2017 to 31 March 2018

Expansion of the corporate finance advisory business	Expansion of the equity capital markets operations	Enhancement of the information technology systems of the Group	Expansion of office
Recruit two additional junior professional staff with experience in corporate finance advisory business	Recruit two additional junior professional staff with experience in equity capital markets operations	Enhance server equipment; implement business continuity plan	Pay rental expense
	Participate in underwriting equity offerings	Additional information technology equipment for additional staff	

Approximate amount to be applied from the Net Proceeds:

HK\$2.4 million	HK\$2.4 million	HK\$0.7 million	HK\$1.4 million
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For the period from 1 April 2018 to 30 September 2018

Expansion of the corporate finance advisory business	Expansion of the equity capital markets operations	Enhancement of the information technology systems of the Group	Expansion of office
Recruit one additional junior professional staff with experience in corporate finance advisory business	Recruit one additional junior professional staff with experience in equity capital markets operations	Implement business continuity plan	Pay rental expense
	Participate in underwriting equity offerings	Enhance or replace information technology equipment for existing staff	Decorate and renovate newly leased office premises
		Additional information technology equipment for additional staff	

Approximate amount to be applied from the Net Proceeds:

HK\$2.7 million	HK\$2.7 million	HK\$1.9 million	HK\$8.6 million
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FUTURE PLANS AND USE OF PROCEEDS

For the period from 1 October 2018 to 31 March 2019

Expansion of the corporate finance advisory business	Expansion of the equity capital markets operations	Enhancement of the information technology systems of the Group	Expansion of office
Pay the staff cost of corporate finance advisory business	Pay the staff cost of the equity capital market business	Implement business continuity plan	Nil
	Participate in underwriting equity offerings	Additional information technology equipment for additional staff	

Approximate amount to be applied from the Net Proceeds:

HK\$2.7 million	HK\$2.7 million	HK\$0.3 million	Nil
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Bases and key assumptions

The business objectives set out by the Directors are based on the following bases and assumptions:

1. The Listing will be completed in accordance with the terms as described in the section headed “Structure of the Hong Kong Public Offering” of this prospectus;
2. The Group will be able to retain its key management and professional staff and/or recruit replacements/additional staff as needed;
3. The Group’s relationship with its major clients will remain good, and the level of business awarded by such customers to the Group will be broadly maintained;
4. The Group will be able to maintain and renew all relevant licences required for its business activities;
5. The Group will continue operating in substantially the same way as it has to-date and will be able to carry out its development plans without disruptions;
6. The Group will not be materially adversely affected by any risk factor set out in the section headed “Risk Factors” of this prospectus; and
7. There will be no material adverse changes to the existing political and legal framework in Hong Kong or the PRC.

UNDERWRITING

JOINT LEAD MANAGERS *(in alphabetical order)*

GF Securities (Hong Kong) Brokerage Limited
Haitong International Securities Company Limited
Halcyon Securities Limited

UNDERWRITERS *(in alphabetical order)*

Ballas Capital Limited
GF Securities (Hong Kong) Brokerage Limited
Haitong International Securities Company Limited
Halcyon Securities Limited

UNDERWRITING ARRANGEMENTS

The Underwriting Agreement

Pursuant to the Underwriting Agreement, the Company is offering the Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions set out in this prospectus, the Application Forms and the Underwriting Agreement at the Offer Price.

Subject to, among other conditions, the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as described in this prospectus and to certain other conditions set out in the Underwriting Agreement being fulfilled or waived on or before the dates and times specified in the Underwriting Agreement or such other dates as Halcyon Securities (for itself and on behalf of the Underwriters) may agree and in any event not later than the 30th day after the date of this prospectus, the Underwriters have agreed to subscribe for or purchase or procure subscribers or purchasers for the Offer Shares on the terms and conditions of the Underwriting Agreement and this prospectus.

Grounds for Termination

Halcyon Securities (for itself and on behalf of the Underwriters) in its sole and absolute opinion will be entitled by notice in writing to the Company (with a copy of such notice to the other parties to the Underwriting Agreement) to terminate the Underwriting Agreement if at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date:

- (a) there has come to the notice of Halcyon Securities:
 - (i) that any statement contained in this prospectus and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendments thereto) (collectively, the “**Relevant Documents**”) was, when it was issued, or has become, untrue, incorrect, misleading or deceptive in any respect or that any forecast, expression of opinion, intention or expectation

UNDERWRITING

expressed in any of the Relevant Documents is not, in the sole and absolute opinion of Halcyon Securities (for itself and on behalf of the Underwriters), fair and honest and based on reasonable assumptions, when taken as a whole; or

- (ii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the respective dates of the publication of the Relevant Documents, constitute an omission therefrom; or
- (iii) any breach of any of the obligations imposed or to be imposed upon any party to the Underwriting Agreement (other than on the part of any of the Underwriters); or
- (iv) any event, act or omission which gives or is likely to give rise to any liability of any of the Company, the executive Directors and the Controlling Shareholders (the “**Warrantors**”) pursuant to the Underwriting Agreement; or
- (v) any change or development involving a prospective adverse change in the assets, liabilities, general affairs, management, business prospects, shareholders’ equity, profits, losses, results of operations, position or conditions (financial, trading or otherwise), or performance of any member of the Group (“**Group Company**”); or
- (vi) any breach of, or any event or circumstance rendering untrue, incorrect or misleading in any respect, any of the representations, warranties, agreements and undertakings to be given by the Warrantors respectively in terms set out in the Underwriting Agreement; or
- (vii) the approval by the Listing Division of the Stock Exchange of the listing of, and permission to deal in, the Shares is refused or not granted, or is qualified (other than subject to customary conditions), on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (viii) the Company withdraws any of the Relevant Documents or the Hong Kong Public Offering; or
- (ix) any person (other than the Underwriters) has withdrawn or sought to withdraw its consent to being named in this prospectus or to the issue of this prospectus; or
- (x) that a petition or an order is presented for the winding-up or liquidation of any Group Company or any Group Company makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any Group Company or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any Group Company or anything analogous thereto occurs in respect of any Group Company; or

UNDERWRITING

- (xi) an authority or a political body or organisation in any relevant jurisdiction has commenced any investigation or other action, or announced an intention to investigate or take other action, against any of the Directors and senior management member of the Group as set out in the section headed “Directors, Senior Management and Employees” in this prospectus; or
 - (xii) any loss or damage has been sustained by any Group Company (howsoever caused and whether or not the subject of any insurance or claim against any person) which is considered by Halcyon Securities (for itself and on behalf of the Underwriters) in its sole and absolute opinion to be material; or
- (b) there shall develop, occur, exist or come into effect:
- (i) any local, national, regional, international event or circumstance, or series of events or circumstances, beyond the reasonable control of the Underwriters (including, without limitation, any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a local, regional, national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), Swine Flu (H1N1), Middle East Respiratory Syndrome or such related or mutated forms) or interruption or delay in transportation); or
 - (ii) any change or development involving a prospective change, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change, in any local, regional, national, international, financial, economic, political, military, industrial, fiscal, legal regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets); or
 - (iii) any moratorium, suspension or restriction on trading in securities generally (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the American Stock Exchange, the Nasdaq Global Market, the Nasdaq National Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Tokyo Stock Exchange; or
 - (iv) any new law(s), rule(s), statute(s), ordinance(s), regulation(s), guideline(s), opinion(s), notice(s), circular(s), order(s), judgment(s), decree(s) or ruling(s) of any public, regulatory, taxing, administrative or governmental, agency or authority, any self-regulatory organisation or any securities exchange authority, other authority and any court at the national, provincial, municipal or local level of the jurisdictions in which the Company is incorporated or the Shares are to be listed or

UNDERWRITING

the Group's business is carried out or the Group's asset is held, including, without limitation, the Cayman Islands and Hong Kong (as the case may be) ("**Law(s)**"), or any change or development involving a prospective change in existing Laws, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change in the interpretation or application of existing Laws by any court or other competent authority, in each case, in or affecting any of Hong Kong, the PRC, the United States, the Cayman Islands, the BVI, the European Union (or any member thereof) or any other jurisdictions relevant to any Group Company or the Hong Kong Public Offering (the "**Specific Jurisdictions**"); or

- (v) any general moratorium on commercial banking activities, or any disruption in commercial banking activities, foreign exchange trading or securities settlement or clearance services or procedures or matters, in or affecting any of the Specific Jurisdictions; or
- (vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for any of the Specific Jurisdictions; or
- (vii) any change or development involving a prospective change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment Laws (including, without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or any material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency) in or affecting any of the Specific Jurisdictions or affecting an investment in the Shares; or
- (viii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or
- (ix) any litigation or claim being threatened or instigated against any Group Company or any of the Warrantors; or
- (x) any of the Directors and senior management members of the Company as set out in the section headed "Directors, Senior Management and Employees" in this prospectus being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company; or
- (xi) the chairman or chief executive officer of the Company vacating his or her office; or

UNDERWRITING

- (xii) the commencement by any governmental, regulatory or political body or organisation of any action against a Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or
- (xiii) a contravention by any Group Company or any Director of the GEM Listing Rules, the Companies Ordinance or any other Laws applicable to the Hong Kong Public Offering; or
- (xiv) a prohibition on the Company for whatever reason from allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Hong Kong Public Offering; or
- (xv) non-compliance of this prospectus and the other Relevant Documents or any aspect of the Hong Kong Public Offering with the GEM Listing Rules or any other Laws applicable to the Hong Kong Public Offering; or
- (xvi) the issue or requirement to issue by the Company of a supplement or amendment to this prospectus and/or any other documents in connection with the Hong Kong Public Offering pursuant to the Companies (Winding up and Miscellaneous Provisions) Ordinance, the GEM Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xvii) a valid demand by any creditor for repayment or payment of any indebtedness of any Group Company or in respect of which any Group Company is liable prior to its stated maturity,

which in each case individually or in aggregate in the sole and absolute opinion of Halcyon Securities (for itself and on behalf of the Underwriters):

- (a) has or is or will or may or could be expected to have an adverse effect on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, results of operations, financial, trading or other condition or position or prospects or risks of the Company or the Group or any Group Company or on any present or prospective Shareholder in his, her or its capacity as such; or
- (b) has or will or may have or could be expected to have an adverse effect on the success, marketability or pricing of the Hong Kong Public Offering or the level of interest under the Hong Kong Public Offering; or
- (c) makes or will make or may make it inadvisable, inexpedient or impracticable for any part of the Underwriting Agreement or the Hong Kong Public Offering to be performed or implemented or proceeded with as envisaged or to market the Hong Kong Public Offering or shall otherwise result in an interruption to or delay thereof; or

UNDERWRITING

- (d) has or will or may have the effect of making any part of the Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Hong Kong Public Offering or pursuant to the underwriting thereof.

UNDERTAKINGS

Undertakings by the Controlling Shareholders

- (a) Each of the Controlling Shareholders jointly and severally undertakes to and covenants with the Company, the Joint Sponsors, the Joint Lead Managers, the Underwriters and the Stock Exchange that, save as permitted under the GEM Listing Rules, he/it shall not and shall procure that the relevant registered holders and their respective associates and companies controlled by them and as nominees or trustee holding in trust for them shall not:
 - (i) in the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-month Period**”), sell, dispose of, nor enter into any agreement to dispose of or otherwise create any Encumbrances (as defined below) in respect of, any of the Shares in respect of which he/it is shown in this prospectus to be the beneficial owner(s); and
 - (ii) in the period of six months commencing on the date immediately following the date on which the First Six-month Period expires, sell, dispose of, nor enter into any agreement to dispose of or otherwise create any pledge, charge, lien, mortgage, option, restriction, right of first refusal, security interest, claim, pre-emption rights, equity interest, third-party rights or interests, or rights of the same nature as that of the foregoing or other encumbrances or security interest of any kind, or another type of preferential arrangement (including, without limitation, retention arrangement) having similar effect (“**Encumbrances**”) in respect of any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such Encumbrances, he/it would cease to be a Controlling Shareholder,

PROVIDED THAT such restrictions shall not apply to any Shares which the Controlling Shareholders or any of his/its respective associates may acquire or become interested in following the Listing Date.

- (b) Each of the Controlling Shareholders undertakes to and covenants with the Company, the Joint Sponsors, the Joint Lead Managers, the Underwriters and the Stock Exchange that:
 - (i) in the event that he/it pledges or charges any of his/its direct or indirect interest in the Shares under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules at any time during the relevant periods specified in paragraph (a) above, he/it must inform

UNDERWRITING

the Company, the Joint Sponsors, the Joint Lead Managers and Halcyon Securities immediately thereafter, disclosing the details as specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and

- (ii) having pledged or charged any of his/its interests in the Shares under paragraph (i) above, when the Controlling Shareholders receive indication, either verbal or written, from any pledgee or charged that any of the pledge or charge securities, or, interests in the securities of the Company will be sold, transferred or disposed of, he/it must immediately inform the Company and Halcyon Securities in writing of such indications.

Further undertaking by the Controlling Shareholders

On top of the “Undertakings by the Controlling Shareholders” above, the Controlling Shareholders entered into a deed of non-disposal on 9 March 2017 pursuant to which each of the Controlling Shareholders jointly and severally undertakes to the Company and the Joint Sponsors that,

- (a) in the period commencing from the date of this prospectus and ending on the date which is 30 months from the Listing Date, he/it shall not and shall procure that the relevant registered holders shall not dispose of, nor enter into any agreement to dispose of (including without limitation the creation of any options, rights, interests or encumbrances in respect of) any of the shares or other securities of the Company owned by him/it in respect of which he/it is shown by this prospectus to be the beneficial owner, if immediately following such disposal, or upon the exercise or enforcement of any such options, rights, interests or encumbrances, he/it or the relevant registered holders would, either individually or taken together, cease to be a controlling shareholder (as such term is defined in the GEM Listing Rules) of the Company; and
- (b) such undertaking shall be irrevocable unless (a) a waiver of such obligations is granted by (i) the Company and approved by the independent Shareholders (as defined in Chapter 17 of the GEM Listing Rules), and (ii) the Joint Sponsors; or (b) in the case of an individual, upon the death of such individual.

Undertaking by the Company

The Company undertakes to and covenants with the Joint Sponsors, the Joint Lead Managers, the Underwriters and the Stock Exchange, and each of the Controlling Shareholders jointly and severally undertakes to and covenants with the Joint Sponsors, the Joint Lead Managers and the Underwriters to procure that, save as pursuant to the Hong Kong Public Offering or pursuant to the Share Option Schemes, the Company shall not, within the First Six-month Period:

- (i) save as permitted under the GEM Listing Rules (including but not limited to Rule 17.29 of the GEM Listing Rules) and the applicable laws, allot or issue or agree to allot or issue any Shares or any other securities in the Company (including warrants or other convertible securities (and whether or not of a class already listed)); or

UNDERWRITING

- (ii) grant or agree to grant any options, warrants or other rights carrying any rights to subscribe for or otherwise convert into, or exchange for, any Shares or any other securities of the Company; or
- (iii) purchase any securities of the Company; or
- (iv) offer to or agree to do any of the foregoing or announce any intention to do so.

COMMISSION AND EXPENSES

The Underwriters are expected to receive a commission of 3.0% of the aggregate Offer Price of all the Offer Shares according to the arrangements of the Underwriting Agreement, out of which they will pay any sub-underwriting commissions. The Joint Sponsors will, in addition, receive a sponsorship, financial advisory and documentation fee to the Hong Kong Public Offering. The aggregate fees and commission, together with the Stock Exchange listing application fee, Stock Exchange trading fee and SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Hong Kong Public Offering, are currently estimated to be approximately HK\$15.4 million in aggregate (assuming a Offer Price of HK\$2.00, being the mid-point of the indicative Offer Price range of HK\$1.70 to HK\$2.30 and excluding the sponsorship fee to Somerley Capital as one of the Joint Sponsors), which will be borne by the Group.

JOINT SPONSORS', JOINT LEAD MANAGERS' AND UNDERWRITERS' INTERESTS IN THE COMPANY

Somerley Capital Limited does not satisfy the independence criteria applicable to sponsor as set out in Rule 6A.07 of the GEM Listing Rules since it is the Company's indirect wholly-owned subsidiary. As such, Halcyon Capital Limited has been appointed as a Joint Sponsor. Halcyon Capital Limited satisfies the independence criteria applicable to sponsor as set out in Rule 6A.07 of the GEM Listing Rules.

Following the completion of the Hong Kong Public Offering, the Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Underwriting Agreement.

Save as disclosed in this prospectus and as contemplated pursuant to the Underwriting Agreement, save as disclosed in the section headed "History and Development" in this prospectus and "Statutory and General Information" in Appendix IV to this prospectus, none of the Joint Sponsors, the Joint Lead Managers and the Underwriters and any of their directors, employees or associates has any shareholding in any member of the Group nor has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

UNDERWRITING

INDEMNITY

Each of the Company and Controlling Shareholders has agreed jointly and severally to indemnify the Joint Sponsors, the Joint Lead Managers and the Underwriters for certain losses arising from their performance of their obligations under the Underwriting Agreement and any breach by the Company or the Controlling Shareholders pursuant to the terms of the Underwriting Agreement as the case may be.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Member(s) or their affiliates if any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares); and

UNDERWRITING

- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

STRUCTURE OF THE HONG KONG PUBLIC OFFERING

OVERVIEW

This prospectus is published in connection with the Hong Kong Public Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors or other investors in Hong Kong.

PRICING AND ALLOCATION

Offer Price

The Offer Price will be not more than HK\$2.30 and is expected to be not less than HK\$1.70, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

Price payable on application

Applicants under the Hong Kong Public Offering must pay, on application, the maximum indicative Offer Price of HK\$2.30 per Offer Share plus a 1% brokerage fee, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK\$4,646.35 for one board lot of 2,000 Shares. Each Application Form includes a table showing the exact amount payable on certain numbers of Hong Kong Offer Shares. If the Offer Price as finally determined in the manner described below, is less than HK\$2.30, appropriate refund payments (including the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest. Please refer to the section headed “How to Apply for Hong Kong Offer Shares — 12. Refund of application monies” in this prospectus.

Determining the Offer Price

The Offer Price is expected to be fixed by agreement between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and the Company on the Price Determination Date, when market demand for the Hong Kong Offer Shares will be determined. The Price Determination Date is expected to be on or before Wednesday, 22 March 2017.

Reduction in Offer Price range

If, based on the level of interest expressed by prospective institutional, professional or other investors, Halcyon Securities (for itself and on behalf of the Underwriters) considers it appropriate and together with our consent, the indicative Offer Price range may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

STRUCTURE OF THE HONG KONG PUBLIC OFFERING

In such a case, the Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause there to be published on the website of the Company at www.somerleycapital.com and the website of the Stock Exchange at www.hkexnews.hk notice of the reduction in the indicative Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed “Summary” in this prospectus and any other financial information which may change as a result of such reduction. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus.

Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price Range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

If applications for the Hong Kong Offer Shares have been submitted prior to the date which is the last date for lodging applications under the Hong Kong Public Offering, such applications can be subsequently withdrawn if the number of the Hong Kong Offer Shares and/or the indicative Offer Price Range is/are so reduced.

Announcement of final Offer Price and basis of allocations

The applicable final Offer Price and the basis of allocations of the Hong Kong Offer Shares are expected to be announced on Monday, 27 March 2017 on the website of the Company at www.somerleycapital.com and the website of the Stock Exchange at www.hkexnews.hk.

Results of allocations in the Hong Kong Public Offering, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Hong Kong Offer Shares successfully applied for under **WHITE** and **YELLOW** Application Forms, or by giving **electronic application instructions** to HKSCC, will be made available through a variety of channels as described in the section headed “How to Apply for Hong Kong Offer Shares — 10. Publication of results” in this prospectus.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional upon, among other things:

- the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Hong Kong Public Offering (including the Shares which may be made available pursuant to the Capitalisation Issue and any Shares which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Schemes);

STRUCTURE OF THE HONG KONG PUBLIC OFFERING

- the Offer Price having been duly agreed on or before the Price Determination Date; and
- the obligations of the Underwriters under the Underwriting Agreement having become unconditional and not having been terminated in accordance with their respective terms,

in each case on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Hong Kong Public Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will cause to be published by us on the website of the Company at www.somerleycapital.com and the website of the Stock Exchange at www.hkexnews.hk on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares — 12. Refund of application monies” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Hong Kong Offer Shares are expected to be issued on Monday, 27 March 2017 but will only become valid certificates of title at 8:00 a.m. on Tuesday, 28 March 2017, provided that (i) the Hong Kong Public Offering has become unconditional in all respects; and (ii) the right of termination as described in the section headed “Underwriting — Underwriting arrangements — Grounds for Termination” in this prospectus has not been exercised.

THE HONG KONG PUBLIC OFFERING

Number of Shares offered

The Company is offering 35,000,000 Shares at the Offer Price for subscription by the public in Hong Kong. The number of Shares offered under the Hong Kong Public Offering will represent approximately 25.9% of the total issued share capital of the Company immediately after completion of the Hong Kong Public Offering and the Capitalisation Issue. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional, professional investors or other investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Hong Kong Public Offering is subject to the conditions set out in the paragraph headed “Conditions of the Hong Kong Public Offering” above.

STRUCTURE OF THE HONG KONG PUBLIC OFFERING

Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Share.

The total number of Hong Kong Offer Shares being offered for subscription under the Hong Kong Public Offering will be divided equally into two pools: Pool A and Pool B. Each of Pool A and Pool B will comprise 17,500,000 Hong Kong Offer Shares, both of which are available on a fair basis to successful applicants. All valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Hong Kong Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or between pools will be rejected. No application will be accepted from applicants for more than 17,500,000 Hong Kong Offer Shares.

Applications

Halcyon Securities (for itself and on behalf of the Underwriters) may require any investor who has made an application under the Hong Kong Public Offering to provide sufficient information to Halcyon Securities so as to allow it to identify the relevant applications under the Hong Kong Public Offering.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of

STRUCTURE OF THE HONG KONG PUBLIC OFFERING

commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, 28 March 2017, it is expected that dealings in the Shares on GEM will commence at 9:00 a.m. on Tuesday, 28 March 2017. The Shares will be traded in board lots of 2,000 Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, Halcyon Securities and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the Securities Act); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Company and Halcyon Securities may accept it at its discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four.

Unless permitted by the GEM Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- a core connected person (as defined in the GEM Listing Rules) of the Company or will become a connected person or a core connected person of the Company immediately upon completion of the Hong Kong Public Offering; and

HOW TO APPLY FOR HONG KONG OFFER SHARES

- a close associate (as defined in the GEM Listing Rules) of any of the above.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 15 March 2017 to 12:00 noon on Monday, 20 March 2017 from:

- (i) the office of the Underwriters:

Ballas Capital Limited	Unit 1802, 18th Floor 1 Duddell Street Central Hong Kong
GF Securities (Hong Kong) Brokerage Limited	29th and 30th Floor Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Haitong International Securities Company Limited	22nd Floor Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Halcyon Securities Limited	11th Floor 8 Wyndham Street Central Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

(ii) any of the following branches of the receiving bank:

Standard Chartered Bank (Hong Kong) Limited

	Branch name	Address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4–4A Des Voeux Road Central, Central
	Aberdeen Branch	Shop 4A, G/F and Shop 1, 1/F, Aberdeen Centre Site 5, No. 6–12 Nam Ning Street, Aberdeen
Kowloon	Kwun Tong Branch	G/F, 414 Kwun Tong Road, Kowloon
	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617–623 Nathan Road, Mongkok
New Territories	Shatin Plaza Branch	Shop No. 8, Shatin Plaza, 21–27 Shatin Centre Street, Shatin

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 15 March 2017 until 12:00 noon on Monday, 20 March 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**HORSFORD NOMINEES LIMITED — SOMERLEY CAPITAL PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- 9:00 a.m. to 5:00 p.m., Wednesday, 15 March 2017
- 9:00 a.m. to 5:00 p.m., Thursday, 16 March 2017
- 9:00 a.m. to 5:00 p.m., Friday, 17 March 2017
- 9:00 a.m. to 1:00 p.m., Saturday, 18 March 2017
- 9:00 a.m. to 12:00 noon, Monday, 20 March 2017

HOW TO APPLY FOR HONG KONG OFFER SHARES

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 20 March 2017, the last application day or such later time as described in the paragraph headed “9. Effect of Bad Weather on the Opening of the Application Lists” in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Joint Lead Managers (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Cayman Companies Law, Companies Ordinance, the Companies (Winding up and Miscellaneous Provisions) Ordinance, the Memorandum of Association and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Hong Kong Public Offering in this prospectus;
- (vi) agree that none of the Company, the Joint Sponsors, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Hong Kong Public Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) agree to disclose to the Company, the Hong Kong Share Registrar, receiving bank, the Joint Sponsors, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (viii) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Sponsors, the Joint Lead Managers and the Underwriters nor any of their respective officers or

HOW TO APPLY FOR HONG KONG OFFER SHARES

advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

- (ix) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (x) agree that your application will be governed by the laws of Hong Kong;
- (xi) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S under the Securities Act) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S under the Securities Act;
- (xii) warrant that the information you have provided is true and accurate;
- (xiii) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xiv) authorise the Company to place your name(s) or the name of HKSCC Nominees on its register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application (unless you are eligible and have chosen to collect the share certificate(s) and/or refund cheque(s) in person);
- (xv) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvi) understand that the Company, the Directors, the Joint Sponsors and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xvii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by any one as your agent or by any other person; and

HOW TO APPLY FOR HONG KONG OFFER SHARES

(xviii) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, Halcyon Securities and our Hong Kong Share Registrar.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that the Company, the Directors, the Joint Sponsors and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree that none of the Company, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Hong Kong Public Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, the Hong Kong Share Registrar, receiving bank, the Joint Sponsors, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of

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the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- 9:00 a.m. to 8:30 p.m.⁽¹⁾, Wednesday, 15 March 2017
- 8:00 a.m. to 8:30 p.m.⁽¹⁾, Thursday, 16 March 2017
- 8:00 a.m. to 8:30 p.m.⁽¹⁾, Friday, 17 March 2017

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- 8:00 a.m.⁽¹⁾ to 12:00 noon, Monday, 20 March 2017

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 am on Wednesday, 15 March 2017 until 12:00 noon on Monday, 20 March 2017 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, 20 March 2017, the last application day or such later time as described in the paragraph headed “9. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bank, the Joint Sponsors, Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Sponsors, Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, 20 March 2017.

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

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“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

8. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the paragraph headed “Pricing and Allocation” under the section headed “Structure of the Hong Kong Public Offering” in this prospectus.

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 am and 12:00 noon on Monday, 20 March 2017. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 am and 12:00 noon.

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If the application lists do not open and close on Monday, 20 March 2017 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

The Company expects to announce (i) the final Offer Price; (ii) the level of applications in respect of the Hong Kong Public Offering; and (iii) the basis of allotment of the Hong Kong Offer Shares under the Hong Kong Public Offering on Monday, 27 March 2017 on the Company’s website at www.somerleycapital.com and on the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company’s website at www.somerleycapital.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 8:00 a.m. on Monday, 27 March 2017;
- from the designated results of allocations website at www.unioniporeresults.com.hk with a “search by ID” function on a 24-hour basis from 8:00 am on Monday, 27 March 2017 to 12:00 midnight on Sunday, 2 April 2017;
- by telephone enquiry line by calling +852 3443 6133 between 9:00 am and 6:00 pm from Monday, 27 March 2017 to Thursday, 30 March 2017 on a Business Day; and
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, 27 March 2017 to Wednesday, 29 March 2017 at all the receiving bank designated branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Hong Kong Public Offering are satisfied and the Hong Kong Public Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Hong Kong Public Offering” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

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11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Sponsors, the Joint Lead Managers and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or

HOW TO APPLY FOR HONG KONG OFFER SHARES

- within a longer period of up to six weeks if the Stock Exchange notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreement does not become unconditional or is terminated;
- the Company or Halcyon Securities believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares offered under the Hong Kong Public Offering.

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$2.30 (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the paragraph headed "Conditions of the Hong Kong Public Offering" under the section headed "Structure of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Monday, 27 March 2017.

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

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No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on Monday, 27 March 2017. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Hong Kong Public Offering has become unconditional and the right of termination described in the “Underwriting” section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or prior to the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) *If you apply using a WHITE Application Form*

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) in person from the Hong Kong Share Registrar, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong, from 9:00 am to 1:00 pm on Monday, 27 March 2017 or such other date as announced by us.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Monday, 27 March 2017, by ordinary post and at your own risk.

(ii) *If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above for collection of refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Monday, 27 March 2017, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, 27 March 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 27 March 2017 or any other date as determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) *If you apply via electronic application instructions to HKSCC*

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, 27 March 2017, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Monday, 27 March 2017. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 27 March 2017 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, 27 March 2017. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the

HOW TO APPLY FOR HONG KONG OFFER SHARES

number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, 27 March 2017.

14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountant, SHINEWING (HK) CPA Limited.



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

15 March 2017

The Directors

Somerley Capital Holdings Limited

Somerley Capital Limited

Halcyon Capital Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information (the “Financial Information”) regarding Somerley Capital Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the two years ended 31 March 2015 and 2016 and the six months ended 30 September 2016 (the “Track Record Period”) for inclusion in the prospectus of the Company dated 15 March 2017 (the “Prospectus”) in connection with the proposed initial listing of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated in the Cayman Islands on 21 April 2016 as an exempted company with limited liability under the Companies Law (as Revised) of the Cayman Islands. Pursuant to a group reorganisation as detailed in the section headed “History and Development” to the Prospectus (the “Reorganisation”) which was completed on 9 March 2017, the Company became the holding company of the companies now comprising the Group, details of which are set out below. The Company has not carried out any business since the date of its incorporation.

As at 31 March 2015 and 2016 and 30 September 2016, and up to the date of this report, 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			At the date of this report	Principal activities
			31 March 2015	30 September 2016	30 September 2016		
Somerley Capital Limited (“Somerley Capital”)	Hong Kong 3 January 2013	HK\$10,000,000	100%	100%	90.45%	100%	Provision of corporate finance advisory services
Somerley (BVI) Limited (“Somerley BVI”)	British Virgin Islands 22 April 2016	HK\$1	N/A	N/A	100%	100%	Investment holding

All of the above subsidiaries and the Company now comprising the Group have adopted 31 March as their financial year end date.

As at the date of this report, no statutory audited financial statements have been prepared for the Company and Somerley BVI since their respective dates of incorporation as there are no such statutory requirement under the relevant rules and regulations in their jurisdictions of incorporation. For the purpose of this report, we have, however, reviewed all the relevant transactions of these companies since their respective dates of incorporation to 30 September 2016 and carried out such procedures as we considered necessary for inclusion of the Financial Information relating to these companies in the Financial Information.

The statutory audited financial statements of Somerley Capital for the two years ended 31 March 2015 and 2016 and the six months ended 30 September 2016 were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and were audited by SHINEWING (HK) CPA Limited, certified public accountants registered in Hong Kong.

BASIS OF PREPARATION

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Company and its subsidiaries now comprising the Group for the Track Record Period in accordance with HKFRSs issued by the HKICPA (the “Underlying Financial Statements”). We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA for the Track Record Period.

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements on the basis set out in note 2 of Section A below, with no adjustments thereto, and in accordance with the applicable disclosures provisions required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”) and by the Hong Kong Companies Ordinance.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND REPORTING ACCOUNTANT

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the applicable disclosure provisions required by the GEM Listing Rules 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 the Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to form an independent opinion on the Financial Information based on our procedures and to report our opinion thereon to you.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate procedures as we considered necessary in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

We have not audited any financial statements of the Company and its subsidiaries in respect of any period subsequent to 30 September 2016.

OPINION

In our opinion, for the purpose of this report, and on the basis of preparation set out in note 2 of Section A below, the Financial Information gives a true and fair view of the financial position of the Group as at 31 March 2015 and 2016 and 30 September 2016, of the financial position of the Company as at 30 September 2016 and of the financial performance and combined cash flows of the Group for each of the two years ended 31 March 2015 and 2016 and the six months ended 30 September 2016.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

The combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement of cash flows of the Group for the six months ended 30 September 2015 together with the notes thereon (the “September 2015 Financial Information”) have been extracted from the Group’s unaudited combined financial information for the same period, which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the September 2015 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. Our review of the September 2015 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical procedures and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the September 2015 Financial Information.

Based on our review, nothing has come to our attention that causes us to believe that the September 2015 Financial Information is not prepared, in all material aspects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

A. FINANCIAL INFORMATION

Combined Statements of Profit or Loss and Other Comprehensive Income

	<i>Notes</i>	<u>Year ended 31 March</u>		<u>Six months ended 30 September</u>	
		<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
		<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
				(Unaudited)	
Revenue	9	78,175	67,945	32,008	30,027
Other income	10	<u>3,850</u>	<u>3,626</u>	<u>1,787</u>	<u>1,531</u>
		82,025	71,571	33,795	31,558
Employee benefits costs		(47,958)	(45,565)	(23,111)	(25,820)
Depreciation for property and equipment		(2,700)	(891)	(789)	(123)
Introduction expenses		(700)	(1,604)	(766)	(608)
Other operating expenses		<u>(8,848)</u>	<u>(12,028)</u>	<u>(4,611)</u>	<u>(9,762)</u>
Profit (loss) before tax	11	21,819	11,483	4,518	(4,755)
Income tax expense	12	<u>(3,621)</u>	<u>(2,184)</u>	<u>(786)</u>	<u>(958)</u>
Profit (loss) and total comprehensive income (expense) for the year/ period attributable to the owners of the Company		<u>18,198</u>	<u>9,299</u>	<u>3,732</u>	<u>(5,713)</u>
Earnings per share	16	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Combined Statements of Financial Position

	<i>Notes</i>	The Group		The Company	
		As at 31 March		As at 30 September	
		2015	2016	2016	2016
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Investment in a subsidiary	25	—	—	—	—
Property and equipment	17	1,486	628	805	—
Deferred tax asset	18	30	131	93	—
		<u>1,516</u>	<u>759</u>	<u>898</u>	<u>—</u>
Current assets					
Trade receivables	19	7,955	7,529	6,320	—
Prepayments, deposits and other receivables	19	169	639	2,225	—
Amount due from ultimate holding company	22	—	—	100	100
Amount due from immediate holding company	22	—	—	—	—
Tax recoverable		—	506	516	—
Cash and cash equivalents	20	41,762	35,881	20,757	—
		<u>49,886</u>	<u>44,555</u>	<u>29,918</u>	<u>100</u>
Current liabilities					
Other payables and accruals	21	16,041	17,501	4,261	—
Amount due to a fellow subsidiary	22	309	489	395	—
Amount due to ultimate holding company	22	617	617	—	—
Amount due to a subsidiary	22	—	—	—	—
Tax payable		3,120	—	—	—
		<u>20,087</u>	<u>18,607</u>	<u>4,656</u>	<u>—</u>
Net current assets		<u>29,799</u>	<u>25,948</u>	<u>25,262</u>	<u>100</u>
Total assets less current liabilities		<u>31,315</u>	<u>26,707</u>	<u>26,160</u>	<u>100</u>
Non-current liability					
Provision for long service payment	23	189	282	312	—
Net assets		<u>31,126</u>	<u>26,425</u>	<u>25,848</u>	<u>100</u>
Capital and reserves					
Share capital	24	10,000	10,000	10,100	100
Reserves		21,126	16,425	15,748	—
Total equity		<u>31,126</u>	<u>26,425</u>	<u>25,848</u>	<u>100</u>

Combined Statements of Changes in Equity

	Attributable to the owners of the Company				
	Share capital	Retained profits	Shareholder contribution	Share option reserves	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2014	10,000	2,928	—	—	12,928
Profit and total comprehensive income for the year	—	18,198	—	—	18,198
At 31 March 2015 and 1 April 2015	10,000	21,126	—	—	31,126
Profit and total comprehensive income for the year	—	9,299	—	—	9,299
Dividends recognised as distribution (note 15)	—	(14,000)	—	—	(14,000)
At 31 March 2016 and 1 April 2016	10,000	16,425	—	—	26,425
Loss and total comprehensive expenses for the period	—	(5,713)	—	—	(5,713)
Issue of shares to ultimate holding company	100	—	—	—	100
Recognition of equity-settled share-based payments (note 31)	—	—	—	857	857
Contribution from shareholder (note 31)	—	—	4,179	—	4,179
At 30 September 2016	<u>10,100</u>	<u>10,712</u>	<u>4,179</u>	<u>857</u>	<u>25,848</u>
At 1 April 2015	10,000	21,126	—	—	31,126
Profit and total comprehensive income for the period	—	3,732	—	—	3,732
Dividends recognised as distribution (note 15)	—	(6,000)	—	—	(6,000)
At 30 September 2015 (Unaudited)	<u>10,000</u>	<u>18,858</u>	<u>—</u>	<u>—</u>	<u>28,858</u>

Combined Statements of Cash Flows

	Year ended 31 March		Six months ended 30 September	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
OPERATING ACTIVITIES				
Profit (loss) before tax	21,819	11,483	4,518	(4,755)
Adjustments for:				
Depreciation of property and equipment	2,700	891	789	123
(Reversal of provision) provision for long service payment	(8)	93	118	30
Bad debt expenses in respect of trade receivables	—	1,300	—	—
Share-based payment expenses	—	—	—	5,036
Operating cash flows before movements in working capital	24,511	13,767	5,425	434
(Increase) decrease in trade receivables	(1,211)	(874)	23	1,209
Decrease (increase) in prepayments, deposits and other receivables	64	(470)	(165)	(1,586)
Increase (decrease) in other payables and accruals	14,556	(6,540)	(8,933)	(5,240)
(Decrease) increase in amount due to a fellow subsidiary	(3,590)	180	754	(94)
Cash generated from (used in) operations	34,330	6,063	(2,896)	(5,277)
Hong Kong profits tax paid	(1,151)	(5,911)	—	(930)
NET CASH FROM (USED IN)				
OPERATING ACTIVITIES	<u>33,179</u>	<u>152</u>	<u>(2,896)</u>	<u>(6,207)</u>
NET CASH USED IN INVESTING				
ACTIVITY				
Purchase of property and equipment	<u>(4,130)</u>	<u>(33)</u>	<u>(9)</u>	<u>(300)</u>

	Year ended 31 March		Six months ended 30 September	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
FINANCING ACTIVITIES				
Dividends paid	—	(6,000)	(6,000)	(8,000)
Decrease in amount due to ultimate holding company	—	—	—	(617)
NET CASH USED IN FINANCING ACTIVITIES	—	(6,000)	(6,000)	(8,617)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	29,049	(5,881)	(8,905)	(15,124)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR/PERIOD	12,713	41,762	41,762	35,881
CASH AND CASH EQUIVALENTS AT THE END OF YEAR/PERIOD, represented by bank balances and cash	41,762	35,881	32,857	20,757

NOTES TO THE FINANCIAL INFORMATION**1. GENERAL**

The Company was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 21 April 2016 in preparation for the listing of the Company's shares on the Growth Enterprise Market of the Stock Exchange. Its parent is Somerley Group Limited ("SGL") and its ultimate beneficial owners during the Track Record Period are Mr. SABINE Martin Nevil, Mr. CHEUNG Tei Sing Jamie, Mr. FLETCHER John Wilfred Sword and Ms. FONG Sau Man Cecilia.

The addresses of the registered office and the principal place of business of the Company are stated in the "Corporate Information" section of the Prospectus.

The Group's major operating subsidiary is mainly engaged in the provision of corporate finance advisory services. Particulars of the companies comprising the Group have been set out in the foregoing section.

The Financial Information is presented in Hong Kong Dollars ("HK\$"), which is also the functional currency of the Company.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 9 March 2017. The Group, comprising the Company and its subsidiaries, resulting from the Reorganisation, was directly and/or beneficially owned by the same ultimate beneficial owners before and after the Reorganisation. Amongst the ultimate beneficial owners, Mr. SABINE Martin Nevil, Mr. CHEUNG Tei Sing Jamie and Mr. FLETCHER John Wilfred Sword are regarded as Controlling Shareholders of the Group.

As such, this Reorganisation is effectively interspersing a shell company over the subsidiaries and there was a continuation of risks and benefits to the ultimate beneficial owners. Accordingly, the Reorganisation has been accounted for as a combination of entities and business and the Financial Information of the Group has been prepared on the combined basis as if the Company had always been the holding company of the companies comprising the Group throughout the Track Record Period.

The combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows included the results and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the Track Record Period. The combined statements of financial position of the Group as at 31 March 2015 and 2016 and 30 September 2016 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at those dates.

3. APPLICATION OF NEW AND REVISED HKFRS

For the purpose of preparing and presenting the Financial Information of the Track Record Period, the Group has consistently adopted all the new and revised Hong Kong Accounting Standards ("HKASs"), HKFRSs, amendments and interpretations (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the HKICPA which are effective for the accounting periods beginning on 1 April 2015 throughout the Track Record Period.

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

HKFRS 9 (2014)	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ⁴
Amendments to HKAS 7	Disclosure Initiative ¹
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ²
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contract ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 15	Clarification to HKFRS 15 ²

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

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

³ Effective date not yet been determined.

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

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

HKFRS 9 (2014) Financial Instruments

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

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

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

financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.
- HKFRS 9 (2014) introduces a new model which is more closely aligned hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

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

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

HKFRS 15 Revenue from Contracts with Customers

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

- (i) Identify the contract with the customer;
- (ii) Identify the performance obligations in the contract;
- (iii) Determine the transaction price;
- (iv) Allocate the transaction price to the performance obligations; and
- (v) Recognise revenue when (or as) the entity satisfies a performance obligation.

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

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

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

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

HKFRS 16 Leases

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

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

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

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

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

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

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

HKFRS 2 Classification and Measurement of Share-based Payment Transactions

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared under the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for services.

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

The principal accounting policies are set out below.

Basis of combination

The Financial Information incorporates the financial statements of the entities to be controlled by the Company upon the Reorganisation. Control is achieved when the Company:

- has the 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 stated above.

Combination 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 combined statements 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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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 combination.

Merger accounting for business combination involving entities under common control

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

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

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

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

Revenue recognition

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

- corporate finance advisory service fee income, when the underlying services have been rendered or the underlying transactions have been completed, in accordance with the terms of service agreement
- 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 combined statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

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

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/loss before tax” as reported in the combined statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

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

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

Foreign currencies

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

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

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

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

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

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

Share-based payment transactions***Equity-settled share-based payment transactions******Share options granted to employees***

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

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

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

Shares transferred from shareholder to employees

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

Cash and cash equivalents

Cash in the combined statements 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 combined statements 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.

Financial instruments

Financial assets and financial liabilities are recognised in the combined statements 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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into 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.

Loans and receivables

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

The Group's financial liabilities are classified into other financial liabilities including other payables, amount due to ultimate holding company, amount due to a fellow subsidiary and amount due to a subsidiary 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 and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4 above, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key source of estimation uncertainty

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

Impairment loss on trade receivables

The policy for making impairment loss on trade and other receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss may be required. As at 31 March 2015, 2016 and 30 September 2016, the carrying amounts of the trade receivables were

approximately HK\$7,955,000, HK\$7,529,000 and HK\$6,320,000 respectively while the carrying amount of prepayments, deposits and other receivables were approximately HK\$169,000, HK\$639,000 and HK\$2,225,000 respectively. No impairment allowance had been recognised during the Track Record Period. More details are given in note 19.

Useful lives and impairment of property and equipment

Property and equipment are stated at cost less accumulated depreciation and identified impairment losses. The estimation of useful lives impacts the level of annual depreciation expenses recorded. Property and equipment are evaluated for possible impairment on specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the relevant asset's carrying amount is written down to the recoverable amount and the amount of the write-down is charged against the combined statement of profit or loss. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2015 and 2016 and 30 September 2016, the carrying amounts of property and equipment were approximately HK\$1,486,000, HK\$628,000 and HK\$805,000 respectively. No impairment had been recognised during the Track Record Period.

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 2015 and 2016 and 30 September 2016, the carrying amounts of long service payment obligations were approximately HK\$189,000, HK\$282,000 and HK\$312,000 respectively.

Equity settled share-based payments

The Group measures the costs of equity-settled transactions with its directors, employees and consultant by reference to the fair value of the equity instruments at the date at which they are granted. Estimating the fair value for share-based payments requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the options, volatility and dividend yield and making assumptions about them. The assumptions and models used for the estimation of the fair value for share-based payments are disclosed in note 31. At 31 March 2015 and 2016 and 30 September 2016, the balance of share option reserves of the Group were approximately nil, nil and HK\$857,000 respectively. As at 31 March 2015 and 2016 and 30 September 2016, the balance of shareholder contribution of the Group were approximately nil, nil and HK\$4,179,000 respectively.

6. CAPITAL RISK MANAGEMENT

Capital comprises of share capital and reserves stated in the Group's statement of financial positions. 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 Company manages 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 is subject to externally imposed capital requirements. Somerley Capital is regulated by the Securities and Futures Commission ("SFC") and is required to comply with certain minimum capital requirements according to the Securities and Futures Ordinance.

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

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Categories of financial instruments

	<u>At 31 March</u>		<u>At</u> <u>30 September</u>
	<u>2015</u>	<u>2016</u>	<u>2016</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Financial assets			
Loans and receivables (including cash and cash equivalents)	<u>49,726</u>	<u>43,410</u>	<u>27,184</u>
Financial liabilities			
Financial liabilities at amortised cost	<u>16,754</u>	<u>18,348</u>	<u>4,516</u>

(b) Financial risk management objectives and policies

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

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

(i) Credit risk

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

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

The Group has concentration of credit risk on trade receivables arising from corporate finance advisory services. As at 31 March 2015 and 2016 and 30 September 2016, the top two, top three and top two trade receivables of the Group from corporate finance advisory services constituted approximately 48%, 52% and 37% of the entire balance respectively.

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

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

(ii) Interest rate risk

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

The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider other necessary action when 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 short-term maturities, hence, 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 Track Record Period, the Group's transactions were mainly in Hong Kong dollars and United States dollars. As Hong Kong dollars were pegged to United States dollars, the Group's exposure to the currency risk is considered minimal.

(iv) Liquidity risk

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

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

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

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

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

8. SEGMENT INFORMATION

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

Information about major customers

Revenue from major customers, each of them accounted for 10% or more of the Group's revenue, are set out below:

	<u>Year ended 31 March</u>		<u>Six months ended 30 September</u>	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u> (Unaudited)	<u>HK\$'000</u>
Customer A	10,007	N/A	N/A	N/A
Customer B	<u>8,455</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

No customer accounted for 10% or more of the Group's revenue for the year ended 31 March 2016 and the six months ended 30 September 2015 and 2016.

9. REVENUE

Revenue represented revenue arising on provision of corporate finance advisory service during the Track Record Period.

	<u>Year ended 31 March</u>		<u>Six months ended 30 September</u>	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u> (Unaudited)	<u>HK\$'000</u>
Fee income from acting as financial adviser	32,347	24,242	14,071	7,390
Fee income from acting as independent financial adviser	33,921	31,756	12,630	17,274
Fee income from acting as compliance adviser	11,277	11,023	4,907	5,271
Others	<u>630</u>	<u>924</u>	<u>400</u>	<u>92</u>
	<u>78,175</u>	<u>67,945</u>	<u>32,008</u>	<u>30,027</u>

10. OTHER INCOME

	Year ended 31 March		Six months ended 30 September	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Exchange gain	—	2	—	—
Management fee income from a fellow subsidiary	3,849	3,623	1,786	1,530
Others	1	1	1	1
	<u>3,850</u>	<u>3,626</u>	<u>1,787</u>	<u>1,531</u>

11. PROFIT (LOSS) BEFORE TAX

	Year ended 31 March		Six months ended 30 September	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Profit (loss) for the year/period has been arrived at after charging (crediting):				
Directors' emoluments (<i>note 13</i>)				
Fees	—	—	—	—
Other emoluments	16,120	11,690	4,539	4,872
Share-based payments	—	—	—	2,310
Contributions to retirement benefits scheme (<i>note</i>)	36	36	18	18
	<u>16,156</u>	<u>11,726</u>	<u>4,557</u>	<u>7,200</u>
Other staff costs	31,334	33,215	18,164	15,613
(Reversal of provision) provision for long service payment	(8)	93	118	30
Share-based payments	—	—	—	2,726
Contributions to retirement benefits schemes, excluding directors (<i>note</i>)	<u>476</u>	<u>531</u>	<u>272</u>	<u>251</u>
Total staff costs	47,958	45,565	23,111	25,820
Auditor's remuneration	200	245	125	113
Foreign exchange difference, net	21	—	1	2
Bad debt expenses in respect of trade receivables	—	1,300	—	—
Listing expenses	—	1,241	—	4,391
Operating lease rental payments for rented premises	<u>4,330</u>	<u>4,962</u>	<u>2,433</u>	<u>2,682</u>

Note: The Group operates a mandatory provident fund scheme (the “MPF Scheme”) for all qualifying employees in Hong Kong. The assets of the MPF Schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs capped at HK\$1,500 (HK\$1,250 prior to June 2014) per month to MPF Scheme, which contribution is matched by employees.

12. INCOME TAX EXPENSE

	Year ended 31 March		Six months ended 30 September	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Current tax:				
Hong Kong	3,722	2,305	884	920
Tax exemption for the year	(20)	(20)	—	—
Over provision in prior year	(51)	—	—	—
Deferred taxation (<i>note 18</i>)	(30)	(101)	(98)	38
	<u>3,621</u>	<u>2,184</u>	<u>786</u>	<u>958</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits during the Track Record Period.

The income tax expense for the two years ended 31 March 2015 and 2016 and the six months ended 30 September 2016 can be reconciled to the profit (loss) before tax per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March		Six months ended 30 September	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Profit (loss) before tax	<u>21,819</u>	<u>11,483</u>	<u>4,518</u>	<u>(4,755)</u>
Tax at domestic income tax rate of				
16.5% (2015: 16.5%)	3,600	1,895	745	(785)
Tax effect of expenses not deductible	83	309	41	1,743
Over provision in respect of prior year	(51)	—	—	—
Tax effect of tax exemption granted	(20)	(20)	—	—
Others	<u>9</u>	<u>—</u>	<u>—</u>	<u>—</u>
Income tax expense for the year/period	<u>3,621</u>	<u>2,184</u>	<u>786</u>	<u>958</u>

Tax exemptions represented reduction of Hong Kong Profits Tax for the year of assessment of 2014/2015 and 2015/2016 by 75%, subject to a ceiling of HK\$20,000 per case.

Details for deferred taxation are set out in note 18.

13. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the directors of the Company (including emoluments for services provided as employee/directors of the group entities prior to becoming the directors of the Company) during the Track Record Period were as follows:

Year ended 31 March 2015

	Fees	Salaries, commissions and other allowances	Discretionary bonus (i)	Retirement benefits scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Executive directors (ii):</i>					
Mr. SABINE Martin Nevil	—	3,456	1,424	—	4,880
Mr. CHOW Wai Hung Kenneth	—	2,460	3,720	18	6,198
Mr. CHEUNG Tei Sing Jamie	—	2,460	2,600	18	5,078
	—	8,376	7,744	36	16,156

Year ended 31 March 2016

	Fees	Salaries, commissions and other allowances	Discretionary bonus (i)	Retirement benefits scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Executive directors (ii):</i>					
Mr. SABINE Martin Nevil	—	3,710	600	—	4,310
Mr. CHOW Wai Hung Kenneth	—	2,739	1,295	18	4,052
Mr. CHEUNG Tei Sing Jamie	—	2,739	607	18	3,364
	—	9,188	2,502	36	11,726

Six months ended 30 September 2015

	Fees	Salaries, commissions and other allowances	Discretionary bonus (i)	Retirement benefits scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)
<i>Executive directors (ii):</i>					
Mr. SABINE Martin Nevil	—	1,833	—	—	1,833
Mr. CHOW Wai Hung Kenneth	—	1,353	—	9	1,362
Mr. CHEUNG Tei Sing Jamie	—	1,353	—	9	1,362
	—	4,539	—	18	4,557

Six months ended 30 September 2016

	Fees	Salaries, commissions and other allowances	Discretionary Bonus(i)	Retirement benefits scheme contributions	Share-based payments	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Executive directors (ii):</i>						
Mr. SABINE Martin						
Nevil	—	1,968	—	—	—	1,968
Mr. CHOW Wai Hung						
Kenneth	—	1,452	—	9	1,719	3,180
Mr. CHEUNG Tei Sing						
Jamie	—	1,452	—	9	591	2,052
	—	4,872	—	18	2,310	7,200

Notes:

- (i) The discretionary bonus is determined based on the financial results of the subsidiary.
- (ii) Mr. SABINE Martin Nevil, Mr. CHOW Wai Hung Kenneth and Mr. CHEUNG Tei Sing Jamie were appointed as directors of the Company on 21 April 2016, they were redesignated as executive directors of the Company on 21 April 2016.
- (iii) During the two years ended 31 March 2015 and 2016 and the six months ended 30 September 2016, no director has been appointed as chief executive of the Company.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, include three directors of the Company whose emoluments are included in note 13 above for each of the two years ended 31 March 2015 and 2016 and the six months ended 30 September 2016. The emoluments of the remaining two individuals for the Track Record Period were as follows:

	Year ended 31 March		Six months ended 30 September	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries, allowances, and other benefits	2,898	3,150	1,556	1,674
Discretionary bonuses	2,474	1,675	—	—
Share-based payments	—	—	—	688
Contributions to defined contribution retirement benefits scheme	35	36	18	18
	5,407	4,861	1,574	2,380

Their emoluments were within the following bands:

	Year ended 31 March		Six months ended 30 September	
	2015	2016	2015	2016
	Number of employees	Number of employees	Number of employees (Unaudited)	Number of employees
Nil to HK\$1,000,000	—	—	2	—
HK\$1,000,001 to HK\$2,000,000	—	—	—	2
HK\$2,000,001 to HK\$3,000,000	1	2	—	—
HK\$3,000,001 to HK\$4,000,000	1	—	—	—

During the two years ended 31 March 2015 and 2016 and the six months ended 30 September 2016, no emoluments were paid by the Group to the five highest paid individual as an inducement to join or upon joining the Group, or as compensation for loss of office.

15. DIVIDENDS

	Year ended 31 March		Six months ended 30 September	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
2015 Final, paid — HK60 cents per share	—	6,000	6,000	—
2016 Interim, paid — HK80 cents per share	—	8,000	—	—
	—	14,000	6,000	—

A final dividend in respect of the year ended 31 March 2015 of HK\$6,000,000 declared and fully paid by Somerley Capital on 31 July 2015 and 31 August 2015, respectively. During the year ended 31 March 2016, HK\$8,000,000 interim dividend has been declared and fully paid by Somerley Capital on 23 March 2016 and 11 May 2016, respectively.

The rate of dividends and the number of shares ranking for the above dividends are not presented as such information is not meaningful having regard to the purpose of this report.

No dividend was paid or proposed subsequent to the end of the reporting period and up to the date of this report.

16. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results of each of the two years ended 31 March 2015 and 2016 and the six months ended 30 September 2016 on a combined basis as disclosed in note 2 of Section A above.

17. PROPERTY AND EQUIPMENT

	<u>Leasehold improvements</u>	<u>Furniture and equipment</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000
COST			
At 1 April 2014	—	57	57
Additions for the year	<u>3,116</u>	<u>1,014</u>	<u>4,130</u>
At 31 March 2015 and 1 April 2015	3,116	1,071	4,187
Additions for the year	<u>—</u>	<u>33</u>	<u>33</u>
At 31 March 2016 and 1 April 2016	3,116	1,104	4,220
Additions for the period	<u>—</u>	<u>300</u>	<u>300</u>
At 30 September 2016	<u><u>3,116</u></u>	<u><u>1,404</u></u>	<u><u>4,520</u></u>
ACCUMULATED DEPRECIATION			
At 1 April 2014	—	1	1
Charged for the year	<u>2,453</u>	<u>247</u>	<u>2,700</u>
At 31 March 2015 and 1 April 2015	2,453	248	2,701
Charged for the year	<u>663</u>	<u>228</u>	<u>891</u>
At 31 March 2016	3,116	476	3,592
Charged for the period	<u>—</u>	<u>123</u>	<u>123</u>
At 30 September 2016	<u><u>3,116</u></u>	<u><u>599</u></u>	<u><u>3,715</u></u>
CARRYING VALUES			
At 31 March 2015	<u><u>663</u></u>	<u><u>823</u></u>	<u><u>1,486</u></u>
At 31 March 2016	<u><u>—</u></u>	<u><u>628</u></u>	<u><u>628</u></u>
At 30 September 2016	<u><u>—</u></u>	<u><u>805</u></u>	<u><u>805</u></u>

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%

18. DEFERRED TAX ASSET

The movement in deferred tax asset during the Track Record Period is as follows:

	Depreciation in excess of related depreciation allowance
	HK\$'000
At 1 April 2014	—
Deferred tax credited to profit or loss	<u>30</u>
At 31 March 2015 and 1 April 2015	30
Deferred tax credited to profit or loss	<u>101</u>
At 31 March 2016 and 1 April 2016	<u>131</u>
Deferred tax debited to profit or loss	<u>(38)</u>
At 30 September 2016	<u><u>93</u></u>

19. TRADE RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group's trade receivables arose from provision of corporate finance advisory services during the Track Record Period.

	At 31 March 2015	At 31 March 2016	At 30 September 2016
	HK\$'000	HK\$'000	HK\$'000
Trade receivables	<u>7,955</u>	<u>7,529</u>	<u>6,320</u>
Prepaid listing expenses	—	434	1,831
Prepayments, deposits and other receivables	<u>169</u>	<u>205</u>	<u>394</u>
	<u><u>169</u></u>	<u><u>639</u></u>	<u><u>2,225</u></u>

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

	<u>At 31 March 2015</u>	<u>At 31 March 2016</u>	<u>At 30 September 2016</u>
	HK\$'000	HK\$'000	HK\$'000
Within 90 days	7,743	6,836	5,820
91–180 days	212	543	500
Over 180 days	<u>—</u>	<u>150</u>	<u>—</u>
Total	<u>7,955</u>	<u>7,529</u>	<u>6,320</u>

The following is an ageing analysis of the trade receivables which are past due but not impaired.

	<u>At 31 March 2015</u>	<u>At 31 March 2016</u>	<u>At 30 September 2016</u>
	HK\$'000	HK\$'000	HK\$'000
Within 90 days	7,743	6,836	5,160
91–180 days	212	543	500
Over 180 days	<u>—</u>	<u>150</u>	<u>—</u>
Total	<u>7,955</u>	<u>7,529</u>	<u>5,660</u>

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

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

During the two years ended 31 March 2015 and 2016 and the six months ended 30 September 2016, the trade receivables with approximately nil, HK\$1,300,000 and nil had been written off directly to profit or loss respectively.

20. CASH AND CASH EQUIVALENTS

Cash at banks earn interest at prevailing market rates of 0.01% per annum based on daily bank deposit rates during the Track Record Period. The bank balances are deposited with creditworthy bank with no recent history of default.

21. OTHER PAYABLES AND ACCRUALS

	<u>At 31 March 2015</u>	<u>At 31 March 2016</u>	<u>At 30 September 2016</u>
	HK\$'000	HK\$'000	HK\$'000
Bonus payables	15,585	8,508	2,418
Dividend payable	—	8,000	—
Other payables	243	734	1,703
Accruals	<u>213</u>	<u>259</u>	<u>140</u>
	<u>16,041</u>	<u>17,501</u>	<u>4,261</u>

22. AMOUNTS DUE FROM/TO A FELLOW SUBSIDIARY/ULTIMATE HOLDING COMPANY/IMMEDIATE HOLDING COMPANY/A SUBSIDIARY

The amounts due from/to a fellow subsidiary, the ultimate holding company, immediate holding company and a subsidiary are unsecured, non-interest bearing and repayable on demand. The balance with fellow subsidiary was subsequently settled on 12 December 2016 (note (iii) of Section B).

23. PROVISION FOR LONG SERVICE PAYMENT

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

	<u>At 31 March 2015</u>	<u>At 31 March 2016</u>	<u>At 30 September 2016</u>
	HK\$'000	HK\$'000	HK\$'000
At 1 April	197	189	282
Movements charged (credited) to profit or loss	<u>(8)</u>	<u>93</u>	<u>30</u>
	<u>189</u>	<u>282</u>	<u>312</u>

The Group makes provision for probable future long service payments to employees in accordance with 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 2015, 31 March 2016 and 30 September 2016, the provision for long service payments recognised by the Group were approximately HK\$189,000 and HK\$282,000 and HK\$312,000 respectively. The provision represents the management's best estimate of the Group liability at the end of each reporting period. The most recent long service payments valuation was carried out as at 30 September 2016 by Asset Appraisal Limited, an independent valuer. The present value of the long service payments and the related service cost, were measured using the projected unit credit method.

24. SHARE CAPITAL**The Company**

The Company was incorporated on 21 April 2016 and had an authorised share capital of HK\$2,000,000 divided into 200,000,000 ordinary shares of HK\$0.01 each. On the same date, one share was allotted and issued at nil-paid to the initial subscriber and then the initial subscriber transferred the share to SGL at nil consideration on the same date. On 21 April 2016, the Company further allotted and issued 9,999,999 Shares to SGL at par and credited as fully paid.

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

	<u>Number of shares</u>	<u>Amount</u> HK\$	<u>Shown in the Financial Information</u> HK\$'000
Ordinary shares of HK\$0.01 each			
<i>Authorised:</i>			
At 21 April 2016 (date of incorporation) and 30 September 2016	<u>200,000,000</u>	<u>2,000,000</u>	
<i>Issued and allotted:</i>			
Issue upon incorporation	1	0.01	—
Increased during the period	<u>9,999,999</u>	<u>99,999.99</u>	<u>100</u>
At 30 September 2016	<u>10,000,000</u>	<u>100,000.00</u>	<u>100</u>

The Group

For the purpose of presenting the share capital of the Group prior to the completion of the Reorganisation in the combined statements of financial position, the share capital presented in the combined statements of financial position as at 31 March 2015 and 2016 represented the share capital of Somerley Capital attributable to the owners of the Company and that at 30 September 2016 represented the aggregate of the share capital of the Company, Somerley Capital and Somerley BVI attributable to the owners of the Company respectively.

25. INVESTMENT IN A SUBSIDIARY

On 22 April 2016, Somerley BVI was incorporated in the British Virgin Islands. 1 share of HK\$1 each was issued and allotted to the Company. The principal activity of Somerley BVI is investment holding.

26. RETIREMENT BENEFITS SCHEME

The Group operates a 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\$25,000. From 1 June 2014, the cap is revised to 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.

The total cost charged to profit or loss of approximately HK\$512,000, HK\$567,000 and HK\$269,000 represents contributions payable to retirement benefits scheme contributions by the Group in respect of the two years ended 31 March 2015 and 2016 and the six months ended 30 September 2016 respectively.

27. RELATED PARTY TRANSACTIONS

(a) Transactions

	Notes	Year ended 31 March		Six months ended 30 September	
		2015	2016	2015	2016
		HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Somerley International Limited					
— Rental and other premises expenses	(i)	5,327	6,008	3,020	3,232
— Support service fee expenses	(ii)	197	—	—	—
— Management fee income	(iii)	3,849	3,623	1,786	1,530
— Purchase of property and equipment	(iv)	3,285	—	—	—
A director of a fellow subsidiary					
— Introduction expenses	(v)	—	1,604	766	608

- (i) During the two years ended 31 March 2015 and 2016 and the six months ended 30 September 2016, the Group was charged by Somerley International Limited (“SIL”), a fellow subsidiary, rental and other premises expenses of approximately HK\$5,327,000, HK\$6,008,000 and HK\$3,232,000. It is calculated based on the office areas occupied and sharing of common area by the Group.
- (ii) During the year ended 31 March 2015, the Group was charged by SIL, a fellow subsidiary, the support service fee of approximately HK\$197,000. It was determined based on the expenses incurred by SIL.
- (iii) During the two years ended 31 March 2015 and 2016 and the six months period ended 30 September 2016, the Group charged SIL the management fee of approximately HK\$3,849,000, HK\$3,623,000 and HK\$1,530,000 respectively as reimbursement of expenses incurred for the senior management, executive oversight and other administrative services as provided to the SIL. The agreement was signed on 1 April 2014.
- (iv) During the year ended 31 March 2015, the Group and SIL entered into a fixed assets sale and purchase agreement, under which the Group agreed to purchase fixed assets from SIL at the consideration of approximately HK\$3,285,000. The agreement was signed on 1 April 2014.
- (v) During the year ended 31 March 2016 and the six months ended 30 September 2016, the Group entered into a consultancy agreement with a director of a fellow subsidiary, under which the Group agreed to pay introduction expenses in respect of projects introduced by the director of a fellow subsidiary.

SIL is a fellow subsidiary of the Company. The transactions were conducted in the ordinary and usual course of business at prices and terms as agreed between the transacting parties.

(b) Balances

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

(c) Compensation to 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 13, 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.

	<u>Year ended 31 March</u>		<u>Six months ended 30 September</u>	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
			(Unaudited)	
Short-term benefits	16,120	11,690	4,539	4,872
Share-based payments	—	—	—	2,310
Post-employment benefits	<u>36</u>	<u>36</u>	<u>18</u>	<u>18</u>
	<u>16,156</u>	<u>11,726</u>	<u>4,557</u>	<u>7,200</u>

28. COMMITMENTS

	<u>At 31 March</u>	<u>At 31 March</u>	<u>At 30 September</u>
	<u>2015</u>	<u>2016</u>	<u>2016</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Capital expenditure in respect of acquisition of property and equipment contracted for but not provided in the combined financial statements	<u>—</u>	<u>300</u>	<u>399</u>

29. MAJOR NON-CASH TRANSACTIONS

- (a) On 26 April 2016, SGL transferred 955,065 shares of Somerley Capital to employees of Somerley Capital and directors of the Company. During the six months ended 30 September 2016, amount of approximately HK\$4,179,000 had been recognised as employee benefits costs in the profit or loss, and the corresponding shareholder's contribution had been recognised in equity. More details are given in note 31.
- (b) On 21 April 2016, the Company allotted and issued 9,999,999 shares of HK\$0.01 each, amount of approximately HK\$100,000, to SGL at par and credited as fully paid and had been settled through the amount due from ultimate holding company.

30. RESERVES OF THE COMPANY

	<u>Share option reserves</u>	<u>Accumulated loss</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000
At 21 April 2016 (date of incorporation)	—	—	—
Loss and total comprehensive expense for the period	—	(857)	(857)
Recognition of equity-settled share-based payments (<i>note 31</i>)	857	—	857
At 30 September 2016	<u>857</u>	<u>(857)</u>	<u>—</u>

31. SHARE-BASED PAYMENT TRANSACTIONS

(a) Pre-IPO Share Option Scheme

On 19 May 2016, the Company entered into conditional granted options under the 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 the Company's share in aggregate of 13,061,735 shares held by Company.

The share option is valid after the listing date of the Company to 10 May 2024. According to the Scheme, not more than 5,524,294 Shares comprised in the options under the Scheme shall vest unto the Grantees and become exercisable with price of HK\$0.28 during the period commencing from the listing day of the Company and ending on expiry of the option 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 day 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.

The estimated fair value of the options granted on the grant date is approximately HK\$4,485,000. During the six months ended 30 September 2016, the Group recognised the total expense of approximately HK\$857,000 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:

For the six months ended 30 September 2016

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 the computing the fair value of the share options is based on the director's best estimate. The value of an option varies with different variables of certain subjective assumptions.

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

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

<u>Outstanding as at</u> <u>1 April 2016</u>	<u>Granted during the period</u>	<u>Lapsed during the period</u>	<u>Outstanding as at</u> <u>30 September 2016</u>
—	13,061,735	(360,399)	12,701,336
Exercisable at the end of the period			—

(b) Transfer of shares of SCL

On 26 April 2016, SGL transferred 955,065 shares of Somerley Capital (representing approximately 9.6% of the entire issued share capital of Somerley Capital) to Ms. Leung Lim Ng Jenny, Ms. Tam Sze Ka, Mr. Ching David, Mr. Cheng Yat Wai, Mr. Wong C-Tsun and Ms. Chow Chung Yan Stephanie, employees of Somerley Capital, and Mr. Chow Wai Hung Kenneth and Mr. Cheung Tei Sing Jamie, directors of the Company, at a consideration of HK\$2.80 per share of Somerley Capital, payments of which were made on 22 April 2016. The price was determined with reference to the net asset value per share of Somerley Capital as at 31 March 2016. During the six months ended 30 September 2016, amount of approximately HK\$4,179,000 had been recognised as employee benefits costs in the profit or loss, and the corresponding shareholder's contribution had been recognised in equity.

B. EVENTS AFTER THE REPORTING PERIOD**(i) Reorganisation**

The Group comprising the Company and its subsidiaries underwent a reorganisation to rationalise the Group's structure in preparation for the listing of the Company's shares on the Growth Enterprise Market of the Stock Exchange. Details of the Reorganisation are set out in the section headed "History and Development" in the Prospectus. As a result of the Reorganisation, the Company became the holding company of the Group on 9 March 2017.

(ii) Post-IPO Share Option Scheme

The Company adopted a share option scheme on 9 March 2017, a summary of terms and conditions of which are set out in the section headed "Statutory and General Information" in Appendix IV to this Document.

(iii) Related Parties Balances

On 12 December 2016, the amount due to a fellow subsidiary was fully settled amounting to approximately HK\$395,000.

On 2 March 2017, the amount due from ultimate holding company was fully settled amounting to approximately HK\$100,000.

(iv) Related Parties Transactions

On 1 December 2016 and 31 January 2017, the Group has ceased the contractual relationship in respect of the office sharing and support and management fee services with SIL respectively.

On 9 March 2017, the Group and SGL has entered into the Office Sharing Agreement in respect of the sharing of office area.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of the companies now comprising the Group in respect of any period subsequent to the six months ended 30 September 2016.

Yours faithfully,

SHINEWING (HK) CPA Limited

Certified Public Accountants

Pang Wai Hang

Practising Certificate Number: P05044

Hong Kong

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix does not form part of the Accountant's Report prepared by SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong, the Company's reporting accountant, as set out in "Appendix I — Accountant's Report" to this prospectus and is included herein for information only.

The Unaudited Pro Forma Financial Information should be read in conjunction with the section headed "Financial Information" and the Accountant's Report set out in "Appendix I — Accountant's Report" to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following is an unaudited pro forma statement of adjusted combined net tangible assets of the Group (the "Unaudited Pro Forma Financial Information") prepared in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for illustrative purpose only, and is set out below to illustrate the effect of the proposed listing of the Company's shares on the Stock Exchange by way of Hong Kong Public Offering (the "Offering") on the Group's combined net tangible assets attributable to the owners of the Company as at 30 September 2016 as if the Offering had taken place on 30 September 2016.

The Unaudited Pro Forma Financial Information has been prepared based on the judgements, estimates and assumptions of the Directors, and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group as at 30 September 2016 or any further dates following the Offering.

	Audited combined net tangible assets of the Group attributable to the owners of the Company as at 30 September 2016	Estimated net proceeds from the Offering	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company immediately after completion of the Offering	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company per Share as at 30 September 2016
	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000	HK\$ (Note 3)
Based on a Offer Price of HK\$1.7 per Offer Share	<u>25,848</u>	<u>50,108</u>	<u>75,956</u>	<u>0.56</u>
Based on a Offer Price of HK\$2.3 per Offer Share	<u>25,848</u>	<u>70,415</u>	<u>96,263</u>	<u>0.71</u>

Notes:

- (1) The audited combined net tangible assets of the Group attributable to owners of the Company as at 30 September 2016 is extracted from the Accountant's Report as set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Offering of 35,000,000 Offer Shares are based on the respective Offer Prices of HK\$1.7 per Offer Share and HK\$2.3 per Offer Share (being the low end and the high end of the indicative price range of the Offer Price), after deduction of the underwriting fees and other related expenses payable by the Company in relation to the Offering. The estimated net proceeds do not take into account any Shares which may be allotted and issued upon the exercise of any options which has been or may be granted under the Share Option Schemes.
- (3) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share is calculated based on 135,000,000 Shares in issue immediately following the completion of the Offering but not taking into account any Shares which may be allotted and issued upon the exercise of any options which has been or may be granted under the Share Option Schemes.
- (4) No adjustments have been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2016.

B. REPORT FROM THE REPORTING ACCOUNTANT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report prepared for the purpose of inclusion in this prospectus, received from the Company's reporting accountant, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong.



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

15 March 2017

The Directors
Somerville Capital Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Somerville Capital Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma net tangible assets as at 30 September 2016 and related notes as set out on pages II-1 to II-2 of the prospectus (“the Prospectus”) in connection with the proposed Hong Kong public offering (the “Offering”) of shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described in notes to the unaudited pro forma financial information as set out on Appendix II of the Prospectus.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Offering on the Group’s financial position as at 30 September 2016 as if the Offering had taken place at 30 September 2016. As part of this process, information about the Group’s financial position has been extracted by the directors of the Company from the Group’s financial information as at 30 September 2016, on which an accountant’s report of the Group has been included in the Appendix I to the Prospectus.

DIRECTORS' RESPONSIBILITY FOR THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANT'S RESPONSIBILITIES

Our responsibility is to express an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 31 of Chapter 7 of the GEM Listing Rules and with reference to AG7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in the Prospectus is solely to illustrate the impact of the Offering on unadjusted financial information of the Group as if the Offering had been completed at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Offering at 30 September 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We make no comments regarding the reasonableness of the amount of net proceeds from the Offering, the application of those net proceeds or whether such use will take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospects.

OPINION

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and

- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Pang Wai Hang

Practising Certificate Number: P05044

Hong Kong

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 April 2016 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Company’s constitutional documents consist of its memorandum of association (the “Memorandum”) and its articles of association (the “Articles”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 9 March 2017 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the

necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) *Alteration of capital*

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) *Transfer of shares*

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) *Power of the Company to purchase its own shares*

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) *Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) *Calls on shares and forfeiture of shares*

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors**(i) *Appointment, retirement and removal***

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then 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. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions 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 discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Board may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the

opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) *Power to dispose of the assets of the Company or any of its subsidiaries*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) *Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) *Remuneration*

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) *Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) *Loans and provision of security for loans to Directors*

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) *Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also

cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/ themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) *Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given held in accordance with the Articles.

(ii) *Voting rights and right to demand a poll*

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) *Annual general meetings*

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) days and not less than twenty (20) business days. All other general meetings must be called by notice of at least fourteen (14) days and not less than ten (10) business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition notice of every general meeting, must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, amongst others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address, by advertisement in newspapers and in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) *Accounts and audit*

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which be those of a country or jurisdiction other than the Cayman Islands.. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors

may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different

classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of

shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not to be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 17 May 2016.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings

to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(q) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT THE COMPANY**1. Incorporation of the Company**

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 21 April 2016. The Company has established its principal place of business in Hong Kong at 20th Floor, China Building, 29 Queen's Road Central, Central, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 19 May 2016. Mr. Chow has been appointed as the authorised representative of the Company for the acceptance of service of process in Hong Kong.

As the Company was incorporated in the Cayman Islands, its operations are subject to the Companies Law and the constitutional documents of the Company comprising the Memorandum and Articles. A summary of certain parts of the Company's constitutional documents and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

2. Changes in share capital of the Company

Save as disclosed in paragraphs headed "3. Resolutions in writing of the Shareholders passed on 9 March 2017" and "4. Group Reorganisation" under the section headed "A. Further information about the Company" in this Appendix, there has been no alteration in the share capital of the Company since its incorporation.

Other than the Shares which may be issued pursuant to the exercise of any options granted or to be granted under the Pre-IPO Share Option Scheme adopted on 11 May 2016 or the Share Option Scheme or the general mandate to issue Shares referred to in the paragraphs headed "1. Pre-IPO Share Option Scheme" and "2. Share Option Scheme" under the section headed "D. Other Information" in this Appendix, the Company does not have any present intention to issue any of the authorised but unissued share capital of the Company and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

The Company has no founder shares, management shares or deferred shares.

3. Resolutions in writing of the Shareholders passed on 9 March 2017

Written resolutions were passed by the Shareholders on 9 March 2017 pursuant to which, among others matters:

- (a) The Company approved and adopted the Articles conditional upon and with effect from the Listing.

- (b) Conditional upon the conditions as set out in the section headed “Structure of the Hong Kong Public Offering” of this prospectus being fulfilled (or, if applicable, waived):
- (i) the Hong Kong Public Offering was approved and the Directors were authorised to allot and issue the Offer Shares pursuant to the Hong Kong Public Offering; and
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “2. Share Option Scheme” under the section headed “D. Other information” in this Appendix, were approved and adopted and the Directors were authorised to grant options to subscribe for Shares thereunder at their absolute discretion and to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such steps as may be necessary or desirable to implement the Share Option Scheme;
- (c) A general unconditional mandate was given to the Directors to exercise all the power of the Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares upon the exercise of any subscription rights attached to any warrants or convertible securities or pursuant to the exercise of any options which might be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme or any other option scheme or other similar arrangements or under the Capitalisation Issue or the Hong Kong Public Offering or any scrip dividend schemes in accordance with the Articles or a specific authority granted by the Shareholders in general meeting, Shares or securities or options convertible into Shares and to make and grant offers and agreements which would or might require Shares to be allotted with an aggregate nominal amount not exceeding the sum of (aa) 20% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Hong Kong Public Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of any options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme, and (bb) the aggregate nominal value of the share capital of the Company which may be repurchased by the Company pursuant to the authority granted to the Directors as referred to in sub-paragraph (d) below, until the conclusion of the next annual general meeting of the Company, or the expiration of the period within which the next annual general meeting of the Company was required by the Articles or any applicable laws of the Cayman Islands to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying such mandate, whichever is the earliest.
- (d) A general unconditional mandate was given to the Directors authorizing them to exercise all the powers of the Company to repurchase on GEM, or any other stock exchange on which the Shares might be listed and recognised by the SFC and the

Stock Exchange for this purpose, in accordance with all applicable laws and the requirements of the GEM Listing Rules (or of such other stock exchange), such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Hong Kong Public Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of any options granted under the Pre-IPO Share Option Scheme or the Share Option Scheme, until the conclusion of the next annual general meeting of the Company, or the expiration of the period within which the next annual general meeting of the Company was required by the Articles or any applicable laws of the Cayman Islands to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying such mandate, whichever was the earliest (the “**Repurchase Mandate**”).

- (e) The extension of the general mandate to allot, issue and deal with Shares pursuant to sub-paragraph (c) above to include the nominal amount of Shares which may be purchased or repurchased pursuant to sub-paragraph (d) above.
- (f) Conditional on the share premium account of the Company being credited as a result of the Hong Kong Public Offering, the Directors were authorised to capitalise the sum of HK\$800,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 80,000,000 Shares for allotment and issue to holders of Shares whose names appear on the register of members of the Company at the close of business of 9 March 2017 in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their then existing holdings in the Company and so that the Shares to be allotted and issued pursuant to this resolution should rank *pari passu* in all respects with the then existing issued Shares and the Directors were authorised to give effect to such Capitalisation Issue.

4. Group Reorganisation

The companies under the Group underwent the Reorganisation and the Company became the holding company of the Group. For more details regarding the Reorganisation, please refer to the paragraph headed “Reorganisation” under the section headed “History and Development” in this prospectus.

5. Changes in share capital of subsidiaries

The subsidiaries of the Company are listed in the Accountant’s Report set out in Appendix I to this prospectus. Save as disclosed in the paragraph headed “Reorganisation” under the section headed “History and Development” in this prospectus, there has been no changes in the share capital of the Company’s subsidiaries within the two years immediately preceding the date of this prospectus.

6. Repurchase of the Company's own securities

This paragraph includes information required by the Stock Exchange to be included in the prospectus concerning the repurchase of the Shares by the Company.

(a) *Shareholders' approval*

All proposed repurchases of securities by the Company must be approved in advance by an ordinary resolution of the Shareholders in a general meeting whether by way of general mandate or by specific approval of particular transactions.

Pursuant to a resolution in writing passed by the Shareholders on 9 March 2017, the Repurchase Mandate was given to the Directors authorising them to exercise all the powers of the Company to repurchase on GEM, or any other stock exchange on which the Shares might be listed and recognised by the SFC and the Stock Exchange for this purpose, in accordance with all applicable laws and the requirements of the GEM Listing Rules (or of such other stock exchange), such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Hong Kong Public Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of any options granted under the Pre-IPO Share Option Scheme or the Share Option Scheme, until the conclusion of the next annual general meeting of the Company, or the expiration of the period within which the next annual general meeting of the Company was required by the Articles or any applicable laws of the Cayman Islands to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying such mandate, whichever was the earliest.

(b) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles, the GEM Listing Rules and the laws of the Cayman Islands. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by the Company may be made out of profits, the share premium of the Company and/or the proceeds of a fresh issue of Shares made for the purpose of the repurchase and, in the case of any premium payable on the repurchase, out of profits of the Company or out of the Company's share premium account before or at the time the Shares are repurchased. Subject to the Company remaining solvent, a repurchase of Shares may also be made out of capital.

(c) *Reasons for repurchases*

The Directors believe that it is in the best interests of the Company and the Shareholders for the Directors to have a general authority from the Shareholders to enable the Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders.

(d) *Funding of repurchases*

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with the Articles, the GEM Listing Rules, the Companies Law and the applicable laws of the Cayman Islands. In any event, the Directors do not intend to exercise such repurchase mandate as referred to in sub-paragraph (a) above to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company. The exercise in full of the Repurchase Mandate, on the basis of 135,000,000 Shares in issue immediately after the Listing, would result in up to 13,500,000 Shares being repurchased by the Company during the period in which the Repurchase Mandate remains in force.

(e) *General*

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates has any present intention, in the event that the Repurchase Mandate is exercised, to sell any Shares to the Company or its subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Companies Law and the applicable laws of the Cayman Islands.

If, as a result of a repurchase of securities, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder or group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of Shareholders' interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. The Directors are not presently aware of any circumstances which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate immediately after the Listing.

The Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules).

No core connected person of the Company has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF THE GROUP

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this prospectus and are or may be material:

- (a) a share exchange agreement dated 9 March 2017 entered into between the Company, SGL, the SM Transferees, Somerley BVI and Somerley Capital in relation to the transfer of the then entire issued share capital of Somerley Capital from SGL and the SM Transferees to Somerley BVI;
- (b) the Non-competition Undertaking;
- (c) the Original Non-competition Undertaking;
- (d) the Underwriting Agreement; and
- (e) the Deed of Indemnity.

2. Intellectual property rights of the Group

(a) Trademarks

As at the Latest Practicable Date, the Group has applied for registration of the following trademarks in Hong Kong in respect of the class of goods and services specified below:

Trademark	Class number	Name of applicant	Application number	Status	Date of registration
1.  SOMERLEY CAPITAL (Note)	36	The Company	303765709	Application accepted subject to opposition within the 3-month period	Processing
2.  新百利融資 (Note)	36	The Company	303765718	Registered	4 May 2016
3.  SOMERLEY CAPITAL HOLDINGS LIMITED (Note)	36	The Company	303765682	Application accepted subject to opposition within the 3-month period	Processing
4.  新百利融資控股有限公司 (Note)	36	The Company	303765691	Registered	4 May 2016
5.  SOMERLEY CAPITAL LIMITED (Note)	36	The Company	303765664	Application accepted subject to opposition within the 3-month period	Processing
6.  新百利融資有限公司 (Note)	36	The Company	303765673	Registered	4 May 2016

Note: The specification under class 36 in respect of which the trademark has applied to register or has been registered is “agency and brokerage services for bonds, securities, stocks, commodities and futures; financial management, planning, research and advisory services; funds investments and advisory services; corporate financing and advisory services; all included in class 36”.

The following trademarks have been under the progress of being assigned by SIL to SGL and registered under the name of SGL:

Hong Kong Trademark

<u>Trade Mark</u>	<u>Class</u>	<u>Registration No.</u>	<u>Expiry Date</u>
SOMERLEY	36	199400016	27th May 2023
 SOMERLEY	36	1997B06708	13th July 2025

PRC Trademark

<u>Trade Mark</u>	<u>Class</u>	<u>PRC Trademark Registration no.</u>	<u>Expiry Date</u>
新百利	35	7630740	27th January 2021
 SOMERLEY	36	7630741	6th March 2021
SOMERLEY	36	7630743	27th November 2020
SOMERLEY	35	7630744	20th December 2020

Upon the effective date of the above trademark assignment and registrations, the following trademark registered in Hong Kong and/or the PRC will be licensed to the Group for use perpetually by SGL:

	<u>Trademark</u>	<u>Class number</u>	<u>Name of owner</u>	<u>Trademark number</u>
1.	SOMERLEY	36	SGL	19940016
2.	 SOMERLEY	36	SGL	1997B06708
3.	新百利	35	SGL	7630740
4.	 SOMERLEY	36	SGL	7630741
5.	SOMERLEY	36	SGL	7630743
6.	SOMERLEY	35	SGL	7630744

(b) Domain name

As at the Latest Practicable Date, the following member of the Group has registered the following domain name:

<u>Registrant</u>	<u>Domain Name</u>	<u>Registration Date</u>	<u>Expiry Date</u>
Somerley Capital	http://www.somerleycapital.com	24 February 2016	24 February 2021

C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT, STAFF AND EXPERTS**1. Directors****(a) Disclosure of interests of the Directors in the Shares, underlying Shares and debenture of the Company and its associated corporations**

- (i) Each of Mr. Sabine, Mr. Cheung and Mr. Chow is interested in the Reorganisation referred to in the paragraph headed “Reorganisation” under the section headed “History and Development” in this prospectus.
- (ii) Save as disclosed in this prospectus, none of the Directors or their close associates engaged in any dealings with the Group during the two years preceding the date of this prospectus.

(b) Particulars of service contracts*Executive Directors*

Each of Mr. Sabine, Mr. Cheung and Mr. Chow, being all the executive Directors, has entered into a service contract with the Company on 9 March 2017 for an initial term of three years commencing from the Listing Date and continuing thereafter until terminated by either party by giving not less than three months’ notice in writing to the other. Each of these executive Directors is entitled to their respective director’s fee. In addition, each of the executive Directors is also entitled to a discretionary bonus determined by the Board.

Pursuant to the service contracts of the executive Directors, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by the Group to each of the executive Directors will be as follows:

<u>Name</u>	<u>HK\$</u>
Mr. Sabine	3,936,000
Mr. Cheung	2,922,000
Mr. Chow	2,922,000

Independent non-executive Directors

Each of Mr. Cheng, Mr. Higgs and Mr. Yuen, the independent non-executive Directors, has entered into a service contract with the Company on 9 March 2017. Each service contract is for a term of three years commencing from the Listing Date, provided that either the Company or the independent non-executive Directors may terminate such appointment at any time by giving at least three months' notice in writing to the other. Each of the independent non-executive Directors is entitled to a monthly director's fee of HK\$20,000.

Save as aforesaid, none of the Directors has or is proposed to have a service contract with the Company or any of its subsidiaries (other than contracts expiring or determinable by the Group within one year without the payment of compensation (other than statutory compensation)).

(c) *Directors' remuneration*

During each of the two years ended 31 March 2015 and 2016 and the six months ended 30 September 2016, the aggregate remuneration paid and benefits in kind granted by the Group to the Directors were approximately HK\$16.2 million, HK\$11.7 million and HK\$7.2 million respectively.

The aggregate remuneration payable and benefits in kind (excluding payment pursuant to any discretionary bonus and share-based payment) to be granted by the Group to the Directors for the year ending 31 March 2017 are expected to be approximately HK\$10.0 million.

None of the Directors or any past directors of any member of the Group has been paid any sum of money for each of the two financial years ended 31 March 2016 and the six months ended 30 September 2016 respectively for (a) the loss of office as director of any member of the Group or of any other office in connection with the management affairs of any member of the Group (b) as an inducement to join or upon joining any member of the Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments in each of the two financial years ended 31 March 2016 and the six months ended 30 September 2016 respectively.

(d) *Interests and short positions of the Directors and the chief executive in the Shares, underlying shares or debentures of the Company and its associated corporations*

Immediately following completion of the Hong Kong Public Offering and the Capitalisation Issue (but without taking into account any Shares which may be allotted and issued pursuant to the exercise of options granted or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), the interests and short positions of the Directors and the chief executive in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred therein, or which will be required to notify to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, once the Shares are listed, will be as follows:

Long position in the Shares:

<u>Name of Director</u>	<u>Capacity/nature</u>	<u>Number of Shares</u>	<u>Percentage of shareholding (approximate)</u>
Mr. Sabine	Interest of a controlled corporation (<i>Note 1</i>); interest held jointly with other persons (<i>Note 1</i>)	91,740,790	67.96%
Mr. Cheung	Beneficial owner (<i>Note 2</i>); interest of a controlled corporation (<i>Note 1</i>); interest held jointly with other persons (<i>Note 1</i>)	91,740,790	67.96%

Note 1: SGL will be directly interested in 90,449,350 Shares and SGL is wholly-owned by the SGL Shareholders, among which Mr. Sabine, Mr. Fletcher and Mr. Cheung are acting in concert in respect of their interests in the Company and therefore, each of Mr. Sabine, Mr. Fletcher and Mr. Cheung is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.

Note 2: Mr. Cheung will be directly interested in 1,291,440 Shares.

Long position in shares of associated corporation:

<u>Name of Director</u>	<u>Name of associated corporation</u>	<u>Capacity/nature</u>	<u>Number of shares</u>	<u>Percentage of shareholding/ ownership (approximate)</u>
Mr. Sabine	SGL	Beneficial interest (<i>Note 1</i>); <i>interest held jointly with other persons (Note 2)</i>	10,500,000	100%
	SIL (<i>Note 3</i>)	Interest of a controlled corporation	12,000,000	100%
Mr. Cheung	SGL	Beneficial interest (<i>Note 4</i>); <i>interest held jointly with other persons (Note 2)</i>	10,500,000	100%
	SIL (<i>Note 3</i>)	Interest of a controlled corporation; interest held jointly with other persons (<i>Note 2</i>)	12,000,000	100%

Note 1: Mr. Sabine is directly interested in 6,000,000 shares of SGL.

Note 2: SGL, the holding company of the Company, is wholly-owned by the SGL Shareholders, among which Mr. Sabine, Mr. Fletcher and Mr. Cheung are acting in concert in respect of their interests in the Company and therefore, each of Mr. Sabine, Mr. Fletcher and Mr. Cheung is deemed to be interested in all the shares of associated corporations of the Company held by them in aggregate by virtue of the SFO.

Note 3: SGL wholly-owns SIL.

Note 4: Mr. Cheung is directly interested in 1,350,000 shares of SGL.

Long position in the underlying Shares

<u>Name of Director</u>	<u>Capacity/nature</u>	<u>Number of underlying Shares held/interested</u>	<u>Percentage of shareholding (approximate)</u>
Mr. Cheung	Beneficial owner (<i>Note 1</i>)	645,717	0.48%
Mr. Sabine	Interest held jointly with other persons (<i>Note 2</i>)	645,717	0.48%

Note 1: This represents the underlying Shares under the option granted to Mr. Cheung under the Pre-IPO Share Option Scheme.

Note 2: SGL, the holding company of the Company, is wholly-owned by the SGL Shareholders, among which Mr. Sabine, Mr. Fletcher and Mr. Cheung are acting in concert in respect of their interests in the Company and therefore, each of Mr. Sabine, Mr. Fletcher and Mr. Cheung is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.

(e) Agency fees or commissions received

Information on the agency fees or commissions received by the Underwriters is set out in the paragraph headed “Commission and expenses” under the section headed “Underwriting” in this prospectus.

(f) Related party transactions

During the two years ended 31 March 2015 and 2016 and the six months ended 30 September 2016, the Group engaged in related party transactions as described in:

- (a) note 27 to Section A of the Accountant’s Report in Appendix I to this prospectus; and
- (b) the section headed “Connected Transactions” in this prospectus.

2. Interest discloseable under the SFO and substantial shareholders

Please refer to the section headed “Substantial Shareholders” in this prospectus for information on the persons who will, immediately following the completion of the Capitalisation Issue and Hong Kong Public Offering, have interest or short position in the Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or who will directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

3. Disclaimers

Save as disclosed in this prospectus:

- (i) and taking no account of any Shares which may be taken up or acquired under the Hong Kong Public Offering or upon the exercise of any options granted or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, the Directors are not aware of any person who immediately following the completion of the Hong Kong Public Offering and the Capitalisation Issue will have an interest or short position in the Shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group;
- (ii) none of the Directors and chief executive has for the purpose of Part XV (including without limitation to Divisions 7 and 8 thereof) of the SFO or the GEM Listing Rules, nor is any of them taken to or deemed to have under Part XV (including without limitation to Divisions 7 and 8 thereof) of the SFO, any interests and short positions in the Shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of the SFO) or any interests which will

have to be entered in the register to be kept by the Company pursuant to section 352 of the SFO or which will be required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules once the Shares are listed on the Stock Exchange;

- (iii) none of the Directors or the experts named in the paragraph headed “9. Qualifications of experts” in the section headed “D. Other information” of this Appendix has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to, any member of the Group within the two years immediately preceding the date of this prospectus, or which are proposed to be acquired or disposed of by or leased to any member of the Group nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee;
- (iv) no Director is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;
- (v) so far as is known to the Directors, none of the Directors, their respective associates or Shareholders who are interested in more than 5% of the issued share capital of the Company has any interests in the five largest clients of the Group; and
- (vi) save for Somerley Capital, none of the experts named in the paragraph headed “9. Qualifications of experts” in the section headed “D. Other information” of this Appendix has any shareholding in any company in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in the Group.

D. OTHER INFORMATION

1. Pre-IPO Share Option Scheme

(a) *Introduction*

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 were approved and adopted by the Shareholders in a general meeting held on 11 May 2016.

(b) *Summary of the major terms of the Pre-IPO Share Option Scheme*

(i) *The grantees*

The Pre-IPO Share Option Scheme is available to any individual (the “Participant(s)”) being an employee or officer (including any director) of the Company or any of its subsidiaries. The Board shall be entitled to offer any Participant who, as the Board may determine in its absolute discretion, has made

valuable contribution to the business of the Group, or is regarded to be a valuable human resource of the Group (the “**Grantee(s)**”) option(s) under the Pre-IPO Share Option Scheme.

(ii) *Period of the Pre-IPO Share Option Scheme*

The Board shall be 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 the Latest Practicable Date (the “**Scheme Period**”) to grant options to not more than 35 Grantees under the Pre-IPO Share Option Scheme. No further options shall 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.

(iii) *Maximum number of Shares*

Subject to any adjustments described in sub-paragraph xiv below, the maximum number of the Shares with respect to which options may be granted under the Pre-IPO Share Option Scheme shall be 12,340,937 Shares, representing approximately 9.14% of the total issued share capital of the Company immediately following the completion of the Capitalisation Issue and Hong Kong Public Offering but excluding any Shares which may be issued upon the exercise of any options granted or may be granted under the Share Option Schemes.

(iv) *Subscription price for Shares*

Subject to any adjustments described in sub-paragraph xiv below, the price per Share at which a Grantee may subscribe for Shares on the exercise of an option granted under the Pre-IPO Share Option Scheme (the “**Subscription Price**”) shall be HK\$0.28 per Share.

(v) *Acceptance of an option and personal rights to Grantee*

- (a) The grant shall remain open for acceptance by the Grantee for a period of five days from the grant date, provided that no such grant shall be open for acceptance after the expiry of the Scheme Period or after the Pre-IPO Share Option Scheme has been terminated. A consideration of HK\$1.00 is payable for each acceptance of grant of option(s) which is not refundable.
- (b) An option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, assign, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option or purport to do any of the foregoing. Any breach of the foregoing shall entitle the Company to cancel the relevant Grantee’s outstanding options in whole or in part.

(vi) *Exercise and vesting period*

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 (“**Grant Letter(s)**”) issued by the Company to the grantee and in accordance with manner provided in the Grant Letter, provided that, subject to any adjustments under sub-paragraph xiv:

- (a) 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 and ending on expiry of the Option Period(s) (the “**First Vesting Period**”); and
- (b) 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.

(vii) *Performance target*

According to the rules of the Pre-IPO Share Option Scheme, the right to exercise an option is not conditional upon the achievement of any performance target, unless otherwise stated in the Grant Letter of the option. No such performance target conditions are provided in the Grant Letters to the Grantees.

(viii) *Ranking of Shares*

The Shares to be allotted upon the exercise of the options granted under the Pre-IPO Share Option Scheme will be subject to all the provisions of the Articles and will rank *pari passu* with the fully paid Shares in issue on the date of allotment or, if that date falls on a day when the register of members of the Company is closed, the first day of the reopening of the register of members and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date of allotment.

(ix) *Rights on cessation of employment/engagement*

In the event of a Grantee ceasing to be a Participant for any reason, other than his death or for any ground specified in sub-paragraph (xvi)(e) below, then, (a) any option (or any part thereof) which has not become vested and exercisable as at the date of cessation shall lapse; and (b) the Grantee may exercise any option (or any part thereof) to the extent exercisable as at the date of cessation and to the extent not already exercised until whichever is the earlier of the date of expiry of the Option Period of the relevant option or the last day of the period of one month following the date of such cessation, which date shall be the last actual day of employment or engagement with the Company or its relevant subsidiary whether payment in lieu of notice is made or not (if applicable).

(x) *Rights on death*

In the event of a Grantee of an outstanding option dies and none of the events which would be a ground for termination of his employment or engagement specified in sub-paragraph (xvi)(e) below has occurred, then, (a) any option (or any part thereof) which has not become vested and exercisable as at the date of the Grantee's death shall lapse; and (b) the legal personal representative(s) of the Grantee may exercise any option (or any part thereof) to the extent exercisable as at the date of the Grantee's death and to the extent not already exercised until whichever is the earlier of the date of expiry of the Option Period of the relevant option or the last day of the period of twelve months from the date of the Grantee's death (or such longer period as the Board may determine).

(xi) *Rights on a general offer*

- (a) If a general offer (other than by way of scheme of arrangement) is made to all Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional during the Option Period of the relevant option, the Company shall forthwith give notice to the Grantee of an option (or his legal personal representative(s)) and the Grantee or his legal personal representative(s) shall be entitled to exercise the option in full or in part (whether the option has become vested in accordance with the Grant Letter and sub-paragraph (vi) above or not and to the extent not already exercised) at any time within such period as shall be notified by the Company.
- (b) If a general offer by way of a scheme of arrangement is made to all Shareholders and the scheme is approved by the necessary number of Shareholders at the requisite meetings, the Company shall forthwith give notice thereof to all Grantees (or their legal personal representatives) and each Grantee or legal personal representative shall be entitled to exercise

the option in full or in part (whether the option has become vested in accordance with the Grant Letter and sub-paragraph (vi) above or not and to the extent not already exercised) at any time within such period as shall be notified by the Company.

(xii) Rights on winding-up

In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall on the same date as or soon after it dispatches such notice to each member of the Company give notice thereof to all Grantees (together with a notice of the existence of the provisions of this paragraph) and thereupon, each Grantee (or his legal personal representative(s)) shall be entitled to exercise in full or in part (whether the option has become vested in accordance with the Grant Letter and sub-paragraph (vi) above or not and to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid.

(xiii) Rights on compromise or arrangement between the Company and its creditors

If a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of the Company or its amalgamation with any other companies pursuant to the laws of the jurisdiction in which the Company was incorporated, the Company shall give notice to all the Grantees on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any Grantee (or his legal personal representative(s)) may by notice in writing to the Company accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given (such notice to be received by the Company no later than two business days prior to the proposed meeting), exercise the option in full or in part (whether the option has become vested in accordance with the Grant Letter and sub-paragraph (vi) above or not and to the extent not already exercised) and the Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise of the option credited as fully paid and register the Grantee as holder thereof. With effect from the date of such meeting, the rights of all Grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options

shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of Grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(xiv) *Adjustments to option*

In the event of any capitalisation issue, rights issue, open offer, consolidation, sub-division or reduction of the share capital of the Company, bonus issue by the Company and/or a capital distribution of an amount per Share which exceeds the profit attributable to equity holders of the Company per Share in respect of the financial period for which such capital distribution is declared (“**Substantial Capital Distribution**”) (collectively the “**Adjustment Events**” and each an “**Adjustment Event**”), corresponding adjustments (if any) shall be made (other than an issue of Shares as consideration in respect of a transaction) in:

- (a) the number of Shares subject to unexercised options under the Pre-IPO Share Option Scheme;
- (b) the Subscription Price in relation to each outstanding option; and/or
- (c) the method of exercise of the options,

provided that any such adjustments shall be made such that the proportion of the issued share capital of the Company to which an option entitles the Grantee to subscribe after such adjustment must be the same as that to which the option entitled the Grantee to subscribe immediately before such Adjustment Event, but so that no such adjustment shall be made to the extent that the effect of such adjustment would be to enable any Share to be issued at less than its nominal value. Without prejudice to other provisions of the rules of the Pre-IPO Share Option Scheme, in respect of an adjustment made on a Substantial Capital Distribution, the adjustment shall follow the below formula:

Adjustment formula for adjustment made on a Substantial Capital Distribution:

$$\text{Subscription Price following adjustment} = \text{Subscription Price immediately before Substantial Capital Distribution} - A$$

$$\text{where } A = D - P$$

$$\text{where } D = \text{Substantial Capital Distribution per Share}$$

where P = *profit attributable to equity holders of the Company per Share in respect of the financial period for which the Substantial Capital Distribution is declared*

(For the avoidance of doubt, the number of Shares subject to the options and the method of exercise of the options following a Substantial Capital Distribution shall remain unchanged.)

In respect of any of such adjustments required to be made, other than any made on a capitalisation issue, an independent financial adviser or the auditors of the Company must confirm to the Board in writing that the adjustments satisfy the foregoing requirements and fairly and reasonably satisfied the requirement that any such adjustment shall be in compliance with the relevant provisions of the GEM Listing Rules or such other guidelines or supplementary guidance as may be issued by the Stock Exchange from time to time. The confirmation of the independent financial adviser or the auditors shall (in the absence of manifest error) be final and binding on the Company and the Grantees.

(xv) Cancellation of options

The Board may cancel any options granted but not exercised on such terms as may be agreed with the relevant Grantee, as the Board may in its absolute discretion see fit and in a manner that complies with all applicable legal requirements for such cancellation.

(xvi) Lapse of option

The right to exercise an option (to the extent not already exercised) shall terminate automatically on the earliest of:

- (a) the expiry of the Option Period;
- (b) the expiry of any of the other periods referred to in sub-paragraphs (ix), (x), (xi) and (xiii) above (as applicable);
- (c) subject to sub-paragraph (xii) above, the earliest of the close of business on the second business day prior to the general meeting referred to in sub-paragraph (xii) or the date of commencement of the winding-up of the Company;

- (d) save as otherwise provided in (xiii) or by the court in relation to the scheme in question, upon the sanctioning pursuant to the Companies Law by the Grand Court of the Cayman Islands of a compromise or arrangement between the Company and its members or creditors for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies;
- (e) the date on which the Grantee ceases to be a Participant by reason of the termination of his employment or office on any one or more of the grounds that he has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer or principal would be entitled to terminate his employment or office at common law or pursuant to any applicable laws or under the Grantee's service contract, terms of office or arrangement with the Company or its relevant subsidiary; or
- (f) the date on which the Board exercises the Company's right to cancel the option pursuant to sub-paragraph (v)(b) above.

(xvii) *Conditions*

The Pre-IPO Share Option Scheme is conditional on the satisfaction of the following conditions within twenty-four months after the adoption date of the Pre-IPO Share Option Scheme: (a) the Stock Exchange granting the Listing of and permission to deal in, any Shares which may fall to be issued pursuant to the exercise of options under the Pre-IPO Share Option Scheme and; (b) the commencement of the Listing.

(c) *Outstanding options*

On 19 May 2016, the Company conditionally granted options to subscribe for an aggregate of 13,061,735 Shares to a total of 31 grantees under the Pre-IPO Share Option Scheme. The Grantees include (i) two Directors; (ii) eight members of the senior management of the Company; and (iii) 21 Other Grantees who are employees of the Group. The Option Period of each option granted to the 31 Grantees is a period commencing from the date of Listing to 10 May 2024 (i.e. eight 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.

Below is a list of grantees under the Pre-IPO Share Option Scheme:

<u>Grantee</u>	<u>Address</u>	<u>Number of Shares that vest in the First Vesting Period</u>	<u>Number of Shares that vest in the Second Vesting Period</u>	<u>Total Number of Shares under the options granted</u>	<u>Approximate percentage of shareholding upon the exercise of the option</u> <i>(Note)</i>
Directors					
CHEUNG Tei Sing Jamie (莊棣盛)	Unit 8A, Block-3, Kent Court, 131-139 Boundary Street, Kowloon, Hong Kong	—	645,717	645,717	0.48%
CHOW Wai Hung Kenneth (鄒偉雄)	6/F., Highview, 10 Cloud View Road, North Point, Hong Kong	—	1,877,083	1,877,083	1.39%
Senior management of the Group					
CHENG Yat Wai (鄭逸威)	22/F., Ming Tak Mansion, 8 Tin Hau Temple Road, Hong Kong	—	375,416	375,416	0.28%
CHING David (秦思良)	Flat B, 20/F., Block 5, Liberte, 833 Lai Chi Kok Road, Kowloon, Hong Kong	—	375,416	375,416	0.28%
CHOW Chung Yan Stephanie (周頌恩)	Flat C, 27/F., Panny Court, 5 Village Road, Happy Valley, Hong Kong	—	375,416	375,416	0.28%
LEUNG Lim Ng Jenny (梁念吾)	Flat H, 12/F., Hang Sing Mansion, Taikoo Shing, Quarry Bay, Hong Kong	—	375,416	375,416	0.28%
NG Ming Wah Charles (吳明華)	No. 137A Sheung Tsuen, Pat Heung, Kam Tin, Yuen Long, New Territories, Hong Kong	59,838	29,918	89,756	0.07%
PANG Mo Cheung (彭武祥)	Room 407, Chun King House, King Shing Court, Fanling, New Territories, Hong Kong	240,266	120,133	360,399	0.26%
TAM Sze Ka (譚思嘉)	Flat D, 9/F., Three Carmen's Garden, Carmen's Garden, No. 9 Cox's Road, Kowloon, Hong Kong	—	375,416	375,416	0.28%

<u>Grantee</u>	<u>Address</u>	<u>Number of Shares that vest in the First Vesting Period</u>	<u>Number of Shares that vest in the Second Vesting Period</u>	<u>Total Number of Shares under the options granted</u>	<u>Approximate percentage of shareholding upon the exercise of the option (Note)</u>
WONG C-Tsun (王思竣)	Flat 2, 15/F., Block C, Bo Fung Gardens, 1094 King's Road, Quarry Bay, Hong Kong	—	375,416	375,416	0.28%
Other Grantees⁽¹⁾					
Chung King Cheung	Flat 907, 9/F., Block Q, Telford Gardens, Kowloon Bay, Kowloon, Hong Kong	600,667	300,333	901,000	0.67%
Chau Fai	Flat J, 5th Floor, Block 7, Bauhinia Garden, Tseung Kwan O, New Territories, Hong Kong	450,500	225,250	675,750	0.50%
Cheng Koon Yung Clifford	Flat D, 13/F, Block 7, Tseung Kwan O Plaza, 1 Tong Tak Street, Tseung Kwan O, New Territories, Hong Kong	450,500	225,250	675,750	0.50%
Cheung On Kit Andrew	Flat E, 1st Floor, Block 2, Pokfulam Gardens, 180 Pokfulam Road, Hong Kong	450,500	225,250	675,750	0.50%
Hesse Jakob Fabian	Flat D, 12/F., Centrepoint, 72 Staunton Street, Sheung Wan, Hong Kong	450,500	225,250	675,750	0.50%
Lo Wing Kam	Flat D, 36/F, Block 4, Belvedere Garden, Phase 2, Tsuen Wan, New Territories, Hong Kong	240,266	120,133	360,399	0.27%
Ng Florence Man Shan	Flat K, 32/F, Block 2, Funing Garden, Tseung Kwan O, New Territories, Hong Kong	240,266	120,133	360,399	0.27%

<u>Grantee</u>	<u>Address</u>	<u>Number of Shares that vest in the First Vesting Period</u>	<u>Number of Shares that vest in the Second Vesting Period</u>	<u>Total Number of Shares under the options granted</u>	<u>Approximate percentage of shareholding upon the exercise of the option (Note)</u>
Suen Hiu Laam	Flat E, 17/F, Block 10, The Parcville, No.33 Kau Hui Road, Yuen Long, New Territories, Hong Kong	240,266	120,133	360,399	0.27%
Wong Che Ho	Room 3, 7/F., Block B, Cambridge Court, 84 Waterloo Road, Ho Man Tin, Kowloon, Hong Kong	240,266	120,133	360,399	0.27%
Wong Chi Shun	Room 1205, Un Shing House, Un Chau Estate, Un Chau Street, Shamshuipo, Kowloon, Hong Kong	240,266	120,133	360,399	0.27%
Wong Shing Hong Kent	Flat A, Floor 7, Block 7, Villa Carlton, 369 Tai Po Road, Kowloon, Hong Kong	240,266	120,133	360,399	0.27%
Kong Ying Sau	Flat B, 8/F., Pak Lam Court, Lucky Plaza, Shatin, New Territories, Hong Kong	240,266	120,133	360,399	0.27%
Hui Siu Ling Linda	4th Floor, 63 Percival Street, Causeway Bay, Hong Kong	240,266	120,133	360,399	0.27%
Yip Man Lai Anthony	Flat C, 11/F., Ka Yee Mansion, 84-88 Prince Edward Road, Mongkok, Kowloon, Hong Kong	119,675	59,837	179,512	0.13%
Chau Kit Min	Flat A, 16/F, Tower 4, Hanley Villa, 18 Yau Lai Road, Tsuen Wan, New Territories, Hong Kong	59,837	29,918	89,755	0.07%
Cheng Ka Lee	Flat E, 12th Floor, Tower 1, Bellagio, Sham Tseng, New Territories, Hong Kong	59,838	29,919	89,757	0.07%

<u>Grantee</u>	<u>Address</u>	<u>Number of Shares that vest in the First Vesting Period</u>	<u>Number of Shares that vest in the Second Vesting Period</u>	<u>Total Number of Shares under the options granted</u>	<u>Approximate percentage of shareholding upon the exercise of the option (Note)</u>
Ng Hoi Yan Monica	Flat C, 3/F., Federate Building, 292-298 Queen's Road West, Hong Kong	59,838	29,919	89,757	0.07%
Wong Siu Mui	Room 3319, 33/F., Ping Yan House, Ping Tin Estate, Lam Tin, Kowloon, Hong Kong	59,837	29,919	89,756	0.07%
Yung Chui Pik	Room 717, Block F, Lok Man Sun Chuen, Tokwawan, Kowloon, Hong Kong	59,838	29,919	89,757	0.07%
	Total ¹	<u>5,043,762</u>	<u>7,297,175</u>	<u>12,340,937</u>	<u>9.14%</u>

¹ Two of the grantees, Mr. Yeung Ka Ming and Mr. Poon Chung Hung who had been granted the options, each ceased to be an employee of the Group in June 2016 and December 2016 respectively. Therefore, according to the Pre-IPO Share Option Scheme, their option right shall lapse as at the date of cessation.

Note: Figures may not add up precisely to total due to rounding.

The percentages of shareholding represent the percentages immediately upon completion of the Capitalisation Issue and the Hong Kong Public Offering and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme. Except as set out above, no other options have been granted or agreed to be granted by the Company under the Pre-IPO Share Option Scheme.

No option under the Pre-IPO Share Option Scheme is held by a connected person of the Company other than those granted to the Directors above and the members of the senior management above (except Mr. Pang Mo Cheung) who are directors of Somerley Capital.

The Company will not permit the exercise of any Pre-IPO Share Option Scheme by any of the connected persons if, upon such exercise, the Company would not be able to attain the minimum public float requirement of the Stock Exchange.

(d) *Dilution effect and impact on earnings per Share*

Based on the number of issued Shares immediately upon completion of the Capitalisation Issue and the Hong Kong Public Offering, and assuming that the options that may be granted under the Share Option Scheme have not been exercised, full exercise of the options granted under the Pre-IPO Share Option Scheme would result in the issued share capital of the Company be increased by approximately 9.14%, hence diluting the shareholdings of the Shareholders. Assuming the options granted under the Pre-IPO Share Option Scheme had been exercised in full, but not taking into account any Shares which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme, this will have a dilutive effect on (i) the shareholdings of the Shareholders of approximately 8.38%; and (ii) earnings per Share of approximately 8.38%. As at the Latest Practicable Date, none of the options granted under the Pre-IPO Share Option Scheme had been exercised by the grantees.

2. Share Option Scheme

(a) *Principal terms of the Share Option Scheme*

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted pursuant to written resolutions of the Shareholders passed on 9 March 2017:

(i) *Purpose of the Share Option Scheme*

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

(ii) *Who may join*

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within the period of ten (10) years after the date of adoption of the Share Option Scheme to make an offer to any of the following classes of persons:

- (1) any employee of (whether full time or part-time employee, including any executive directors but not any non-executive directors) the Company and its subsidiaries;
- (2) any non-executive directors (including independent non-executive directors) of the Company and any of its subsidiaries; and
- (3) any account executive of the Group, and any person or entity acting in their capacities as advisers or consultants that provides research, development or other technological support to the Group.

(iii) *Maximum number of Shares*

- (1) Notwithstanding anything to the contrary in the Share Option Scheme, the maximum number of Shares which may be issued upon the 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, must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time.
- (2) The total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share options schemes of the Company shall not exceed 13,500,000 Shares, being 10% of the total number of Shares in issue immediately following completion of the Hong Kong Public Offering and the Capitalisation Issue, unless the Company seeks the approval of the Shareholders in general meeting for refreshing the 10% limit under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating such 10% limit.
- (3) The 10% limit set out in sub-paragraph (2) (“**Scheme Mandate Limit**”) may be refreshed by ordinary resolution of the Shareholders in general meeting, provided that (a) the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company under the Scheme Mandate Limit as renewed shall not exceed 10% of the total number of Shares in issue as at the date of Shareholders’ approval for refreshing the Scheme Mandate Limit; (b) options previously granted under the Share Option Scheme and any other share option schemes of the Company (including options exercised, outstanding, cancelled, or lapsed in accordance with the relevant scheme rules) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed; and (c) a circular regarding the proposed refreshing of the Scheme Mandate Limit has been despatched to the Shareholders in a manner complying with, and containing the matters specified in, Chapter 23 of the GEM Listing Rules.
- (4) The Company may seek separate approval from the Shareholders in general meeting for granting options which will result in the Scheme Mandate Limit being exceeded, provided that (a) the grant is only to eligible persons specifically identified by the Company before the approval is sought; and (b) a circular regarding the grant has been

despatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 23 of the GEM Listing Rules and any other applicable laws and rules.

(iv) *Maximum entitlement of each eligible person*

No option shall be granted to any eligible person if any further grant of options would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including such further grant would exceed 1% of the total number of Shares in issue, unless:

- (1) such grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 23 of the GEM Listing Rules, by resolution of the Shareholders in general meeting, at which the relevant eligible person and his associates shall abstain from voting;
- (2) a circular regarding the grant has been despatched to the Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 23 of the GEM Listing Rules (including the identity of the relevant eligible person, the number and terms of the options to be granted and options previously granted to such relevant eligible person); and
- (3) the number and terms (including the subscription price) of such option are fixed before the general meeting of the Company at which the same are approved. For the purpose of calculating the limit, options that have already lapsed in accordance with paragraph (xxi) shall not be counted.

(v) *Grant of options to connected persons*

- (1) Where an option is to be granted to a connected person (or any of their respective associates) of the Company, the grant shall not be valid unless it has been approved by the independent non-executive Directors, excluding any independent non-executive Director who is a prospective grantee of the option.

- (2) Where an option is to be granted to a substantial shareholder or an independent non-executive Director (or any of their respective associates), and such grant will result in the securities issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
- a. exceeding 0.1% of the total number of Shares in issue at the relevant time of grant; and
 - b. exceeding an aggregate value (based on the closing price of the Shares on the Stock Exchange on the date of each grant) of HK\$5 million, such grant shall not be valid unless: (i) a circular containing the details of the grant has been despatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 23 of the GEM Listing Rules (including, in particular, a recommendation from the independent non-executive Directors (excluding the independent non-executive Director who is the prospective grantee of the option) to the independent Shareholders as to voting); and (ii) the grant has been approved by the Shareholders in general meeting, at which all connected persons of the Company shall abstain from voting in favour of the grant. For the purpose of calculating the limit, options that have already lapsed in accordance with paragraph (xxi) shall not be counted.
- (3) Where any change is to be made to the terms of any option granted to a substantial shareholder or an independent non-executive Directors (or any of their respective associates), such change shall not be valid unless:
- a. circular regarding the change has been despatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 23 of the GEM Listing Rules; and
 - b. the change has been approved by the Shareholders in general meeting, at which all connected persons of the Company shall abstain from voting in favour at such general meeting.

(vi) *Time of acceptance and exercise of an option*

An offer of grant of an option may be accepted by an eligible person within the date as specified in the offer issued by the Company, being a date not later than 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, provided that such date shall not be more than ten years after the date of adoption of the Share Option Scheme. A consideration of HK\$1.00 is payable for each acceptance of grant of option(s). Such consideration shall in no circumstances be refundable. Subject to the other provisions of the Share Option Scheme, an option may be exercised in whole or in part by the grantee (or his personal representatives) at anytime before the expiry of the period to be determined and notified by the Board to the grantee which in any event shall not be longer than ten years commencing on the offer date and expiring on the last day of such ten-year period subject to the provisions for early termination as contained in the Share Option Scheme and provided that the Board may determine the minimum period for which the option has to be held or other restrictions before the exercise of the subscription right attaching thereto.

(vii) *Performance targets*

There is no performance target that has to be achieved before the exercise of any option.

(viii) *Subscription price for Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price determined by the Board and notified to an eligible person, and shall be at least the highest of:

- (1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day;
- (2) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five (5) business days immediately preceding the offer date; and
- (3) the nominal value of a Share.

Where an option is to be granted under paragraphs (iv) or (v)(2), for the purposes of sub-paragraph (viii)(1) and (2), the date of the board meeting at which the grant was proposed shall be taken to be the offer date for such option. For the purpose of calculating the subscription price, where an option is to be granted less than five (5) business days after the listing of the Shares on GEM, the price at which the Shares were placed pursuant to the Hong Kong Public Offering shall be taken to be the closing price for any business day before listing.

(ix) *Ranking of Shares*

The Shares to be issued and allotted upon the exercise of an option shall be subject to the Company's constitutional documents for the time being in force and shall rank *pari passu* in all respects with the fully-paid Shares in issue of the Company as at the date of allotment and will entitle the holders to participate in all dividends or other distributions declared or recommended or resolved to be paid or made in respect of a record date falling on or after the date of allotment.

(x) *Restrictions on the time of grant of options*

No offer shall be made after inside information has come to the Company's knowledge until the Company has announced the information pursuant to the requirements of the GEM Listing Rules. In particular, no option shall be granted:

- (1) during the period commencing 30 days immediately preceding the earlier of:
 - a. the date of the meeting of the Board for the approval of the Company's results for any year, half-year, quarterly or other interim period (whether or not required under the GEM Listing Rules); and
 - b. the deadline for the Company to publish an announcement of its results for any year, half-year, quarterly or other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement; and
- (2) during the period commencing 60 days immediately preceding the earlier of:
 - a. the date of the meeting of the Board for the approval of the annual results of the Company (whether or not required under the GEM Listing Rules); and
 - b. the deadline for the Company to publish an announcement of its annual results (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement.

(xi) *Period of the Share Option Scheme*

Subject to earlier termination by the Company in general meeting or the Board, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption of the Share Option Scheme, after which period no further option shall be granted. Subject to the above, in all other respects, in particular, in respect of options remaining outstanding on the expiration of the 10-year period referred to in this paragraph, the provisions of the Share Option Scheme shall remain in full force and effect.

(xii) *Rights on cessation of employment*

Subject to sub-paragraphs (xiii) and (xxi), where the holder of an outstanding option ceases to be an eligible person for any reason (other than death or for any reason referred to under sub-paragraph (xxi)(5)), the option shall lapse on the date of cessation and not be exercisable unless the Board otherwise determines in which event the option shall be exercisable to the extent and within such period (not exceeding 90 days) as the Board may determine. The date of such cessation shall be (i) if he is an employee of the Company or any subsidiary, his last actual working day at his work place with the Company or any subsidiary whether salary is paid in lieu of notice or not; or (ii) if he is not an employee of the Company or any subsidiary, the date on which his relationship with the Group which has constituted him an eligible person ceases.

(xiii) *Rights on death*

Subject to paragraph (xxi), where the grantee (being an individual) of an outstanding option dies before exercising the option in full or at all, the option may be exercised in full or in part (to the extent which has become exercisable and not already exercised) within 12 months of the date of death (or within such longer period as the Board may determine) by his personal representative(s).

(xiv) *Rights on a general offer*

- (1) Subject to paragraph (xxi), if a general offer whether by way of takeover offer or share repurchase offer or otherwise in like manner is made to all the Shareholders (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional, the Company shall give notice thereof to the grantee and the grantee (or his personal representative(s)) may, by delivering a notice in writing to the Company at any time within 14 days of such notice, exercise the option in full or in part (to the extent which has become exercisable and not already exercised).

- (2) Subject to paragraph (xxi), if a general offer by way of a scheme of arrangement is made to all the Shareholders and the scheme has been approved by the necessary number of Shareholders at the requisite meetings, the Company shall give notice thereof to the grantee and the grantee (or his personal representative(s)) may, by delivering a notice in writing to the Company at any time within fourteen (14) days of such Shareholders' approval, exercise the option in full or in part (to the extent which has become exercisable and not already exercised).

(xv) Rights on winding-up

Subject to paragraph (xxi), in the event of an effective resolution being passed for the voluntary winding up of the Company or an order of the court is made for the winding-up of the Company, the grantee (or his personal representative(s)) may by notice in writing to the Company within 21 days after the date of such resolution or order of the court elect to be treated as if the option (to the extent which has become exercisable and not already exercised) had been exercised immediately before the passing of such resolution or order of the court either to its full extent or to the extent specified in the notice, such notice to be accompanied by remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon the grantee will be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of Shares such sum as would have been received in respect of the Shares being the subject to such election.

(xvi) Rights on compromise or arrangement between the Company and its creditors

Subject to paragraph (xxi), in the event of a compromise or arrangement, other than a scheme of arrangement contemplated in sub-paragraph (xiv) (bb), between the Company and its members or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement and the grantee (or his personal representative(s)) may at any time thereafter, but prior to 12 noon on the day immediately preceding the date of the meeting, exercise all or any of his options (to the extent which has become exercisable and not already exercised). With effect from 12 noon on the day immediately preceding the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and terminate. The Directors shall endeavour to procure that the Shares issued as a result of the exercise of options under this paragraph shall for the purposes of such compromise or arrangement form part of the issued share capital of the Company on the effective date thereof and that such Shares shall in all respects be subject to

such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or otherwise) the rights of grantees to exercise their respective unexercised options shall with effect from the date of the making of the order by the court be restored in full and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme and the terms and conditions of grant of such option) as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damage sustained by any grantee as a result of the aforesaid suspension.

(xvii) Reorganisation of capital structure

In the event of any alteration in the capital structure of the Company whilst any option has been granted and remains exercisable, whether by way of capitalisation issue, rights issue, consolidation, subdivision or reduction of the share capital of the Company, the Company, but not including an issue of securities as consideration in respect of a transaction in which the Company or a subsidiary is a party, shall make corresponding alterations (if any) to:

- (1) the number of Shares subject to the options already granted so far as they remain exercisable; and/or
- (2) the subscription price; and/or
- (3) the method of exercise of the options; and/or
- (4) the maximum number of Shares referred to in paragraphs (iii) and (iv) above, provided that:
 - a. no such alteration shall be made in respect of an issue of securities by the Company or a subsidiary as consideration in a transaction;
 - b. any such alterations must be made so that each grantee is given the same proportion of the equity capital of the Company as that to which he was previously entitled;
 - c. no such alterations shall be made which would result in the subscription price for a Share being less than its nominal value, provided that in such circumstances the subscription price shall be increased to the nominal value;
 - d. any such alterations, save those made on a capitalisation issue, shall be confirmed by an independent financial adviser or the auditors of the Company in writing to the Directors as satisfying the requirements of sub-paragraphs (2) and (3) above; and

- e. any such alterations made pursuant to a subdivision or consolidation of share capital shall be made on the basis that the aggregate subscription price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event.

(xviii) *Cancellation of options*

Subject to consent of the relevant grantee, the Board may cancel an option granted but not exercised. Cancelled options may be reissued after such cancellation has been approved, provided that re-issued options shall only be granted in compliance with the terms of the Share Option Scheme and the GEM Listing Rules. Options may be granted to an eligible person in place of his cancelled options provided that there are available unissued options (excluding the cancelled options) within the limit approved by the Shareholders as mentioned in paragraph (iii) above (or similar limit under any other scheme adopted by the Company) from time to time. For the avoidance of doubt, options which have been exercised shall not be included as cancelled options.

(xix) *Termination of the Share Option Scheme*

The Company, by resolution in general meeting, or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further option will be offered but in all other respects the provision of the Share Option Scheme shall remain in full force and effect and options granted prior to such termination shall continue to be valid and exercisable in accordance with the Shares Option Scheme.

(xx) *Rights are personal to grantee*

An option shall be personal to the grantee and shall not be assignable nor transferable, and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (whether legal or beneficial) in favour of any third party over or in relation to any option. Any breach of the foregoing shall entitle the Company to cancel any outstanding option or part thereof granted to such grantee without incurring any liability on the part of the Company.

(xxi) *Lapse of option*

The right to exercise an option (to the extent not already exercised) shall terminate immediately upon the earliest of:

- (1) the expiry of the option period;
- (2) the expiry of any of the periods referred to in sub-paragraphs (xii), (xiii) or (xiv)(1);

- (3) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in sub-paragraph (xiv)(2);
- (4) subject to paragraph (xv), the date of the commencement of the winding-up of the Company;
- (5) the date on which the grantee ceases to be an eligible person by reason of summary dismissal or being dismissed for misconduct or other breach of the terms of his employment contract or other contract constituting him an eligible person, or the date on which he begins to appear to be unable to pay or has no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his or her creditors generally or on which he has been convicted of any criminal offence involving his or her integrity or honesty;
- (6) the date of the compromise or arrangement referred to in paragraph (xvi) becomes effective; or
- (7) the date on which the grantee commits a breach of paragraph (xx).

(xxii) *Alterations to the Share Option Scheme*

- (1) The provisions of the Share Option Scheme which relate to the matters set out in Rule 23.03 of the GEM Listing Rules shall not be altered to the advantage of grantees or prospective grantees except with the prior approval of the Shareholders in general meeting (with participants and their associates abstaining from voting). No such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction in writing of such majority of the grantees as would be required of the Shareholders under the constitutional documents for the time being of the Company for a variation of the rights attached to the Shares. Subject as aforesaid and to sub-paragraph (xxii)(bb), the Share Option Scheme may be altered in any respect by resolution of the Board except that:
 - a. any changes to the definitions of eligible person and grantee and option period;
 - b. any changes to the provisions of, among others, paragraphs (i) to (xxii);
 - c. any alteration to the terms and conditions of the Share Option Scheme which are of a material nature;
 - d. any change to the terms of the options granted;

- e. any change to the authority of the board of Directors in relation to any alteration to the terms of the Share Option Scheme, must be approved by a resolution by the Shareholders in general meeting, except which such alternations take effect automatically under the existing terms of the Share Option Scheme;
- f. the amended terms of the Share Option Scheme or the options must comply with Chapter 23 of the GEM Listing Rules, and the provisions of paragraphs (iv), (v) and (viii) above may be amended by the Board to reflect any amendments made by the Stock Exchange to the relevant provisions of the GEM Listing Rules; and
- g. the Company must provide to all grantees all details relating to changes in the terms of the Share Option Scheme during the life of the Share Option Scheme immediately upon such changes taking effect.

(xxiii) *Conditions*

The Share Option Scheme is conditional on:

- (1) The Listing Division of the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Capitalisation Issue and the Hong Kong Public Offering and any Shares which may fall to be issued pursuant to the exercise of any option up to 10% of the total number of Shares in issue immediately following completion of the Hong Kong Public Offering and the Capitalisation Issue;
- (2) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise; and
- (3) the commencement of dealings in the Shares on GEM.

(xxiv) *Share capital*

The exercise of any option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorised share capital of the Company.

(b) *Present status of the Share Option Scheme***(i) *Approval and adoption of the rules of the Share Option Scheme***

The rules of the Share Option Scheme, the principal terms of which are set out in this Appendix, were approved and adopted by the Shareholders on 9 March 2017.

(ii) *Approval of the Listing Division of the Stock Exchange required*

The Share Option Scheme is conditional on:

- (1) the Listing Division of the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Capitalisation Issue and the Hong Kong Public Offering and any Shares which may fall to be issued pursuant to the exercise of any option granted or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme up to 10% of the total number of Shares in issue immediately following completion of the Hong Kong Public Offering and the Capitalisation Issue;
- (2) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise; and
- (3) the commencement of dealings in the Shares on GEM.

(iii) *Application for approval*

Application has been made to the Listing Division of the Stock Exchange for the listing of and permission to deal in the Shares to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme up to 10% of the total number of Shares in issue immediately following completion of the Hong Kong Public Offering and the Capitalisation Issue. The total number of Shares in respect of which options may be granted under the Scheme and any other share option schemes of the Company shall not exceed 13,500,000 Shares, being 10% of the total number of Shares in issue as at the date of listing of the Shares unless the Company obtains the approval of the Shareholders in general meeting for refreshing the said 10% limit under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating the 10% limit above mentioned.

(iv) *Grant of option*

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(v) *Value of options*

The Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. The Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

3. Indemnities

Each of SGL and Mr. Sabine, pursuant to the Deed of Indemnity, has given joint and several indemnities in favour of the Group in respect of, among other things any taxation liabilities which might be incurred by any member of the Group in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the date on which the Hong Kong Public Offering becomes unconditional, save for:

- (a) to the extent that provision or allowance has been made for such taxation in the audited combined accounts of the Group for each of the two years ended 31 March 2015 and 2016 and the six months ended 30 September 2016, as set out in Appendix I to this prospectus;
- (b) to the extent that such taxation arises or is incurred as a result of any retrospective change in law or retrospective increase in tax rates coming into force after the Listing Date;
- (c) for which any member of the Group is liable as a result of any event occurring, or income, profits earned, accrued or received or alleged to have been earned, accrued or received, or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets, after the date on which the Hong Kong Public Offering becomes unconditional;
- (d) to the extent that such taxation or liability would not have arisen but for any act or omission by any member of the Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) voluntarily effected without

the prior written consent or agreement of SGL and Mr. Sabine, otherwise than in the ordinary course of business after the date on which the Hong Kong Public Offering becomes unconditional or carried out, made or entered into pursuant to a legally binding commitment created after the date on which the Hong Kong Public Offering becomes unconditional;

- (e) to the extent that such taxation or liability is discharged by another person who is not the Company or any member of the Group and that the Company or such member in the Group is not required to reimburse such person in respect of the discharge of the taxation or liability; or
- (f) to the extent that such claim or taxation arises or is incurred as a consequence of a change in any accounting policy or practice adopted by any other member of the Group after the date on which the Hong Kong Public Offering becomes unconditional.

4. Estate duty

The Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries under the laws of the Cayman Islands and in other jurisdictions in which the companies comprising the Group are incorporated.

5. Litigation

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

6. Joint compliance advisers

In accordance with the requirements of the GEM Listing Rules, the Company has appointed Somerley Capital and Halcyon Capital as its joint compliance advisers to provide advisory services to the Company to ensure compliance with the GEM Listing Rules for a period commencing on the Listing Date and ending on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date.

7. Preliminary expenses

The estimated preliminary expenses of the Company were approximately HK\$53,000.

8. Promoter

The Company has no promoter.

9. Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this prospectus are as follows:

Name	Qualification
Somerley Capital Limited	Licensed to conduct Type 1 (Dealing in securities) and Type 6 (Advising on corporate finance) of the regulated activities as defined under the SFO
Halcyon Capital Limited	Licensed to conduct Type 6 (Advising on corporate finance) regulated activity as defined under the SFO
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
SHINEWING (HK) CPA Limited	Certified Public Accountants
SHINEWING Risk Services Limited	Internal control reviewer
Roma Appraisals Limited	Property valuer

10. Consents of experts

Each of the experts named above has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports, letters or opinions (as the case may be) and the references to their names or summaries of opinions in the form and context in which they are respectively included.

11. Joint Sponsors' fees

Somerley Capital and Halcyon Capital will receive a sponsorship, financial advisory and documentation fee of HK\$2.0 million and HK\$3.1 million respectively in relation to the Listing and will be reimbursed for their expenses.

12. Independence of the Joint Sponsors

Somerley Capital, being one of the Joint Sponsors, is one of the subsidiaries of the Company. It is not an independent sponsor according to the independence criteria applicable to sponsors set out in Rule 6A.07 of the GEM Listing Rules.

Halcyon Capital, being the other Joint Sponsor, satisfies the independence criteria applicable to sponsors set out in Rule 6A.07 of the GEM Listing Rules, despite (i) the sponsor and documentation fees paid and to be paid to Halcyon Capital as one of the Joint Sponsors in relation to the Listing; (ii) compliance advisory fee to be paid to Halcyon Capital as one of the Company's joint compliance advisers pursuant to the requirement under Rule 6A.19 of the GEM Listing Rules; and (iii) the underwriting commission to be paid to Halcyon Securities as the Underwriters under the Underwriting Agreement.

13. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding up and Miscellaneous Provisions) Ordinance so far as applicable.

14. Share registers

The Company's principal share registrar is Codan Trust Company (Cayman) Limited and a branch register of members will be maintained by Union Registrars Limited, the Company's branch share registrar in Hong Kong. Unless the Directors otherwise agree, all transfers and other documents of title to shares must be lodged for registration with and registered by, the Company's branch share registrar in Hong Kong which may not be lodged for registration with the principal share registrar in the Cayman Islands.

15. Application for listing of Shares

The Company has applied to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Hong Kong Public Offering as mentioned herein and any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Schemes. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

16. Taxation of holders of Shares

(a) *Hong Kong*

Dealings in Shares registered on 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 is 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred.

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

(b) *The Cayman Islands*

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

(c) *Consultation with professional advisers*

Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasised that none of the Company, the Directors or the other parties involved in the Hong Kong Public Offering will accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

17. Bilingual document

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

18. Miscellaneous

1. Save as disclosed herein, within the two years preceding the date of this prospectus:
 - (a) no share or loan capital of the Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (b) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of the Company or any of the subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of the Company or any of the subsidiaries;
 - (c) no commission has been paid or is payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares or debenture of any of the Company or the subsidiaries of the Group; and
 - (d) no share or loan capital of the Company or any of the subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
2. Neither the Company nor any of the subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.

3. No company within the Group is presently listed on any stock exchange or traded on any trading system.
4. The Group has no outstanding convertible debt securities.
5. There has not been any interruption in the business of the Group which may bear on or have had a significant effect on the financial position of the Group in the 24 months immediately preceding the date of this prospectus.
6. The English language version of this prospectus shall prevail over the Chinese language version.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (a) the written consents referred to in paragraph headed “10. Consents of experts” under the section headed “D. Other information” in Appendix IV to this prospectus; and (b) copies of the material contracts referred to in the paragraph headed “1. Summary of material contracts” under the section headed “B. Further information about the business of the Group” in Appendix IV to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Charltons at 12th Floor, Dominion Centre, 43–59 Queen’s Road East, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum;
- (b) the Articles;
- (c) the Accountant’s Report dated 15 March 2017 and issued by SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong, the text of which is set out in Appendix I to this prospectus;
- (d) the audited financial statements of the companies now comprising the Group for the years ended 31 March 2015, 31 March 2016 and the six months period from 1 April 2016 to 30 September 2016;
- (e) the letter on unaudited pro forma financial information issued by SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong, the text of which is set out in Appendix II to this prospectus;
- (f) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands company law as referred to in Appendix III to this prospectus;
- (g) the fair rent opinion dated 15 March 2017 issued by Roma Appraisals Limited in relation to the fairness of sharing of the Property under the Original Office Sharing Agreement and the Office Sharing Agreement;
- (h) the Companies Law;
- (i) the material contracts referred to in the paragraph headed “1. Summary of material contracts” in the section headed “B. Further information about the business of the Group” in Appendix IV to this prospectus;

- (j) the service contracts referred to in the paragraph headed “1.(b) Particulars of service contracts” in the section headed “C. Further information about Directors, management, staff and experts” in Appendix IV to this prospectus;
- (k) the rules of the Pre-IPO Share Option Scheme;
- (l) the list of all the grantees who have been conditionally granted options to subscribe for the Shares under the Pre-IPO Share Option Scheme, containing all the details as required under the GEM Listing Rules and Companies (Winding up and Miscellaneous Provisions) Ordinance;
- (m) the rules of the Share Option Scheme; and
- (n) the written consents referred to in the paragraph headed “10. Consents of experts” in the section headed “D. Other information” in Appendix IV to this prospectus.



SOMERLEY CAPITAL HOLDINGS LIMITED

Somerley Capital Holdings Limited

新百利融資控股有限公司