



SOMERLEY CAPITAL HOLDINGS LIMITED

新百利融資控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 8439



2021/22
**INTERIM
REPORT**

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

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

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

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

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Dear Shareholders,

After a pre-tax loss of approximately HK\$3.5 million in the first quarter of the financial year 2021/22, I am pleased to report a significantly stronger second quarter, recording a profit before taxation for the quarter of approximately HK\$3.7 million. This has allowed us to make up for the first quarter loss and turn round to a profit before tax of approximately HK\$0.2 million for the first six months of the year 2021/22.

Overall, there was not much change in underlying corporate finance market conditions between the two quarters. However, we made substantial progress on projects which had been delayed or been postponed, a number of which were completed and billed in the period. Performance depends to a large degree on timing of completion or achieving milestones for stage payments. Quarterly results are therefore not always the most reliable indicator of the trend of our business.

Turnover for the second quarter, at approximately HK\$21.7 million, was approximately 50% higher than turnover for the first quarter of approximately HK\$14.1 million. For the six months ended 30 September 2021, turnover of approximately HK\$35.8 million was very similar to the turnover of approximately HK\$36.1 million recorded for the corresponding period of the previous financial year. Within the current year's figure, income from acting as financial adviser and compliance adviser increased, while income from independent financial advisory work declined as compared to the previous year. Total employee benefits costs and other operating costs for the period were very similar to last year's corresponding period. This year's interim profit before tax did not include any fair value gain on investments.

The Group's balance sheet at 30 September 2021 is set out on pages 17–18 of the Interim Report. The sharp increase in right-of-use assets, and the broadly corresponding increases in lease liabilities, are due to the renewal of the lease on our office premises for three years from 1 July 2021, and not to any acquisition of property. The slight decrease in net assets is primarily due to the payment of the 2020/21 final dividend of HK3.5 cents per share, equivalent to HK\$5.4 million. The balance sheet and liquidity position remain strong.

We continue the process of actively seeking a new role for our fund management business. As reported earlier, the Group has made its first investment in a one-stop digital finance services company. For a second year we supported the TADs awards (for Tokenised Assets and Digital Securities).

PROSPECTS FOR THE YEAR

At the present time, the outlook for the second half of the year looks broadly similar to the first half. The pipeline of transactions is at a reasonably encouraging level, but changes in the market and political environment may have an impact on final execution. Competition remains strong, affecting fee levels. Some relaxation in travel restrictions would be of great assistance not only for business development but also to the morale of our staff as they seek to maintain relationships with family and friends. My thanks are due to them, and to our clients and shareholders, for their continued support.

Yours sincerely,
Martin Sabine
Chairman



BUSINESS REVIEW AND PROSPECT

Analysis of Principal Businesses

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

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

During the first half of 2021, corporate finance activities in Hong Kong has not been improved and the Group recorded a loss after tax of approximately HK\$3.4 million due to a subdued environment for corporate finance advisory services for the three months ended 30 June 2021. Similar to the last corresponding interim period, the Group experienced a pick-up of corporate finance activities in the third quarter of 2021.

During the six months ended 30 September 2021 (the “Period”), the Group recorded a profit before tax of approximately HK\$0.2 million (2020: approximately HK\$6.6 million). The decrease in profit was mainly due to the absence of fair value gain on investment in The Climate Impact Asia Fund (“CIAF”) of approximately HK\$5.6 million in the previous year. The corporate finance advisory business segment recorded revenue of approximately HK\$35.8 million (2020: approximately HK\$35.8 million) and a segment profit before tax of approximately HK\$2.3 million (2020: approximately HK\$3.0 million). There was no active project undertaken by the asset management business segment during the Period and a segment loss before tax of approximately HK\$0.8 million (2020: approximately HK\$0.8 million) was recorded.

During the Period, the Group recorded a profit after tax of approximately HK\$0.2 million (2020: approximately HK\$6.5 million). The decrease in profit was mainly due to (i) approximately HK\$0.3 million decrease in revenue; and (ii) the absence of fair value gain on investment in CIAF of approximately HK\$5.6 million.

Prospects

Similar to the financial year ended 31 March 2021, revenue from corporate finance remains stable. The Group’s revenue for the Period of approximately HK\$35.8 million is largely the same as the revenue from corporate finance segment for the previous interim period despite of a relatively weaker start for the first quarter. However, the picking up in corporate finance activity during the second quarter is somehow offset by fierce fee competition. As each of China and Hong Kong is still adhering to the “zero-Covid” strategy and there is no clear timetable for border relaxation, this will continue to present difficulty for the Group’s front-line staff to explore new idea with potential clients or make effective face-to-face pitching. The pipeline of transactions is at a reasonable encouraging level but visibility of market environment remains low. The Directors maintain a cautious view for the Group’s result for the second half of this financial year.



FINANCIAL REVIEW

Revenue

The Group's total revenue decreased by approximately 0.8% to approximately HK\$35.8 million for the Period from approximately HK\$36.1 million for the six months ended 30 September 2020.

Revenue generated from acting as financial adviser ("FA") and as independent financial adviser ("IFA") for the Period amounted to approximately HK\$24.1 million (2020: approximately HK\$28.0 million), accounting for approximately 67.3% of the Group's total revenue (2020: approximately 77.6%). The decrease is mainly due to fierce fee competition for corporate finance advisory services. FA and IFA activities remain as the major source of the Group's revenue.

Revenue generated from acting as compliance adviser ("CA") for the Period amounted to approximately HK\$11.7 million (2020: approximately HK\$7.9 million), accounting for approximately 32.7% of the Group's total revenue (2020: approximately 21.9%). CA activities continue to provide a stable source of income to the Group, complementing the more fluctuating corporate finance advisory income.

The rest of the Group's revenue for the six months ended 30 September 2020 were contributed by the provision of the asset management service.

Other Income and Gain

Other income and gain mainly represented bank interest income, management service fee income from Somerley Group Limited ("SGL") and reimbursement of other premise expenses from SGL. Other income and gain increased to approximately HK\$0.7 million for the Period from approximately HK\$0.5 million for the six months ended 30 September 2020, primarily due to the net exchange gain recognised upon transaction of RMB denominated assets.

Employee Benefits Costs

The Group's employee benefits costs primarily consist of fees, salaries, bonuses and allowances as well as contributions to retirement benefits scheme for the Directors and the employees of the Group.

	For the six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
Fees, salaries, allowances and other benefits	24,292	22,816
Discretionary bonus	—	1,400
Contributions to retirement benefits scheme	537	428
	24,829	24,644
Analysed as:		
— corporate holding	360	360
— corporate finance advisory (Hong Kong)	22,906	22,715
— corporate finance advisory (Beijing)	1,249	989
— asset management	314	580
	24,829	24,644

Employee benefits costs slightly increased to approximately HK\$24.8 million for the Period from approximately HK\$24.6 million for the six months ended 30 September 2020. This is primarily due to the combined effects of (i) the absence of the accrued bonus and (ii) the recognition of the government grant of approximately HK\$1.7 million from the Employment Support Scheme under Anti-Epidemic Fund during the six months ended 30 September 2020.

Depreciation and Other Operating Expenses

The Group adopted HKFRS 16 and all non-cancellable operating leases, except for short-term leases and leases for low-value assets, entered by the Group are recorded as right-of-use assets whose costs will be depreciated over the lease terms. Therefore, the rental expenses are included as depreciation of right-of-use assets under HKFRS 16.



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

	For the six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
Depreciation of property and equipment	508	518
Depreciation of right-of-use assets	4,459	5,066
	4,967	5,584
Other premises expenses	1,043	1,024
Travelling expenses	167	121
Impairment loss recognised in respect of trade receivables	604	452
Recurring GEM listing expenses (excluding remuneration of independent non-executive directors)	857	917
Others	2,886	2,540
	10,524	10,638
Analysed as:		
— corporate holding	1,278	1,395
— corporate finance advisory (Hong Kong)	7,958	8,184
— corporate finance advisory (Beijing)	846	607
— asset management	442	452
	10,524	10,638

The Group's depreciation and other operating expenses decreased by approximately 0.9% to approximately HK\$10.5 million for the Period from approximately HK\$10.6 million for the six months ended 30 September 2020. The net decrease was mainly due to the combined effects of (i) the decrease in depreciation of right-of-use assets due to the lower renewed rental and (ii) the increase in general operating expenses as a result of the revival of business activities in Hong Kong and China.

Profit for the Period

For the Period, the Group recorded a profit before tax of approximately HK\$0.2 million (2020: approximately HK\$6.6 million), and after-tax profit was approximately HK\$0.2 million (2020: approximately HK\$6.5 million). The decrease in profit was primarily due to the absence of the unrealised fair value gain on the investment in CIAF.

Liquidity, Financial Resources and Capital Structure

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

The Group's equity consists of ordinary shares of the Company (the "Shares"). The Group had neither banking facilities nor borrowings as at 31 March 2021 and 30 September 2021.

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

Foreign Exchange Exposure

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

Future Plans for Material Investments or Capital Assets

The Group had no capital commitments as at 30 September 2021 (31 March 2021: approximately HK\$0.3 million). Save for the business plan disclosed in the prospectus of the Company dated 15 March 2017 (the "Prospectus"), announcement of, among others, change in use of proceeds published on 22 June 2018 or as otherwise disclosed in this report, the Group did not have plans for making material investments or acquiring capital assets as at 30 September 2021.



Material Acquisition and Disposal of Subsidiaries, Associates or Joint Ventures

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

Significant Investments

On 27 December 2019, the Group subscribed for and was allotted 28,000 units of Class A shares of CIAF at a consideration of US\$2.8 million, equivalent to approximately HK\$21.8 million. The subscription was settled by the internal resources of the Group in December 2019. Details of the subscription were set out in the Company's announcement dated 27 December 2019.

CIAF was managed by Environmental Investment Services Asia Limited ("EISAL") which carries on the Group's asset management business. Despite the satisfactory performance of CIAF's portfolio during the year ended 31 March 2021, it has not achieved a sufficient size to justify EISAL devoting its resources indefinitely to its management. Given EISAL's resignation as CIAF's investment manager, there was no longer a strategic reason for the Company's investment in CIAF. The Directors consider that the redemption of the units in CIAF represented a good opportunity to realise the Group's fair value gain on the CIAF.

In December 2020, the Company made a request to redeem its entire interest in CIAF. The Company has also received a notice that CIAF would be closed on or before 21 February 2021.

During the year ended 31 March 2021, the entire interest in CIAF was fully redeemed with the corresponding fair value gain of approximately HK\$11.2 million.

Details of the redemptions were set out in the Company's announcements dated 1 December 2020, 6 January 2021, 14 January 2021, 17 February 2021 and 26 February 2021.

Except for investments in subsidiaries, the Group did not hold any significant investments during the Period.

Events after the Reporting Date

Save as disclosed elsewhere in this report, the Group has no significant events subsequent to 30 September 2021 and up to the date of this report.

Charge on Assets & Contingent Liabilities

As at 31 March 2021 and 30 September 2021, the Group did not have any charges on its assets or material contingent liabilities.

Gearing Ratio

As at 31 March 2021 and 30 September 2021, the Group did not have any borrowings and hence gearing ratio was not applicable.

Dividend

The board of Directors (the "Board") does not recommend the payment of any dividend for the Period (2020: nil).

Treasury Policies

The credit risk facing the Group is primarily attributable to bank balances and trade receivables. Bank balances are held with leading licensed banks in Hong Kong. The management of the Group regularly reviews the recoverable amount of each individual trade receivable to monitor prompt recovery and if necessary to make adequate impairment losses for irrecoverable amounts.

Employees and Remuneration Policies

The Group employed 50 employees as at 31 March 2021 and 49 employees as at 30 September 2021.

For the Period, employee benefits costs of the Group (including the Directors' emoluments) were approximately HK\$24.8 million (2020: approximately HK\$24.6 million). Remuneration is determined with reference to market terms, the financial results of the Group and the performance, qualifications and experience of employees. Apart from basic remuneration, share options may be granted under the share option scheme of the Company to eligible employees by reference to the Group's performance as well as the individual's contribution. The Directors believe that the compensation packages offered by the Group to its staff are competitive in comparison with market standards and practices.



Update of Business Progress and Use of Proceeds

The majority of the business objectives as stated in the Prospectus and the announcement of, among others, change in use of proceeds published on 22 June 2018 were accomplished as at 31 March 2019 except for the enhancement of the Group's information technology systems. As at 31 March 2021, the enhancement of the Group's information technology ("IT") infrastructure and the implementation of the business continuity plan was almost completed, but further upgrading and updating of IT is a continuing requirement.

The net proceeds from the Group's listing on GEM of the Stock Exchange on 28 March 2017 (the "Listing") were approximately HK\$55.9 million and approximately HK\$27.7 million was utilised for the year ended 31 March 2018. On 22 June 2018, the Group announced a change in use of net proceeds of approximately HK\$28.2 million and approximately HK\$25.9 million was utilised in accordance with that announcement for the year ended 31 March 2020. As at 30 September 2021, remaining proceeds of approximately HK\$1.6 million were unutilised and is originally planned for further upgrading server equipment and updating IT infrastructure for the year ending 31 March 2022.

As disclosed in the Prospectus, to the extent that the net proceeds from the Listing were not immediately required for the above purposes, they were placed on short-term interest bearing deposits with authorised financial institutions in Hong Kong.

TO THE BOARD OF DIRECTORS OF SOMERLEY CAPITAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Somerley Capital Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 15 to 41, which comprise the condensed consolidated statement of financial position as of 30 September 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standards 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong 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.



CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the condensed consolidated statement of profit or loss and other comprehensive income for each of the three-month periods ended 30 September 2021 and 30 September 2020 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Lee Shun Ming

Practising Certificate Number: P07068

Hong Kong

12 November 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2021

The Board is pleased to present the unaudited condensed consolidated results of the Group for the Period, together with the comparative unaudited figures for the corresponding period in 2020, as follows:

	Notes	Three months ended 30 September		Six months ended 30 September	
		2021	2020	2021	2020
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	6	21,732	21,700	35,765	36,096
Other income and gain	7	387	122	740	524
		22,119	21,822	36,505	36,620
Employee benefits costs		(12,458)	(12,250)	(24,829)	(24,644)
Fair value (loss) gain on financial asset at fair value through profit or loss		(2)	2,851	(1)	5,643
Depreciation	12	(2,157)	(2,795)	(4,967)	(5,584)
Introduction expenses		(681)	(249)	(781)	(249)
Finance cost		(125)	(72)	(150)	(158)
Other operating expenses		(2,953)	(2,559)	(5,557)	(5,054)
Profit before tax	8	3,743	6,748	220	6,574
Income tax expenses	9	(181)	(138)	(55)	(104)
Profit for the period		3,562	6,610	165	6,470
Other comprehensive income Item that may be reclassified subsequently to profit or loss:					
Exchange difference arising on translation of foreign operations		2	20	7	23
Total comprehensive income for the period		3,564	6,630	172	6,493

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2021

	Note	Three months ended 30 September		Six months ended 30 September	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Profit (loss) for the period attributable to:					
Owners of the Company		3,655	6,703	321	6,671
Non-controlling interests		(93)	(93)	(156)	(201)
		3,562	6,610	165	6,470
Total comprehensive income (expense) for the period attributable to:					
Owners of the Company		3,657	6,723	328	6,694
Non-controlling interests		(93)	(93)	(156)	(201)
		3,564	6,630	172	6,493
Earnings per share					
— basic (HK cents)	10	2.58	4.73	0.23	4.71
— diluted (HK cents)	10	2.57	4.58	0.22	4.56

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	Notes	As at 30 September 2021 HK\$' 000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Non-current assets			
Property and equipment	12	1,378	1,421
Right-of-use assets	12	18,590	3,729
Goodwill		—	—
Intangible asset		1,500	1,500
Rental deposits	13	2,304	234
Financial asset at fair value through profit or loss	14	1,558	—
Deferred tax asset		160	127
		25,490	7,011
Current assets			
Trade receivables	13	12,782	7,486
Prepayments, deposits and other receivables	13	2,707	4,839
Amount due from ultimate holding company		448	—
Financial asset at fair value through profit or loss	14	—	1
Cash and cash equivalents		82,608	96,478
		98,545	108,804
Current liabilities			
Contract liability		562	323
Other payables and accruals	15	1,742	4,126
Lease liabilities	12	6,424	3,238
Provision for reinstatement cost		—	2,300
Tax payable		430	363
		9,158	10,350
Net current assets		89,387	98,454
Total assets less current liabilities		114,877	105,465

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021



	Notes	As at 30 September 2021 HK\$' 000 (Unaudited)	As at 31 March 2021 HK\$' 000 (Audited)
Non-current liabilities			
Lease liabilities	12	12,835	545
Provision for long service payment		150	130
Provision for reinstatement cost		2,300	—
Deferred tax liabilities		247	247
		15,532	922
Net assets		99,345	104,543
Capital and reserves			
Share capital	16	1,420	1,419
Reserves		97,676	102,719
Equity attributable to owners of the Company		99,096	104,138
Non-controlling interests		249	405
Total equity		99,345	104,543

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

	Attributable to the owners of the Company							Total	Non-controlling interests	Total
	Share capital	Share premium	Retained earnings	Shareholder contribution reserve	Share option reserve	Translation reserve	Other reserve (note)			
At 1 April 2021 (Audited)	1,419	54,765	31,722	4,179	2,115	38	9,900	104,138	405	104,543
Profit (loss) for the period	—	—	321	—	—	—	—	321	(156)	165
Other comprehensive income:										
Exchange differences arising from translation of foreign operation	—	—	—	—	—	7	—	7	—	7
Total comprehensive income (expense) for the period	—	—	321	—	—	7	—	328	(156)	172
Dividends recognised as distribution (note 11)	—	(5,395)	—	—	—	—	—	(5,395)	—	(5,395)
Issue of shares upon exercise of share options (note 16)	1	67	—	—	(43)	—	—	25	—	25
At 30 September 2021 (Unaudited)	1,420	49,437	32,043	4,179	2,072	45	9,900	99,096	249	99,345
At 1 April 2020 (Audited)	1,413	57,975	23,132	4,179	2,307	(40)	9,900	98,866	1,647	100,513
Profit (loss) for the period	—	—	6,671	—	—	—	—	6,671	(201)	6,470
Other comprehensive income:										
Exchange differences arising from translation of foreign operation	—	—	—	—	—	23	—	23	—	23
Total comprehensive income (expense) for the period	—	—	6,671	—	—	23	—	6,694	(201)	6,493
Dividends recognised as distribution (note 11)	—	(3,546)	—	—	—	—	—	(3,546)	—	(3,546)
Issue of shares upon exercise of share options (note 16)	5	319	—	—	(181)	—	—	143	—	143
At 30 September 2020 (Unaudited)	1,418	54,748	29,803	4,179	2,126	(17)	9,900	102,157	1,446	103,603

Note: Other reserve represented the difference between the nominal amount of the share capital of Somerley Capital Limited and the nominal amount of the share capital issued by the Company pursuant to a group reorganisation.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2021



	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Profit before tax	220	6,574
Adjustments for:		
Depreciation of property and equipment	508	518
Depreciation of right-of-use assets	4,459	5,066
Bank interest income	(132)	(98)
Finance cost	150	158
Government grant	—	(1,724)
Provision for long service payments	20	—
Impairment loss recognised in respect of trade receivables	604	452
Unrealised fair value loss (gain) on financial asset at fair value through profit or loss	1	(5,643)
Operating cash flow before movements in working capital	5,830	5,303
Increase in trade receivables	(5,900)	(1,952)
Increase in prepayments, deposits and other receivables	(337)	(852)
Increase in contract liability	239	192
(Decrease) increase in other payables and accruals	(2,384)	440
Increase in amount due from ultimate holding company	(448)	(426)
Cash (used in) generated from operations	(3,000)	2,705
Profits tax paid	(21)	(62)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(3,021)	2,643

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2021

	Six months ended	
	30 September	
	2021	2020
	HK\$' 000	HK\$' 000
	(Unaudited)	(Unaudited)
INVESTING ACTIVITIES		
Bank interest received	81	89
Purchase of property and equipment	(15)	(92)
Purchase of financial asset of fair value through profit or loss	(1,554)	—
NET CASH USED IN INVESTING ACTIVITIES	(1,488)	(3)
FINANCING ACTIVITIES		
Dividends paid	(5,395)	(3,546)
Government grant received	—	1,358
Repayment of principal element of lease liabilities	(3,846)	(4,732)
Interest paid in respect of lease liabilities	(150)	(158)
Proceeds from issuance of shares	25	143
NET CASH USED IN FINANCING ACTIVITIES	(9,366)	(6,935)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(13,875)	(4,295)
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE PERIOD	96,478	67,235
Effect of foreign exchange rate changes	5	37
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD, represented by bank balances and cash	82,608	62,977

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021



1. GENERAL

The Company was incorporated on 21 April 2016 in the Cayman Islands as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and the shares of the Company are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent is Somerley Group Limited ("SGL"), a company incorporated in Hong Kong with limited liabilities. The addresses of the registered office and the principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and 20th Floor, China Building, 29 Queen's Road Central, Central, Hong Kong, respectively.

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

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements of Somerley Capital Holdings Limited and its subsidiaries (collectively, the Group) for the period have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of Chapter 18 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

3. CHANGE IN ACCOUNTING POLICIES

The accounting policies used for the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2021, except as described below:

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning on 1 April 2021:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendment to HKFRS 16	COVID-19-Related Rent Concessions

The application of the amendments to HKFRSs in the Period has had no material impact on the Group's financial performance and position for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of unaudited condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this unaudited condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021



5. SEGMENT INFORMATION

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

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

1. Corporate finance advisory service
2. Asset management service

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

	For the six months ended 30 September 2021			For the six months ended 30 September 2020		
	Corporate finance advisory service HK\$'000	Asset management service HK\$'000	Total HK\$'000	Corporate finance advisory service HK\$'000	Asset management service HK\$'000	Total HK\$'000
Segment revenue	35,765	—	35,765	35,848	248	36,096
Segment profit (loss)	2,290	(802)	1,488	3,049	(794)	2,255
Fair value (loss) gain on financial assets at fair value through profit or loss			(1)			5,643
Corporate and other unallocated expenses, net			(1,267)			(1,324)
Profit before tax			220			6,574

Segment profit (loss) represents the profit earned (loss resulted) from each segment without allocation of fair value gain on financial assets at fair value through profit or loss and central administration costs. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

5. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

	As at 30 September 2021			As at 31 March 2021		
	Corporate finance advisory service HK\$'000	Asset management service HK\$'000	Total HK\$'000	Corporate finance advisory service HK\$'000	Asset management service HK\$'000	Total HK\$'000
Segment assets	76,621	2,182	78,803	58,299	3,237	61,536
Elimination of inter-segment receivables			(92)			(92)
Corporate and other unallocated assets			45,324			54,371
Total assets			124,035			115,815
Segment liabilities	27,068	414	27,482	8,712	667	9,379
Elimination of inter-segment liabilities			(7,425)			(1,292)
Corporate and other unallocated liabilities			4,633			3,185
Total liabilities			24,690			11,272

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

- all assets are allocated to operating segments other than certain of property and equipment, right-of-use assets, financial asset at fair value through profit or loss, cash and cash equivalents, amount due from ultimate holding company and prepayments, deposits and other receivables; and
- all liabilities are allocated to operating segments other than provision for reinstatement cost, certain of lease liabilities, other payables and accruals and tax payable.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021



5. SEGMENT INFORMATION (CONTINUED)

Other segment information

For the six months ended 30 September 2021

	Corporate finance advisory service HK\$'000	Asset management service HK\$'000	Corporate HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to property and equipment	465	—	—	465
Additions to right-of-use assets	17,616	—	1,706	19,322
Depreciation of property and equipment	457	—	51	508
Depreciation of right-of-use assets	3,897	221	341	4,459
Impairment loss recognised in respect of trade receivables	604	—	—	604

For the six months ended 30 September 2020

	Corporate finance advisory service HK\$'000	Asset management service HK\$'000	Corporate HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to property and equipment	92	—	—	92
Depreciation of property and equipment	417	—	101	518
Depreciation of right-of-use assets	4,540	221	305	5,066
Impairment loss recognised in respect of trade receivables	452	—	—	452

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

5. SEGMENT INFORMATION (CONTINUED)

Geographical information

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

Information about major customers

No customer accounted for 10% or more of the Group's revenue for the six months ended 30 September 2021 and 2020.

6. REVENUE

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

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Corporate finance advisory fee income		
— from acting as financial adviser	12,369	9,462
— from acting as independent financial adviser	11,685	18,518
— from acting as compliance adviser	11,711	7,868
	35,765	35,848
Asset management fee income	—	248
	35,765	36,096

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021



7. OTHER INCOME AND GAIN

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	132	98
Management fee income from ultimate holding company	84	78
Office sharing income and recharge of other premises expenses from ultimate holding company	364	348
Others	160	—
	740	524

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

8. PROFIT BEFORE TAX

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Directors' emoluments:		
Fees	360	360
Other emoluments	5,148	5,148
Contributions to retirement benefits scheme	18	18
	5,526	5,526
Other staff costs (note)	18,764	18,708
Reversal of provision for long service payment	20	—
Contributions to retirement benefits schemes	519	410
Total employee benefits costs	24,829	24,644
Auditor's remuneration	278	323
Exchange (gain) loss, net	(160)	8
Depreciation for property and equipment	508	518
Depreciation for right-of-use assets	4,459	5,066
Impairment loss recognised in respect of trade receivables	604	452

Note: Wage subsidies of approximately HK\$1,724,000 granted from the Employment Support Scheme under Anti-Epidemic Fund for the use of paying wages of employees have been recognised during the six months ended 30 September 2020. The amounts had been offset with the employee benefits costs.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021



9. INCOME TAX EXPENSE

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong	156	224
Over provision in prior years:		
People's Republic of China	(68)	—
Deferred taxation	(33)	(120)
	55	104

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. For the six months ended 30 September 2021 and 2020, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

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

10. EARNINGS PER SHARE

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

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	321	6,671

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

10. EARNINGS PER SHARE (CONTINUED)

	Number of shares Six months ended 30 September	
	2021 (Unaudited)	2020 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation ('000)	141,925	141,608
Effect of dilutive potential ordinary shares — share options ('000)	4,771	4,642
Weighted average number of ordinary shares in issue during the period, used in the diluted earnings per share calculation ('000)	146,696	146,250

11. DIVIDENDS

In accordance with the laws of the Cayman Islands and the Company's articles of association, the Company's share premium account is distributable to the shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

A final dividend of HK3.8 cents per share in respect of the year ended 31 March 2021 (2020: HK2.5 cents per share), amounting to approximately HK\$5,395,000 (2020: HK\$3,546,000), was paid during the Period.

The Directors do not recommend the payment of interim dividend for the Period (30 September 2020: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021



12. PROPERTY AND EQUIPMENT, RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) Property and equipment and right-of-use assets

During the Period, the Group had addition of furniture and fixtures of approximately HK\$465,000 (2020: HK\$92,000).

Additions to the right-of-use assets for the Period amounted to approximately HK\$19,322,000 (2020: nil), due to a new lease of office premises.

As at 30 September 2021, the carrying amounts of property and equipment and right-of-use assets were approximately HK\$1,378,000 (31 March 2021: HK\$1,421,000) and HK\$18,590,000 (31 March 2021: HK\$3,729,000) respectively.

The Group's depreciation during the Period amounted to approximately HK\$508,000 (2020: HK\$518,000) and HK\$4,459,000 (2020: HK\$5,066,000) in respect of property and equipment and right-of-use assets respectively.

(ii) Lease liabilities

As at 30 September 2021, the carrying amount of lease liabilities were approximately HK\$19,259,000 (31 March 2021: HK\$3,783,000).

During the Period, the Group entered into a new lease agreement in respect of office premises and recognised lease liabilities amounted approximately HK\$19,322,000 (2020: nil).

(iii) Amounts recognised in profit or loss

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation on right-of-use assets	4,459	5,066
Finance cost on lease liabilities	150	158

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

12. PROPERTY AND EQUIPMENT, RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(iv) Other

During the Period, the total cash outflow for leases amounted to approximately HK\$3,996,000 (2020: HK\$4,890,000).

13. TRADE RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Trade receivables (note)	13,652	8,152
Less: Impairment allowance on trade receivables	(870)	(666)
	12,782	7,486

At as 30 September 2021, the gross amount of trade receivable arising from contracts with customers amounted to approximately HK\$13,652,000 (31 March 2021: HK\$8,152,000).

	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Prepayments, deposits and other receivables		
Analysed as:		
— non-current (rental deposits)	2,304	234
— current	2,707	4,839
	5,011	5,073

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021



13. TRADE RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Note:

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

	As at 30 September 2021	As at 31 March 2021
	HK\$' 000	HK\$' 000
	(Unaudited)	(Audited)
Within 90 days	11,428	6,775
91–180 days	824	361
181–270 days	488	307
271–365 days	—	12
Over 365 days	42	31
Total	12,782	7,486

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

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

	For the six months ended 30 September 2021	For the year ended 31 March 2021
	HK\$' 000	HK\$' 000
	(Unaudited)	(Audited)
At the beginning of the period/year	666	248
Impairment losses recognised on trade receivables	604	793
Amount written-off as uncollectible	(400)	(375)
At the end of the period/year	870	666

During the Period, trade receivables amounted to approximately HK\$400,000 (for the year ended 31 March 2021: HK\$375,000) were written off. The Group writes off trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

14. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Financial asset at fair value through profit or loss		
— Listed equity security, outside Hong Kong	—*	1
— Convertible note	1,558	—
	1,558	1

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

In July 2021, the Company subscribed convertible note bearing 5% coupon rate with principal amount of US\$200,000 (equivalent to approximately HK\$1,554,000) issued by an independent third party, Aspen Digital Limited, a private company engaged in digital assets management platform, maturing in January 2023. The fair value of the convertible note approximated to US\$200,000 (equivalent to approximately HK\$1,558,000) as at 30 September 2021 (31 March 2021: nil), which was measured by an independent valuer.

15. OTHER PAYABLES AND ACCRUALS

	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Bonus payables	—	2,154
Other payables	1,275	1,623
Accruals	467	349
	1,742	4,126

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021



16. SHARE CAPITAL

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

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2020, 31 March 2021, 1 April 2021 and 30 September 2021	200,000	2,000
Issued and fully paid:		
At 1 April 2020 (Audited)	141,319	1,413
Exercise of share options (note i)	540	6
At 31 March 2021 (Audited)	141,859	1,419
Exercise of share options (note ii)	120	1
At 30 September 2021 (Unaudited)	141,979	1,420

Notes:

- (i) During the year ended 31 March 2021, share options were exercised at subscription prices HK\$0.28 and HK\$0.21 per ordinary share, resulting in the issue of 510,318 and 29,919 ordinary shares for proceeds of approximately HK\$143,000 and HK\$7,000 respectively. Amounts of approximately HK\$181,000 and HK\$11,000 was transferred from share option reserve to the share premium account upon exercise of the share options respectively.
- (ii) During the Period, share options were exercised at subscription prices HK\$0.21 per ordinary share, resulting in the issue of 120,133 ordinary shares for proceeds of approximately HK\$25,000. An amount of approximately HK\$43,000 was transferred from share option reserve to the share premium account upon exercise of the share options.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

17. RELATED PARTY TRANSACTIONS

(a) Transactions

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Somerley Group Limited		
— Office sharing income and recharge of other premises expenses	364	348
— Management fee income	84	78

(b) Balances

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

(c) Compensation of key management personnel

Other than the emoluments paid to the directors of the Company, who are also considered as the key management of the Company as set out in note 8, 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.



18. SHARE-BASED PAYMENT TRANSACTIONS

Pre-IPO Share Option Scheme

On 19 May 2016, the Company entered into the conditional granted options under Pre-IPO Share Option Scheme (the "Pre-IPO Share Option 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 Pre-IPO Share Option 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 Pre-IPO Share Option Scheme, not more than 5,524,294 Shares comprised in the options under the Pre-IPO Share Option Scheme shall vest unto the Grantees and become exercisable during the period commencing from the listing date of the Company and ending on expiry of the option period (the "First Vesting Period") and 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 date of the Company of the Shares is transferred to the Main Board; or (ii) 1 January 2020, whichever is earlier, and ending on the expiry of the option period (the "Second Vesting Period").

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

18. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Pre-IPO Share Option Scheme (Continued)

The estimated fair value of the options granted on the grant date is approximately HK\$4,485,000.

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

	Outstanding as at 1 April 2021	Exercised during the period	Outstanding as at 30 September 2021
First Vesting Period	150,766	—	150,766
Second Vesting Period	5,525,917	(120,133)	5,405,784
	<u>5,676,683</u>	<u>(120,133)</u>	<u>5,556,550</u>
Exercisable at the end of the period			<u>5,556,550</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021



19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets are measured at fair value on a recurring basis

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

	30 September 2021			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial asset				
Financial assets at fair value through profit or loss				
— Listed equity investment	—*	—	—	—*
— Convertible note	—	—	1,558	1,558
	—*	—	1,558	1,558

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

	31 March 2021			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial asset				
Financial assets at fair value through profit or loss				
— Listed equity investment	1	—	—	1

During the Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (31 March 2021: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of the Group's financial assets are measured at fair value on a recurring basis (Continued)

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

Financial asset	Fair value of	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of key inputs and significant unobservable inputs to fair value
Financial asset at FVTPL					
— Listed equity investment outsides Hong Kong	—* (31 March 2021: HK\$1,000)	Level 1	Quoted closing price in an active market	N/A	N/A
— Convertible note	HK\$1,558,000 (31 March 2021: nil)	Level 3	Binomial model: by reference to the risk free rate, bond yield, coupon rate per annum, bond discount rate and volatility	Volatility of 72.5%	The higher the volatility, the higher of the fair value of the convertible note

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



COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

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

COMPETING INTERESTS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

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

As at 30 September 2021, the Directors and chief executive and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules were as follows:

Long position in ordinary shares of the Company

Name of Directors	Capacity/Nature of interests	Number of ordinary share(s) held	Number of underlying shares held pursuant to share options	Approximate percentage of the total number of issued shares of the Company
SABINE Martin Nevil	Interest of a controlled corporation	94,361,350 (Note 1)	—	66.46%
	A concert party to an agreement to buy shares described in s317(1)(a)	2,233,440 (Note 2)	—	1.57%
		—	645,717 (Notes 2 & 3)	0.45%
CHEUNG Tei Sing Jamie ("Mr. Cheung")	Beneficial owner	2,233,440 —	— 645,717 (Note 3)	1.57% 0.45%
	A concert party to an agreement to buy shares described in s317(1)(a)	94,361,350 (Note 1)	—	66.46%
		—	1,877,083 (Note 3)	1.32%
CHOW Wai Hung Kenneth	Beneficial owner	3,754,170	—	2.64%
		—	1,877,083 (Note 3)	1.32%



Notes:

1. SGL is directly interested in 94,361,350 Shares. SGL is wholly-owned by Mr. Sabine, Mr. FLETCHER John Wilfred Sword ("Mr. Fletcher"), Mr. Cheung and Ms. FONG Sau Man Cecilia.
2. Mr. Sabine, Mr. Fletcher and Mr. Cheung are acting in concert in respect of their interests in the Company and therefore each of Mr. Sabine, Mr. Fletcher and Mr. Cheung is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.
3. These share options were granted by the Company on 19 May 2016 under the Pre-IPO Share Option Scheme.

Long position in the ordinary shares of the associated corporations

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

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

Save as disclosed above, as at 30 September 2021, none of the Directors or chief executive and/or any of their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in the Company or any other body corporate. Save as disclosed above, at no time during the Period had the Directors and the chief executive (including their spouses and children under 18 years of age) any interest in, or been granted or exercised, any rights to subscribe for the shares (or warrants or debentures, as applicable) of the Company or any of its associated corporations (within the meaning of the SFO).

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

As at 30 September 2021, substantial shareholders (not being the Directors or chief executive) had interests or short positions in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:



Long position in ordinary shares of the Company

Name of substantial shareholders	Capacity/Nature of interests	Number of ordinary share(s) held	Number of underlying shares held pursuant to share options	Approximate percentage of the total number of issued shares of the Company
Somerley Group Limited	Beneficial owner	94,361,350 (Note 1)	—	66.46%
SABINE Maureen Alice ("Dr. Sabine")	Interest of a spouse	96,594,790 (Note 2)	—	68.03%
		—	645,717 (Note 2)	0.45%
FLETCHER John Wilfred Sword	A concert party to an agreement to buy shares described in s317(1)(a)	96,594,790 (Note 1)	—	68.03%
		—	645,717 (Note 1)	0.45%
FLETCHER Jacqueline ("Mrs. Fletcher")	Interest of a spouse	96,594,790 (Note 3)	—	68.03%
		—	645,717 (Note 3)	0.45%
CHOI Helen Oi Yan ("Mrs. Cheung")	Interest of a spouse	96,594,790 (Note 4)	—	68.03%
		—	645,717 (Note 4)	0.45%

Notes:

1. SGL is directly interested in 94,361,350 Shares and SGL is wholly-owned by Mr. Sabine, Mr. Fletcher, Mr. Cheung and Ms. FONG Sau Man Cecilia. Mr. Sabine, Mr. Fletcher and Mr. Cheung are acting in concert in respect of their interests in the Company and therefore each of Mr. Sabine, Mr. Fletcher and Mr. Cheung is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.
2. Dr. Sabine is the spouse of Mr. Sabine. By virtue of the SFO, Dr. Sabine is deemed to be interested in the Shares held by Mr. Sabine.
3. Mrs. Fletcher is the spouse of Mr. Fletcher. By virtue of the SFO, Mrs. Fletcher is deemed to be interested in the Shares held by Mr. Fletcher.
4. Mrs. Cheung is the spouse of Mr. Cheung. By virtue of the SFO, Mrs. Cheung is deemed to be interested in the Shares held by Mr. Cheung.

Save as disclosed above, the Directors and chief executive are not aware that there is any party who, as at 30 September 2021, had an interest or short position in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

Pre-IPO Share Option Scheme

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

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

- (i) not more than 5,524,294 Shares comprised in the options under the Pre-IPO Share Option Scheme shall vest unto the grantees and become exercisable during the period commencing from 28 March 2017 and ending on expiry of the option period (the "First Vesting Period"); and
- (ii) the remaining Shares comprised in the options under the Pre-IPO Share Option Scheme (being not more than 7,537,441 Shares) shall vest unto the grantees and become exercisable during the period commencing on (i) the date on which the listing of the Shares is transferred to the Main Board; or (ii) 1 January 2020, whichever is earlier, and ending on the expiry of the option period (the "Second Vesting Period"). For the avoidance of doubt, any outstanding and unexercised option at the end of the First Vesting Period shall be carried over to the Second Vesting Period and shall be exercisable during the Second Vesting Period.



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

Name or category of grantees	Date of grant of share options	Exercise Price (HK\$)	Exercise Period	Balance as at 01.04.2021	Number of share options				Balance as at 30.09.2021
					Granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period	
Directors									
CHOW Wai Hung Kenneth	19/5/2016	0.21	Second Vesting Period	1,877,083	—	—	—	—	1,877,083
CHEUNG Tei Sing Jamie	19/5/2016	0.21	Second Vesting Period	645,717	—	—	—	—	645,717
Subtotal				2,522,800	—	—	—	—	2,522,800
Other Employees									
In aggregate	19/5/2016	0.21	First Vesting Period	150,766	—	—	—	—	150,766
	19/5/2016	0.21	Second Vesting Period	3,003,117	—	120,133	—	—	2,882,984
						(Note 1)			
Total				5,676,683	—	510,318	—	—	5,556,550

Note:

- The weighted average closing price of the Shares immediately before the date(s) of exercise(s) of the share options during the Period was approximately HK\$1.29 per Share.

Share Option Scheme

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

As at 30 September 2021, the total number of Shares available for issue under the Share Option Scheme is 13,500,000 Shares, representing approximately 9.51% of the total number of issued Shares. Since the adoption of the Share Option Scheme, no share option has been granted under the Share Option Scheme by the Company.

AUDIT COMMITTEE

The Company has established an audit committee (the “Audit Committee”) with specific written terms of reference formulated in accordance with the requirements of rules 5.28 to 5.29 of the GEM Listing Rules. The Audit Committee currently consists of all the three independent non-executive Directors, namely Mr. CHENG Yuk Wo, Mr. YUEN Kam Tim Francis and Mr. LAW Cheuk Kin Stephen. Mr. CHENG Yuk Wo is the chairman of the Audit Committee. The primary duties of the Audit Committee are reviewing the annual reports and accounts, half-year reports and quarterly reports of the Group, making recommendations to the Board on the appointment and dismissal of external auditors, providing advice in respect of financial reporting, supervising risk management and internal control systems of the Group, reviewing the effectiveness of the internal audit function and monitoring any continuing connected transactions.

The Company has engaged the external auditor of the Company, SHINEWING (HK) CPA Limited (“Shinewing”), to review the Group’s unaudited condensed consolidated financial statements for the Period. Based on Shinewing’s review, nothing has come to Shinewing’s attention that causes Shinewing to believe that the unaudited condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

The Audit Committee has reviewed the unaudited consolidated results of the Group for the Period with the management and is of the view that such results comply with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.



CHANGE OF DIRECTORS INFORMATION

Mr. CHENG Yuk Wo was resigned as an independent non-executive director of HKC (Holdings) Limited (stock code: 190) on 8 June 2021 and Goldbond Group Holdings Limited (stock code: 172) on 2 August 2021.

Mr. LAW Cheuk Kin Stephen was appointed as an independent non-executive director of Keymed Biosciences Inc. (stock code: 6881) on 8 July 2021.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors, the Company has maintained sufficient public float in its shares as at the latest practicable date prior to the issue of this report.

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

Hong Kong, 12 November 2021

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