



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

**INTERIM REPORT
2022/23**

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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CHAIRMAN'S STATEMENT

Dear Shareholders,

RESULTS

The six months ended 30th September, 2022 just ended has been the most difficult time Somerley has experienced as a public company. Revenue for the six months ended 30th September, 2022 was about HK\$25 million compared with about HK\$36 million for the first half of the last financial year and we have incurred a loss of about HK\$9.4 million. While income from compliance advisory work showed a modest gain, fees from acting as FA and IFA fell significantly.

The general economic environment for our Hong Kong corporate finance business has been unhelpful. Probably the single most important underlying factor is the Hong Kong stock market. In the most recent quarter, to 30th September, 2022, the Hang Seng Index dropped about 21%, the worst since the corresponding period in 2011. The average daily trading turnover for the third quarter of the calendar year declined about 41% year-on-year. This has also discouraged IPOs, lowering the number of new compliance adviser mandates available to us. The difficulty of issuing new shares has also had a dampening effect on M&A activity, as has the increasing interest rates and the general tightening of availability of finance for acquisitions. There appears less incentive and urgency for managements to conduct corporate activity generally, with many preferring to wait for confidence to return and volatility to subside. Overall, a quiet corporate finance market has resulted in fierce fee competition for business.

COSTS

When a loss is incurred, costs inevitably come under increased scrutiny. Our total costs for the six months ended 30th September, 2022 amount to around HK\$34 million consisting mainly of salaries and related expenses of around HK\$25 million and office rentals and other premises expenses of around HK\$5 million. These costs are semi-fixed in the short term. We are taking a strategic view that the Hong Kong corporate finance market is resilient and that activity will recover in due course. Our experienced executive teams are our chief asset and we need to keep them intact to retain our hard-won reputation for deal creativity and execution. In terms of rental expense, our current office lease runs to 30th June, 2024. Within these parameters, we will do our best to contain costs wherever possible.

BALANCE SHEET

Our balance sheet at 30th September, 2022 remains strong, with cash and cash equivalents of around HK\$66 million and no bank borrowings or similar liabilities. We have agreed to renew the lease on our Beijing office for a further three years from 1st January, 2023 involving lease payments of around RMB700,000 per year. Apart from this, we have no new commitments or contingent liabilities.

PROSPECTS

The outlook for the second half of our financial year to 31st March, 2023 is unusually difficult to assess. The rate of loss for the six months ended 30th September, 2022 has tended to worsen over the second quarter of the financial year although a modest increase in compliance advisory income has been a stabilising factor. The subdued level of activity which corporate finance transactions experienced in the first half is continuing at the start of the second half of our financial year. In response, we are devoting increased efforts to marketing and outreach to clients with ideas and deal proposals. As noted before, the barriers to travel to and from the PRC do nothing to support these efforts. Nevertheless, there are signs that our marketing initiatives will bear fruit as the financial year proceeds. In addition, it seems likely that Hong Kong stock market conditions in the second half will stabilise and hopefully improve from a remarkable low. We believe the right response to the present circumstances is to keep our teams and transaction capability intact even if that means for the moment that our cost base exceeds revenue. Our strong balance sheet makes this strategy possible but of course losses cannot be allowed to continue indefinitely. As mentioned in the first quarterly report, we are also taking the opportunity to explore possibilities in digital finance and to identify opportunities for our fund management arm.

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 2022–23, the general economic environment for Hong Kong corporate finance business was unhelpful. Hong Kong IPOs were subdued and the volume of M&A transactions reduced. The deal activities of the Group’s corporate finance advisory segment have been dampened by the generally weak stock market performance in Hong Kong and China, the increasing interest rates and the general tightening of availability of finance for acquisitions. The Group’s corporate finance advisory business has been adversely affected by these unhelpful conditions, coupled with fierce fee competition in the corporate finance industry.

During the six months ended 30 September 2022 (the "Period"), the Group recorded a loss before tax of approximately HK\$9.5 million (2021: profit before tax of approximately HK\$0.2 million) and a loss after tax of approximately HK\$9.4 million (2021: profit after tax of approximately HK\$0.2 million). The loss was mainly due to unhelpful conditions for Hong Kong corporate finance advisory services and fierce fee competition, resulting in an approximately HK\$10.5 million decrease in revenue during the Period. The corporate finance advisory business segment recorded revenue of approximately HK\$25.3 million (2021: approximately HK\$35.8 million) and a segment loss before tax of approximately HK\$6.8 million (2021: profit before tax of approximately HK\$2.3 million). A segment loss before tax of approximately HK\$0.6 million (2021: approximately HK\$0.8 million) was incurred by the Group's asset management business segment during the Period.

Prospects

The Group's revenue for the Period dropped to approximately HK\$25.3 million as compared to last year. Despite the drop in revenue during the Period, income derived from acting as compliance adviser increased slightly from approximately HK\$11.7 million to approximately HK\$12.2 million. Prospects for the second half of financial year are difficult to predict but recurring fees generated from acting as compliance adviser are expected to remain stable. Although the level of corporate finance activity remains subdued at the start of the second half of current financial year, the Directors believe the Group's increased marketing efforts will bear fruit as corporate finance activity picks up again.

FINANCIAL REVIEW

Revenue

The Group's total revenue decreased by approximately 29.3% to approximately HK\$25.3 million for the Period from approximately HK\$35.8 million for the six months ended 30 September 2021.

Revenue generated from acting as financial adviser ("FA") and as independent financial adviser ("IFA") for the Period amounted to approximately HK\$12.8 million (2021: approximately HK\$24.1 million), accounting for approximately 50.6% of the Group's total revenue (2021: approximately 67.3%). The decrease is mainly due to the unhelpful conditions for corporate finance advisory services and fierce fee competition.

Revenue generated from acting as compliance adviser ("CA") for the Period amounted to approximately HK\$12.2 million (2021: approximately HK\$11.7 million), accounting for approximately 48.2% of the Group's total revenue (2021: approximately 32.7%). CA activities continue to provide a stable source of income to the Group, complementing the more fluctuating corporate finance advisory income.

Other Income

Other income mainly represented bank interest income, dividend income, management service fee income from Somerley Group Limited ("SGL") and reimbursement of other premise expenses from SGL.

Employee Benefits Costs

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

	For the six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
Fees, salaries, allowances and other benefits	24,057	24,292
Contributions to the retirement benefits scheme	569	537
	24,626	24,829
Analysed as:		
— corporate holding	360	360
— corporate finance advisory (Hong Kong)	22,582	22,906
— corporate finance advisory (Beijing)	1,318	1,249
— asset management	366	314
	24,626	24,829

Employee benefits costs slightly decreased to approximately HK\$24.6 million for the Period from approximately HK\$24.8 million for the six months ended 30 September 2021. This is primarily due to the recognition of the government grant of approximately HK\$0.9 million from the Employment Support Scheme under Anti-Epidemic Fund during the Period.

Depreciation and Other Operating Expenses

The Group adopted HKFRS 16 under which 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 for the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

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	
	2022	2021
	HK\$'000	HK\$'000
Depreciation of property and equipment	390	508
Depreciation of right-of-use assets	3,589	4,459
	3,979	4,967
Other premises expenses	997	1,043
Exchange loss, net	854	—
Recurring GEM listing expenses (excluding remuneration of independent non-executive directors)	998	857
Others	2,927	3,053
	9,755	9,920
Analysed as:		
— corporate holding	1,644	1,278
— corporate finance advisory (Hong Kong)	7,152	7,354
— corporate finance advisory (Beijing)	750	846
— asset management	209	442
	9,755	9,920

The Group's depreciation and other operating expenses decreased by approximately 1.0% to approximately HK\$9.8 million for the Period from approximately HK\$9.9 million for the six months ended 30 September 2021. 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 rental on the Group's office premises in Hong Kong after renewal of the lease for a further three years from 1 July 2021; and (ii) the exchange losses arising from the translation of bank balances denominated in Renminbi during the Period.

Loss for the Period

For the Period, the Group recorded a loss before tax of approximately HK\$9.5 million (2021: profit before tax of approximately HK\$0.2 million), and after-tax loss was approximately HK\$9.4 million (2021: after-tax profit of approximately HK\$0.2 million). The loss was primarily due to the decrease in revenue.

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 2022 and 30 September 2022.

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 2022 (31 March 2022: nil). 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 2022.

As at 30 September 2022, the Group was committed a new lease agreement of 3 years in the People's Republic of China (the "PRC") that has not yet commenced. Future lease payments under the agreement amount to approximately RMB706,000 (equivalent to approximately HK\$779,000) per annum (31 March 2022: nil).

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.

Events after the Reporting Date

Save as disclosed elsewhere in this report, the Group has no significant events subsequent to 30 September 2022 and up to the date of this report.

Charge on Assets & Contingent Liabilities

As at 31 March 2022 and 30 September 2022, the Group did not have any charges on its assets or material contingent liabilities.

Gearing Ratio

As at 31 March 2022 and 30 September 2022, 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 (2021: 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 48 employees as at 31 March 2022 and 46 employees as at 30 September 2022.

For the Period, employee benefits costs of the Group (including the Directors' emoluments) were approximately HK\$24.6 million (2021: approximately HK\$24.8 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 30 September 2022, 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 2022, remaining proceeds of approximately HK\$1.1 million were unutilised and is originally planned for further upgrading server equipment and updating IT infrastructure for the year ending 31 March 2023.

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.

REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION



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TO THE BOARD OF DIRECTORS OF SOMERLEY CAPITAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 14 to 42 which comprises the condensed consolidated statement of financial position of Somerley Capital Holdings Limited (the "Company") as of 30 September 2022 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 explanatory notes. The Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report 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 Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, 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 interim financial report as at 30 September 2022 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, Interim financial reporting.

Crowe (HK) CPA Limited

Certified Public Accountants

Tsui Kar Lam, Karen

Practicing Certificate Number P06426

Hong Kong

10 November 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022

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 2021, as follows:

	Notes	Three months ended 30 September		Six months ended 30 September	
		2022 HK\$' 000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$' 000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	6	11,864	21,732	25,278	35,765
Other income	7	442	387	800	740
		12,306	22,119	26,078	36,505
Employee benefits costs		(12,689)	(12,458)	(24,626)	(24,829)
Fair value loss on financial assets at fair value through profit or loss, net		(190)	(2)	(577)	(1)
Depreciation	12	(1,952)	(2,157)	(3,979)	(4,967)
Introduction expenses		(76)	(681)	(76)	(781)
Share of loss of an associate		(117)	—	(117)	—
Finance cost		(78)	(125)	(165)	(150)
Impairment loss recognised in respect of trade receivables		(53)	(389)	(232)	(604)
Other operating expenses		(2,873)	(2,564)	(5,776)	(4,953)
(Loss) profit before tax	8	(5,722)	3,743	(9,470)	220
Income tax credit (expense)	9	48	(181)	97	(55)
(Loss) profit for the period		(5,674)	3,562	(9,373)	165
Other comprehensive (expense) income					
Item that may be reclassified subsequently to profit or loss:					
Exchange difference arising on translation of foreign operations		(22)	2	(46)	7
Total comprehensive (expense) income for the period		(5,696)	3,564	(9,419)	172

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022

Note	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
(Loss) profit for the period attributable to:				
Owners of the Company	(5,641)	3,655	(9,313)	321
Non-controlling interests	(33)	(93)	(60)	(156)
	(5,674)	3,562	(9,373)	165
Total comprehensive (expense) income for the period attributable to:				
Owners of the Company	(5,663)	3,657	(9,359)	328
Non-controlling interests	(33)	(93)	(60)	(156)
	(5,696)	3,564	(9,419)	172
(Loss) earnings per share				
— basic (HK cents)	10 (3.96)	2.58	10 (6.54)	0.23
— diluted (HK cents)	10 (3.96)	2.57	10 (6.54)	0.22

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

	Notes	As at 30 September 2022 HK\$' 000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Non-current assets			
Property and equipment	12	1,389	1,787
Right-of-use assets	12	11,291	14,860
Goodwill		—	—
Intangible asset		1,500	1,500
Interest in an associate		659	776
Rental deposits	13	2,071	2,071
Financial asset at fair value through profit or loss	14	—	1,566
Deferred tax assets		197	104
		17,107	22,664
Current assets			
Trade receivables	13	5,475	5,637
Prepayments, deposits and other receivables	13	7,819	8,480
Amount due from ultimate holding company		476	—
Financial assets at fair value through profit or loss	14	2,635	3,817
Tax recoverable		546	546
Cash and cash equivalents		65,911	75,028
		82,862	93,508
Current liabilities			
Contract liability		739	181
Other payables and accruals	15	1,611	1,754
Amount due to an associate		297	763
Lease liabilities	12	6,626	6,917
		9,273	9,615
Net current assets		73,589	83,893
Total assets less current liabilities		90,696	106,557

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

	Notes	As at 30 September 2022 HK\$' 000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Non-current liabilities			
Lease liabilities	12	5,412	8,366
Provision for long service payment		300	230
Provision for reinstatement cost		2,300	2,300
Deferred tax liabilities		247	247
		8,259	11,143
Net assets			
		82,437	95,414
Capital and reserves			
Share capital	16	1,424	1,424
Reserves		80,816	93,733
Equity attributable to owners of the Company			
		82,240	95,157
Non-controlling interests		197	257
Total equity			
		82,437	95,414

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022

	Attributable to the owners of the Company								Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Retained earnings HK\$'000	Shareholder contribution reserve HK\$'000	Share option reserve HK\$'000	Translation reserve HK\$'000	Other reserve (note) HK\$'000	Total HK\$'000		
At 1 April 2022 (Audited)	1,424	49,639	28,014	4,179	1,946	55	9,900	95,157	257	95,414
Loss for the period	—	—	(9,313)	—	—	—	—	(9,313)	(60)	(9,373)
Other comprehensive expense: Exchange differences arising from translation of foreign operation	—	—	—	—	—	(46)	—	(46)	—	(46)
Total comprehensive expense for the period	—	—	(9,313)	—	—	(46)	—	(9,359)	(60)	(9,419)
Dividends recognised as distribution (note 11)	—	(3,558)	—	—	—	—	—	(3,558)	—	(3,558)
At 30 September 2022 (Unaudited)	1,424	46,081	18,701	4,179	1,946	9	9,900	82,240	197	82,437
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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2022

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
(Loss) profit before tax	(9,470)	220
Adjustments for:		
Share of loss of an associate	117	—
Depreciation of property and equipment	390	508
Depreciation of right-of-use assets	3,589	4,459
Bank interest income	(119)	(132)
Finance cost	165	150
Government grant	(929)	—
Provision for long service payments	70	20
Impairment loss recognised in respect of trade receivables	232	604
Fair value loss on financial assets at fair value through profit or loss, net	577	1
Operating cash flow before movements in working capital	(5,378)	5,830
Increase in trade receivables	(70)	(5,900)
Decrease (increase) in prepayments, deposits and other receivables	744	(337)
Increase in contract liability	558	239
Decrease (increase) in financial assets at fair value through profit or loss	2,171	(1,554)
Decrease in other payables and accruals	(143)	(2,384)
Increase in amount due from ultimate holding company	(476)	(448)
Cash used in operations	(2,594)	(4,554)
Profits tax refunded (paid)	4	(21)
NET CASH USED IN OPERATING ACTIVITIES	(2,590)	(4,575)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2022

	Six months ended 30 September	
	2022	2021
	HK\$' 000	HK\$' 000
	(Unaudited)	(Unaudited)
INVESTING ACTIVITIES		
Repayment to an associate	(466)	—
Bank interest received	36	81
Purchase of property and equipment	—	(15)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(430)	66
FINANCING ACTIVITIES		
Dividends paid	(3,558)	(5,395)
Government grant received	929	—
Repayment of principal element of lease liabilities	(3,245)	(3,846)
Interest paid in respect of lease liabilities	(165)	(150)
Proceeds from issuance of shares	—	25
NET CASH USED IN FINANCING ACTIVITIES	(6,039)	(9,366)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9,059)	(13,875)
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE PERIOD	75,028	96,478
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(58)	5
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD, represented by bank balances and cash	65,911	82,608

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

1. GENERAL

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

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 2022, 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 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

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 2022			For the six months ended 30 September 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 revenue	25,278	—	25,278	35,765	—	35,765
Segment (loss) profit	(6,827)	(578)	(7,405)	2,290	(802)	1,488
Bank interest income			93			67
Fair value loss on financial assets at fair value through profit or loss			(577)			(1)
Share of loss of an associate			(117)			—
Finance cost			(11)			(10)
Corporate and other unallocated expenses			(1,453)			(1,324)
(Loss) profit before tax			(9,470)			220

Segment (loss) profit represents the (loss resulted) profit earned from each segment without allocation of fair value loss on financial assets at fair value through profit or loss, share of result of an associate, certain of bank interest income, certain of finance cost 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 2022

5. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

	As at 30 September 2022			As at 31 March 2022		
	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	51,833	2,793	54,626	62,275	3,073	65,348
Elimination of inter-segment receivables			(814)			(467)
Corporate and other unallocated assets			46,157			51,291
Total assets			99,969			116,172
Segment liabilities	13,697	889	14,586	16,490	394	16,884
Elimination of inter-segment liabilities			(1,192)			(1,042)
Corporate and other unallocated liabilities			4,138			4,916
Total liabilities			17,532			20,758

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

5. SEGMENT INFORMATION (CONTINUED)

Other segment information

For the six months ended 30 September 2022

	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:				
Depreciation of property and equipment	309	—	81	390
Depreciation of right-of-use assets	3,265	106	218	3,589
Impairment loss recognised in respect of trade receivables	232	—	—	232
Bank interest income	26	—	93	119
Finance cost on lease liabilities	149	5	11	165

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
Bank interest income	65	—	67	132
Finance cost on lease liabilities	136	4	10	150

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

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 2022 and 2021.

6. REVENUE

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

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Corporate finance advisory fee income		
— from acting as financial adviser	4,759	12,369
— from acting as independent financial adviser	8,038	11,685
— from acting as compliance adviser	12,207	11,711
— others	274	—
	25,278	35,765

The Group derived revenue from corporate finance advisory services over time.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

7. OTHER INCOME

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	119	132
Management fee income from ultimate holding company	90	84
Office sharing income and recharge of other premises expenses from ultimate holding company	386	364
Others	205	160
	800	740

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

8. (LOSS) PROFIT BEFORE TAX

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss) 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)	18,479	18,764
Provision for long service payment	70	20
Contributions to retirement benefits schemes	551	519
Total employee benefits costs	24,626	24,829
Exchange loss (gain), net	854	(160)
Depreciation for property and equipment	390	508
Depreciation for right-of-use assets	3,589	4,459
Impairment loss recognised in respect of trade receivables	232	604

Note: Wage subsidies of approximately HK\$929,000 (2021: nil) granted from the Employment Support Scheme under Anti-Epidemic Fund for the use of paying wages of employees have been recognised during the Period. The amounts had been offset with the employee benefits costs.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

9. INCOME TAX (CREDIT) EXPENSE

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Current income tax:		
Hong Kong	—	156
Over provision in prior years:		
People's Republic of China	(4)	(68)
Deferred taxation	(93)	(33)
	(97)	55

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%. No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the Period. For the six months ended 30 September 2021, 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 PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25%. No provision for PRC Enterprise Income Tax has been made for the six months ended 30 September 2022 and 2021 as the Group's subsidiary established in the PRC had no assessable profits arising in the PRC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

10. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss) earnings		
(Loss) profit attributable to ordinary equity holders of the Company, used in the basic and diluted (loss) earnings per share calculation	(9,313)	321

	Number of shares Six months ended 30 September	
	2022	2021
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic (loss) earnings per share calculation ('000)	142,355	141,925
Effect of dilutive potential ordinary shares — share options ('000)	—	4,771
Weighted average number of ordinary shares in issue during the period, used in the diluted (loss) earnings per share calculation ('000)	142,355	146,696

Note: For the Period, diluted loss per share is same as basic loss per share. The computation of diluted loss per share does not assume the exercise of the Company's share options since their exercise would result in a decrease in loss per share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

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 HK2.5 cents per share in respect of the year ended 31 March 2022 (2021: HK3.8 cents per share), amounting to approximately HK\$3,558,000 (2021: HK\$5,395,000), was paid during the Period.

The Directors do not recommend the payment of interim dividend for the Period (30 September 2021: nil).

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 no addition of property and equipment and right-of-use assets (2021: approximately HK\$465,000 and HK\$19,322,000).

As at 30 September 2022, the carrying amounts of property and equipment and right-of-use assets were approximately HK\$1,389,000 (31 March 2022: HK\$1,787,000) and HK\$11,291,000 (31 March 2022: HK\$14,860,000) respectively.

The Group's depreciation during the Period amounted to approximately HK\$390,000 (2021: HK\$508,000) and HK\$3,589,000 (2021: HK\$4,459,000) in respect of property and equipment and right-of-use assets respectively.

(ii) Lease liabilities

As at 30 September 2022, the carrying amount of lease liabilities were approximately HK\$12,038,000 (31 March 2022: HK\$15,283,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

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

(iii) Amounts recognised in profit or loss

	Six months ended 30 September	
	2022 HK\$' 000 (Unaudited)	2021 HK\$'000 (Unaudited)
Depreciation on right-of-use assets	3,589	4,459
Finance cost on lease liabilities	165	150

(iv) Other

During the Period, the total cash outflow for leases amounted to approximately HK\$3,410,000 (2021: HK\$3,996,000).

13. TRADE RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 September 2022 HK\$' 000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
	Trade receivables (note)	6,238
Less: Impairment allowance	(763)	(531)
	5,475	5,637

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

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 2022 HK\$' 000 (Unaudited)	As at 31 March 2022 HK\$' 000 (Audited)
Within 90 days	4,769	5,027
91–180 days	602	388
Over 180 days	104	222
Total	5,475	5,637

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 grouped by past due statuses. In determining the expected loss rates, the management considers the using a provision matrix by reference to credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances and further, adjusted for factors that are specific to the debtors, as well as forward looking information that may impact the customers' ability to repay the outstanding balances 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 2022 HK\$' 000 (Unaudited)	For the year ended 31 March 2022 HK\$' 000 (Audited)
At the beginning of the period/year	531	666
Impairment losses recognised on trade receivables	232	445
Amount written-off as uncollectible	—	(580)
At the end of the period/year	763	531

During the Period, no trade receivables were written off (31 March 2022: approximately HK\$580,000). The Group writes off trade receivables 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 2022

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Financial assets at fair value through profit or loss		
— Listed equity securities, Hong Kong	380	3,817
— Investment in unlisted convertible note (note i)	1,570	1,566
— Unlisted held-for-trading investments, Hong Kong (note ii)	685	—
	2,635	5,383
	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Analysed as:		
— non-current assets	—	1,566
— current assets	2,635	3,817
	2,635	5,383

Notes:

- (i) 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\$1,570,000) as at 30 September 2022 (31 March 2022: HK\$1,566,000), which was measured by an independent valuer.
- (ii) A portfolio of cryptocurrency investments in Hong Kong managed by Aspen Digital Limited. As at 30 September 2022, its fair value amounted to approximately HK\$685,000 (31 March 2022: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

15. OTHER PAYABLES AND ACCRUALS

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Other payables	1,310	1,399
Accruals	301	355
	1,611	1,754

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 2021 (Audited), 31 March 2022 (Audited), 1 April 2022 (Audited) and 30 September 2022 (Unaudited)	200,000	2,000
Issued and fully paid:		
At 1 April 2021 (Audited)	141,859	1,419
Exercise of share options (note)	496	5
At 31 March 2022 (Audited), 1 April 2022 (Audited) and 30 September 2022 (Unaudited)	142,355	1,424

Note:

During the year ended 31 March 2022, share options were exercised at subscription prices HK\$0.21 per ordinary share, resulting in the issue of 495,883 ordinary shares for proceeds of approximately HK\$105,000. An amount of approximately HK\$169,000 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 2022

17. RELATED PARTY TRANSACTIONS

(a) Transactions

	Notes	Six months ended 30 September	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Somerley Group Limited			
— Office sharing income and recharge of other premises expenses	(i)	386	364
— Management fee income	(ii)	90	84

(i) During the six months ended 30 September 2022, the Group charged SGL office sharing and other premises expenses of approximately HK\$386,000 (2021: HK\$364,000). It is calculated based on the office areas occupied and sharing of common area by SGL.

(ii) During the six months ended 30 September 2022, the Group charged SGL the management fee of approximately HK\$90,000 (2021: HK\$84,000) as reimbursement of expenses incurred for the senior management, executive oversight and other administrative services as provided to SGL.

(b) Balances with related parties

The amounts due from/to ultimate holding company and an associate are 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

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

The share option is valid after the listing date (i.e. 29 March 2017) of the Company to 10 May 2024. According to the Scheme, not more than 5,524,294 Shares comprised in the options under the Scheme shall vest unto the Grantees and become exercisable with price of HK\$0.28 during the period commencing from the listing date of the Company and ending on expiry of the option period ("1st vesting period") and the remaining Shares comprised in the options under the Scheme (being not more than 7,537,441 Shares) shall vest unto the Grantees and become exercisable during the period commencing on (i) the date on which the listing of the Shares of the Company is transferred to the Main Board; or (ii) 1 January 2020, whichever is earlier, and ending on the expiry of the option period ("2nd vesting period").

As the capital distribution of an amount per share exceeded the profit attributable to equity holders of the Company per Share in respect of the financial year ended 31 March 2022, the exercise price of share options was adjusted from approximately HK\$0.21 to approximately HK\$0.16 during the Period pursuant to the terms of the Scheme.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

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 2022	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 September 2022
1st vesting period	266	—	—	—	266
2nd vesting period	5,180,534	—	—	—	5,180,534
	5,180,800	—	—	—	5,180,800
Exercisable at the end of the period					5,180,800
	Outstanding as at 1 April 2021	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 March 2022
1st vesting period	150,766	—	(150,500)	—	266
2nd vesting period	5,525,917	—	(345,383)	—	5,180,534
	5,676,683	—	(495,883)	—	5,180,800
Exercisable at the end of the year					5,180,800

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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 2022 (Unaudited)			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial asset				
Financial assets at fair value through profit or loss				
— Listed equity investments	380	—	—	380
— Investment in unlisted convertible note	—	—	1,570	1,570
— Unlisted held-for-trading investments	—	685	—	685
	380	685	1,570	2,635

	31 March 2022 (Audited)			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial asset				
Financial assets at fair value through profit or loss				
— Listed equity investments	3,817	—	—	3,817
— Investment in unlisted convertible note	—	—	1,566	1,566
	3,817	—	1,566	5,383

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Reconciliation of Level 3 fair value measurements of financial assets:

	Financial assets at FVTPL HK\$'000
At 1 April 2021 (Audited)	—
Purchase	1,554
Exchange adjustments	12
	<hr/>
At 31 March 2022 (Audited) and 1 April 2022 (Audited)	1,566
Exchange adjustments	4
	<hr/>
At 30 September 2022 (Unaudited)	<u>1,570</u>

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 2022: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

The valuation techniques and input used in the fair value measurement of financial instruments 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 assets at FVTPL					
— Listed equity investments, Hong Kong	HK\$380,000 (31 March 2022: HK\$3,817,000)	Level 1	Quoted closing price in an active market	N/A	N/A
— Unlisted held-for-trading investments, Hong Kong	HK\$685,000 (31 March 2022: nil)	Level 2	Market price quoted by a broker	N/A	N/A
— Investment in unlisted convertible note	HK\$1,570,000 (31 March 2022: HK\$1,566,000)	Level 3	Binomial model: by reference to the risk free rate, bond yield, coupon rate per annum, bond discount rate and volatility of stock prices of comparable companies	Volatility of 100.2% (31 March 2022: 68.3%)	The higher the volatility, the higher of the fair value of the convertible note

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their corresponding fair value due to short-term maturities as at 30 September 2022 and 31 March 2022.

20. COMMITMENTS

As at 30 September 2022, the Group was committed a new lease agreement of 3 years in the PRC that has not yet commenced. Future lease payments under the agreement amount to approximately RMB706,000 (equivalent to approximately HK\$779,000) per annum (31 March 2022: nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to achieving and maintaining high standards of corporate governance practices and procedures. The Board believes 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 (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules.

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 2022, 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 ("Mr. Sabine")	Interest of a controlled corporation	83,949,350 (Note 1)	—	58.97%
	Beneficial owner	220,000	—	0.15%
	A concert party to an agreement to buy shares	2,283,440 (Note 2)	—	1.60%
	described in s317(1)(a)	—	645,717 (Notes 2 & 3)	0.45%
CHEUNG Tei Sing Jamie ("Mr. Cheung")	Beneficial owner	2,233,440	—	1.57%
		—	645,717 (Note 3)	0.45%
	A concert party to an agreement to buy shares	84,219,350 (Notes 1 & 2)	—	59.16%
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 83,949,350 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. Mr. Fletcher is directly interested in 50,000 Shares.
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 2022, 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 2022, 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	83,949,350 (Note 1)	—	58.97%
SABINE Maureen Alice ("Dr. Sabine")	Interest of a spouse	86,452,790 (Note 2)	—	60.73%
		—	645,717 (Note 2)	0.45%
FLETCHER John Wilfred Sword	A concert party to an agreement to buy shares described in s317(1)(a)	86,452,790 (Note 1)	—	60.73%
		—	645,717 (Note 1)	0.45%
FLETCHER Jacqueline ("Mrs. Fletcher")	Interest of a spouse	86,452,790 (Note 3)	—	60.73%
		—	645,717 (Note 3)	0.45%
CHOI Helen Oi Yan ("Mrs. Cheung")	Interest of a spouse	86,452,790 (Note 4)	—	60.73%
		—	645,717 (Note 4)	0.45%

Notes:

- SGL is directly interested in 83,949,350 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.
- 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.
- 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.
- 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 2022, 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 Pre-IPO Share Option Scheme was available to any individual being an employee or officer (including any director) of the Company or any of its subsidiaries (the "Participant(s)"). Under the Pre-IPO Share Option Scheme, the Board was entitled to offer option(s) to any Participant who, as the Board determined in its absolute discretion, had made a valuable contribution to the business of the Group, or was regarded as a valuable human resource of the Group (the "Grantee(s)").

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

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

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

The option period of each option granted to the grantees is a period commencing from 28 March 2017 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		Number of share options						
		Price (Note 1) (HK\$)	Exercise Period	Balance as at 01.04.2022	Granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period	Balance as at 30.09.2022	
Directors										
CHOW Wai Hung Kenneth	19/5/2016	0.16	Second Vesting Period	1,877,083	—	—	—	—	—	1,877,083
CHEUNG Tei Sing Jamie	19/5/2016	0.16	Second Vesting Period	645,717	—	—	—	—	—	645,717
Subtotal				2,522,800	—	—	—	—	—	2,522,800
Other Employees										
In aggregate	19/5/2016	0.16	First Vesting Period	266	—	—	—	—	—	266
	19/5/2016	0.16	Second Vesting Period	2,657,734	—	—	—	—	—	2,657,734
Total				5,180,800	—	—	—	—	—	5,180,800

Note:

1. As set out in Appendix IV to the Prospectus, in the event of substantial capital distribution, exercise price of share options was adjusted from HK\$0.21 to HK\$0.16 during the Period.

As at the date of this report, the maximum number of the Shares with respect to which options granted under the Pre-IPO Share Option Scheme shall be 5,180,800 Shares, representing approximately 3.64% of the total issued share capital of the Company.

Share Option Scheme

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

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

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

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

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

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

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

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

As at 30 September 2022, the total number of Shares available for issue under the Share Option Scheme is 13,500,000 Shares, representing approximately 9.48% 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. The Share Option Scheme has a remaining life of approximately 4.3 years as at the date of this report.

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, Crowe (HK) CPA Limited (“Crowe”), to review the Group’s unaudited condensed consolidated financial statements for the Period. Based on Crowe’s review, nothing has come to Crowe’s attention that causes Crowe 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. LAW Cheuk Kin Stephen resigned as an independent non-executive director of Bank of Guizhou Co., Ltd. (stock code: 6199) on 25 August 2022.

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, 10 November 2022

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.