



SOMERLEY CAPITAL HOLDINGS LIMITED

Somerley Capital Holdings Limited

新百利融資控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8439)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

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

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

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

INTERIM FINANCIAL HIGHLIGHTS

- The Group's total revenue increased by approximately 28.1% to approximately HK\$32.4 million for the six months ended 30 September 2023 (the "Period") from approximately HK\$25.3 million for the six months ended 30 September 2022.
- Revenue generated from acting as financial adviser ("FA") and as independent financial adviser ("IFA") for the Period amounted to approximately HK\$20.8 million (2022: approximately HK\$12.8 million), accounting for approximately 64.2% of the Group's total revenue (2022: approximately 50.6%).
- Revenue generated from acting as compliance adviser ("CA") for the Period amounted to approximately HK\$11.6 million (2022: approximately HK\$12.2 million), accounting for approximately 35.8% of the Group's total revenue (2022: approximately 48.2%).
- For the Period, the Group recorded a loss before tax of approximately HK\$1.0 million (2022: loss before tax of approximately HK\$9.5 million), and after-tax loss was approximately HK\$0.9 million (2022: after-tax loss of approximately HK\$9.4 million). The improvement over 2022 was due to an approximately HK\$7.1 million increase in revenue and an approximately HK\$2.2 million net increase in investment income, partially offset by an approximately HK\$0.9 million increase in employee benefits costs.
- The Group's net assets as at 30 September 2023 decreased to approximately HK\$80.4 million from approximately HK\$85.0 million as at 31 March 2023 mainly due to the loss for the Period of approximately HK\$0.9 million and distribution of 2022–2023 final dividend of approximately HK\$3.6 million.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

Despite some headwinds, the Group’s operational teams have performed effectively. The level of the Group’s corporate finance activity picked up in the first six months of the new financial year ending 31 March 2024, matching the level of year-on-year improvement seen in the second half of last financial year. For the Period, the Group reported an approximately 28.1% increase in revenue compared to the last corresponding period, despite the market environment for Hong Kong corporate finance remaining challenging. Taking the second quarter in isolation, the Group operated profitably although the result was not sufficient to offset the loss for the first quarter. Consequently, the Group incurred an after-tax loss for the Period of approximately HK\$0.9 million (2022: approximately HK\$9.4 million). The improvement over 2022 was due to an approximately HK\$7.1 million increase in revenue and an approximately HK\$2.2 million net increase in investment income, partially offset by an approximately HK\$0.9 million increase in employee benefits costs.

The corporate finance advisory business segment recorded revenue of approximately HK\$32.4 million (2022: approximately HK\$25.3 million) and a segment profit before tax of approximately HK\$0.2 million (2022: segment loss before tax of approximately HK\$6.8 million) for the Period. A segment loss before tax of approximately HK\$0.5 million (2022: approximately HK\$0.6 million) was incurred by the Group’s asset management business segment for the Period.

Prospects

The outlook for the second half of the financial year ending 31 March 2024 remains difficult to forecast with confidence. The strong revenue in the second quarter was due to the Group's work on several large transactions, some of which remained to be billed in the third quarter, but competition for new mandates remains tough. The Group's objective is to sustain the profitability achieved in the second quarter but the Group is under no illusion that this continues to be a challenging task.

FINANCIAL REVIEW

Revenue

The Group's total revenue increased by approximately 28.1% to approximately HK\$32.4 million for the Period from approximately HK\$25.3 million for the six months ended 30 September 2022.

Revenue generated from acting as FA and as IFA for the Period amounted to approximately HK\$20.8 million (2022: approximately HK\$12.8 million), accounting for approximately 64.2% of the Group's total revenue (2022: approximately 50.6%). The increase is mainly due to the determined efforts of the Group's teams in facilitating the execution and completion of ongoing transactions for clients.

Revenue generated from acting as CA for the Period amounted to approximately HK\$11.6 million (2022: approximately HK\$12.2 million), accounting for approximately 35.8% of the Group's total revenue (2022: approximately 48.2%). CA activities continue to provide a stable source of income to the Group, complementing the more fluctuating corporate finance advisory income. The Group's teams have worked hard to demonstrate to clients the added value the Group can provide to them through its CA roles.

Investment Income (Loss), Net and Other Income and (Losses) Gains, Net

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

	For the six months ended	
	30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment income (loss), net		
Interest income	872	119
Dividends from financial assets at fair value through profit or loss	—	194
Fair value gain on derivative financial instrument	1,012	—
Fair value gain (loss) on financial assets at fair value through profit or loss	30	(577)
	<u>1,914</u>	<u>(264)</u>

Other income and (losses) gains, net mainly represented management service fee income from Somerley Group Limited (“SGL”), office sharing income and reimbursement of other premise expenses from SGL, net exchange difference and loss on deemed disposal of an associate.

	For the six months ended	
	30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other income and (losses) gains, net		
Management fee income from ultimate holding company	90	90
Office sharing income and reimbursement of other premises expenses from ultimate holding company	386	386
Exchange loss, net	(60)	(854)
Loss on deemed disposal of an associate	(797)	—
Other	—	11
	<u>(381)</u>	<u>(367)</u>

On 10 August 2023, the Group entered into the supplemental agreement with CoinstreetPro (Global) Limited to acquire the derivative financial instrument that safeguards the Group’s investment in CSpro (Hong Kong) Limited (“CSpro”) (formerly known as Signum Digital Limited) and contributed further capital with HK\$0.9 million for business development of CSpro. After the completion, the Group’s interest in CSpro was diluted and decreased from 25% to 12.5%, resulting in a loss on deemed disposal of an associate of approximately HK\$0.8 million and fair value gain on derivative financial instrument of approximately HK\$1.0 million.

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	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees, salaries, allowances and other benefits	24,271	24,057
Accrued bonuses	655	—
Contributions to the retirement benefits scheme	559	569
	<u>25,485</u>	<u>24,626</u>

Employee benefits costs slightly increased to approximately HK\$25.5 million for the Period from approximately HK\$24.6 million for the six months ended 30 September 2022. The increase was mainly due to the bonuses of approximately HK\$0.7 million accrued for 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.

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	
	2023	2022
	HK\$'000	HK\$'000
Depreciation of property and equipment	390	390
Depreciation of right-of-use assets	3,569	3,589
	3,959	3,979
Other premises expenses	948	997
Recurring GEM listing expenses (excluding remuneration of independent non-executive directors)	1,204	998
Others	3,026	3,003
	9,137	8,977

The Group's depreciation and other operating expenses remained at similar level for the Period and six months ended 30 September 2022.

Loss for the Period

For the Period, the Group recorded a loss before tax of approximately HK\$1.0 million (2022: loss before tax of approximately HK\$9.5 million), and after-tax loss was approximately HK\$0.9 million (2022: after-tax loss of approximately HK\$9.4 million). The improvement over 2022 was due to an approximately HK\$7.1 million increase in revenue and an approximately HK\$2.2 million net increase in investment income, partially offset by an approximately HK\$0.9 million increase in employee benefits costs.

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 2023 and 30 September 2023.

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 2023 (31 March 2023: nil). The Group did not have plans for making material investments or acquiring capital assets as at 30 September 2023.

Significant Investments

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

Material Acquisition and Disposal of Subsidiaries, Associates or Joint Ventures

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

Events after the Reporting Date

745,830 and 1,201,332 share options were exercised by Mr. CHOW Wai Hung Kenneth and other employees of the Group, respectively, after 30 September 2023 pursuant to the share option scheme adopted on 11 May 2016. An aggregate of 1,947,162 new Shares at the exercise price of HK\$0.09 have been issued after 30 September 2023.

Save as disclosed above, the Group has no significant events subsequent to 30 September 2023 and up to the date of this announcement.

Charge on Assets & Contingent Liabilities

As at 31 March 2023 and 30 September 2023, the Group did not have any charges on its assets or material contingent liabilities.

Gearing Ratio

As at 31 March 2023 and 30 September 2023, 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 (2022: 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 2023 and 30 September 2023.

For the Period, employee benefits costs of the Group (including the Directors' emoluments) were approximately HK\$25.5 million (2022: 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 schemes of the Company to eligible employees by reference to the Group's performance as well as the individual's contribution. The Directors believe that the compensation packages offered by the Group to its staff are competitive in comparison with market standards and practices.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2023

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 2022, as follows:

		Three months ended 30 September		Six months ended 30 September	
	<i>Notes</i>	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
Revenue	6	17,682	11,864	32,413	25,278
Investment income (loss), net	7	1,520	3	1,914	(264)
Other income and (losses) gains, net	7	(565)	46	(381)	(367)
Employee benefits costs		(12,927)	(12,689)	(25,485)	(24,626)
Depreciation	12	(1,977)	(1,952)	(3,959)	(3,979)
Share of losses of associates		(13)	(117)	(13)	(117)
Finance costs		(81)	(78)	(176)	(165)
Impairment loss reversed (recognised) in respect of trade receivables		16	(53)	(114)	(232)
Other operating expenses		(2,956)	(2,746)	(5,178)	(4,998)
Profit (loss) before tax	8	699	(5,722)	(979)	(9,470)
Income tax credit	9	104	48	101	97
Profit (loss) for the period		803	(5,674)	(878)	(9,373)
Other comprehensive loss Item that may be reclassified subsequently to profit or loss: Exchange difference arising on translation of foreign operations		(2)	(22)	(20)	(46)
Total comprehensive income (loss) for the period		801	(5,696)	(898)	(9,419)

	Three months ended 30 September		Six months ended 30 September	
	2023	2022	2023	2022
Note	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit (loss) for the period attributable to:				
Owners of the Company	818	(5,641)	(839)	(9,313)
Non-controlling interests	(15)	(33)	(39)	(60)
	803	(5,674)	(878)	(9,373)
Total comprehensive income (loss) for the period attributable to:				
Owners of the Company	816	(5,663)	(859)	(9,359)
Non-controlling interests	(15)	(33)	(39)	(60)
	801	(5,696)	(898)	(9,419)
Earnings (loss) per share — basic and diluted (HK cents)				
10	0.57	(3.96)	(0.59)	(6.54)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

		As at 30 September 2023 <i>HK\$'000</i> (Unaudited)	As at 31 March 2023 <i>HK\$'000</i> (Audited)
Non-current assets			
Property and equipment	12	1,976	2,094
Right-of-use assets	12	6,362	10,043
Goodwill		—	—
Intangible asset		1,300	1,300
Interests in associates		—	599
Rental deposits	13	220	2,305
Deferred tax assets		184	83
		10,042	16,424
Current assets			
Trade receivables	13	9,598	12,042
Prepayments, deposits and other receivables	13	6,524	6,555
Financial assets at fair value through profit or loss	14	706	1,705
Derivative financial instrument		1,012	—
Tax recoverable		45	368
Cash and cash equivalents		65,043	63,540
		82,928	84,210
Current liabilities			
Contract liability		818	188
Other payables and accruals		1,958	2,255
Amount due to an associate		—	57
Lease liabilities	12	6,072	7,219
Tax payable		—	5
		8,848	9,724
Net current assets		74,080	74,486
Total assets less current liabilities		84,122	90,910

		As at 30 September 2023	As at 31 March 2023
	<i>Note</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current liabilities			
Lease liabilities	12	929	3,164
Provision for long service payment		290	267
Provision for reinstatement cost		2,300	2,300
Deferred tax liabilities		214	214
		<u>3,733</u>	<u>5,945</u>
Net assets		<u><u>80,389</u></u>	<u><u>84,965</u></u>
Capital and reserves			
Share capital		1,432	1,434
Treasury share		—	(73)
Reserves		78,852	83,479
Equity attributable to owners of the Company		<u>80,284</u>	84,840
Non-controlling interests		<u>105</u>	<u>125</u>
Total equity		<u><u>80,389</u></u>	<u><u>84,965</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 September 2023

	Attributable to the owners of the Company								Total	Non-controlling interests	Total
	Share capital	Share premium	Treasury share	Retained earnings	Shareholder contribution reserve	Share option reserve	Translation reserve	Other reserve (note)			
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2023 (Audited)	1,434	46,633	(73)	21,193	4,179	1,555	19	9,900	84,840	125	84,965
Loss for the period	—	—	—	(839)	—	—	—	—	(839)	(39)	(878)
Other comprehensive loss:											
Exchange differences arising on translation of foreign operation	—	—	—	—	—	—	(20)	—	(20)	—	(20)
Total comprehensive loss for the period	—	—	—	(839)	—	—	(20)	—	(859)	(39)	(898)
Dividends recognised as distribution (note 11)	—	(3,580)	—	—	—	—	—	—	(3,580)	—	(3,580)
Change in ownership interest in a subsidiary that does not result in change of control	—	—	—	(19)	—	—	—	—	(19)	19	—
Repurchase and cancellation of ordinary shares	(2)	(169)	73	—	—	—	—	—	(98)	—	(98)
At 30 September 2023 (Unaudited)	<u>1,432</u>	<u>42,884</u>	<u>—</u>	<u>20,335</u>	<u>4,179</u>	<u>1,555</u>	<u>(1)</u>	<u>9,900</u>	<u>80,284</u>	<u>105</u>	<u>80,389</u>
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 loss:											
Exchange differences arising on translation of foreign operation	—	—	—	—	—	—	(46)	—	(46)	—	(46)
Total comprehensive loss 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)	<u>1,424</u>	<u>46,081</u>	<u>—</u>	<u>18,701</u>	<u>4,179</u>	<u>1,946</u>	<u>9</u>	<u>9,900</u>	<u>82,240</u>	<u>197</u>	<u>82,437</u>

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

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”).

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 2023, except as described below:

In the current interim period, the Group has applied, for the first time, the following new and 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 2023:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Except as described below, the application of the new and 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.

Amendments to HKAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction.

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in the annual financial statements but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under HKAS 12.

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 2023.

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 (i) corporate finance advisory service and (ii) asset management service.

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.

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

	For the six months ended 30 September 2023			For the six months ended 30 September 2022		
	Corporate finance advisory service <i>HK\$'000</i> (Unaudited)	Asset management service <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)	Corporate finance advisory service <i>HK\$'000</i> (Unaudited)	Asset management service <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue	<u>32,413</u>	<u>—</u>	<u>32,413</u>	<u>25,278</u>	<u>—</u>	<u>25,278</u>
Segment profit (loss)	207	(548)	(341)	(6,827)	(578)	(7,405)
Investment income (loss), net			1,664			(281)
Share of losses of associates			(13)			(117)
Finance costs			(6)			(11)
Corporate and other unallocated expenses			<u>(2,283)</u>			<u>(1,656)</u>
Loss before tax			<u>(979)</u>			<u>(9,470)</u>

Segment profit (loss) represents the profit earned (loss resulted) from each segment without allocation of share of results of associates, certain of interest income, certain of finance costs and central administration costs. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

No analysis of segment asset and segment liability is presented as the chief operating decision maker no longer regularly reviews such information for the purpose of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Other segment information

For the six months ended 30 September 2023

	Corporate finance advisory service <i>HK\$'000</i> (Unaudited)	Asset management service <i>HK\$'000</i> (Unaudited)	Corporate <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Amounts included in the measure of segment profit or loss:				
Depreciation of property and equipment	382	3	5	390
Depreciation of right-of-use assets	3,245	106	218	3,569
Impairment loss recognised in respect of trade receivables	114	—	—	114
Interest income	249	1	622	872
Finance costs on lease liabilities	167	3	6	176

For the six months ended 30 September 2022

	Corporate finance advisory service <i>HK\$'000</i> (Unaudited)	Asset management service <i>HK\$'000</i> (Unaudited)	Corporate <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Amounts included in the measure of segment profit or loss:				
Depreciation of property and equipment	382	3	5	390
Depreciation of right-of-use assets	3,265	106	218	3,589
Impairment loss recognised in respect of trade receivables	232	—	—	232
Interest income	26	—	93	119
Finance costs on lease liabilities	149	5	11	165

Information about major customers

Revenue from corporate finance advisory service segment of approximately HK\$3,415,000 from one major customer accounted for 10% or more of the Group's revenue for the six months ended 30 September 2023. No customer accounted for 10% or more of the Group's revenue for the six months ended 30 September 2022.

6. REVENUE

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

	Six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Corporate finance advisory fee income		
— from acting as financial adviser	8,785	4,759
— from acting as independent financial adviser	11,971	8,038
— from acting as compliance adviser	11,657	12,207
— others	—	274
	<u>32,413</u>	<u>25,278</u>

Disaggregation of revenue by timing of recognition:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
Over time	30,578	25,278
At a point in time (fee income from acting as financial adviser)	1,835	—
	<u>32,413</u>	<u>25,278</u>

7. INVESTMENT INCOME (LOSS), NET AND OTHER INCOME AND (LOSSES) GAINS, NET

	Six months ended 30 September	
	2023 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)
Investment income (loss), net		
Interest income	872	119
Dividends from financial assets at fair value through profit or loss	—	194
Fair value gain on a derivative financial instrument	1,012	—
Fair value gain (loss) on financial assets at fair value through profit or loss	30	(577)
	<u>1,914</u>	<u>(264)</u>
	Six months ended 30 September	
	2023 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)
Other income and (losses) gains, net		
Management fee income from ultimate holding company	90	90
Office sharing income and reimbursement of other premises expenses from ultimate holding company	386	386
Exchange loss, net	(60)	(854)
Loss on deemed disposal of an associate	(797)	—
Other	—	11
	<u>(381)</u>	<u>(367)</u>

8. LOSS BEFORE TAX

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period has been arrived at after charging:		
Directors' emoluments:		
Fees	360	360
Other emoluments	5,148	5,148
Contributions to retirement benefits scheme	18	18
	<u>5,526</u>	<u>5,526</u>
Other staff costs (<i>note</i>)	18,740	18,479
Accrued bonuses	655	—
Provision for long service payment	23	70
Contributions to retirement benefits schemes	541	551
	<u>25,485</u>	<u>24,626</u>
Exchange loss, net	60	854
Depreciation for property and equipment	390	390
Depreciation for right-of-use assets	3,569	3,589
Impairment loss recognised in respect of trade receivables	114	232
	<u>114</u>	<u>232</u>

Note: Wage subsidies of approximately HK\$929,000 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 2022. The amounts had been offset with the employee benefits costs.

9. INCOME TAX CREDIT

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Over provision in prior years:		
People's Republic of China	—	4
Deferred taxation	101	93
	<u>101</u>	<u>97</u>

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 2023 (2022: HK2.5 cents per share), amounting to approximately HK\$3,580,000 (2022: HK\$3,558,000), was paid during the Period.

The Directors do not recommend the payment of interim dividend for the Period (30 September 2022: 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 addition of furniture and fixtures of approximately HK\$275,000 (2022: nil). During the six months ended 30 September 2023 and 2022, the Group had no addition of right-of-use assets.

As at 30 September 2023, the carrying amounts of property and equipment and right-of-use assets were approximately HK\$1,976,000 (31 March 2023: HK\$2,094,000) and HK\$6,362,000 (31 March 2023: HK\$10,043,000) respectively.

The Group's depreciation during the Period amounted to approximately HK\$390,000 (2022: HK\$390,000) and HK\$3,569,000 (2022: HK\$3,589,000) in respect of property and equipment and right-of-use assets respectively.

(ii) Lease liabilities

As at 30 September 2023, the carrying amount of lease liabilities were approximately HK\$7,001,000 (31 March 2023: HK\$10,383,000).

(iii) Amounts recognised in profit or loss

	Six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation on right-of-use assets	3,569	3,589
Finance costs on lease liabilities	176	165
	<u>3,745</u>	<u>3,754</u>

(iv) Other

During the Period, the total cash outflow for leases amounted to approximately HK\$3,369,000 (2022: HK\$3,410,000).

13. TRADE RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 September 2023 <i>HK\$'000</i> (Unaudited)	As at 31 March 2023 <i>HK\$'000</i> (Audited)
Trade receivables (<i>note</i>)	10,782	13,112
Less: Impairment allowance	<u>(1,184)</u>	<u>(1,070)</u>
	<u><u>9,598</u></u>	<u><u>12,042</u></u>

At as 30 September 2023, the gross amount of trade receivables arising from contracts with customers amounted to approximately HK\$10,782,000 (31 March 2023: HK\$13,112,000).

	As at 30 September 2023 <i>HK\$'000</i> (Unaudited)	As at 31 March 2023 <i>HK\$'000</i> (Audited)
Prepayments, deposits and other receivables Analysed as:		
— non-current assets (rental deposits)	220	2,305
— current assets	<u>6,524</u>	<u>6,555</u>
	<u><u>6,744</u></u>	<u><u>8,860</u></u>

	As at 30 September 2023 <i>HK\$'000</i> (Unaudited)	As at 31 March 2023 <i>HK\$'000</i> (Audited)
Deposits and other receivables	2,747	2,530
Prepayments	1,367	1,327
Receivables from brokers	<u>2,630</u>	<u>5,003</u>
	<u><u>6,744</u></u>	<u><u>8,860</u></u>

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 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Within 90 days	7,626	9,855
91–180 days	1,110	1,862
Over 180 days	<u>862</u>	<u>325</u>
Total	<u>9,598</u>	<u>12,042</u>

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

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

	For the six months ended 30 September 2023 HK\$'000 (Unaudited)	For the year ended 31 March 2023 HK\$'000 (Audited)
At the beginning of the period/year	1,070	531
Impairment losses recognised on trade receivables	<u>114</u>	<u>539</u>
At the end of the period/year	<u>1,184</u>	<u>1,070</u>

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 September 2023 <i>HK\$'000</i> (Unaudited)	As at 31 March 2023 <i>HK\$'000</i> (Audited)
Financial assets at fair value through profit or loss		
— Listed equity securities, Hong Kong	—	1,705
— Unlisted equity security, Hong Kong (<i>note</i>)	<u>706</u>	<u>—</u>
	<u><u>706</u></u>	<u><u>1,705</u></u>

Note: On 10 August 2023, CSpro, an associate of the Group has allotted new shares to its existing shareholders (the “Allotments”). Upon completion of the Allotments, the Group’s interest in CSpro was diluted and decreased from 25% to 12.5%, which was considered as a deemed disposal of an associate, with a resulting loss of approximately HK\$797,000 recognised in condensed consolidated statement of profit or loss and other comprehensive income during the six months ended 30 September 2023. CSpro was ceased to be an associate of the Group and was accounted for as financial asset at fair value through profit or loss of the Group.

Pursuant to the agreement, the Group has granted the major shareholder of CSpro (the “Major Shareholder”) with a Call Option, under which the Major Shareholder has the right (but no obligation) to acquire from the Group for entire equity interest of CSpro (the “Equity Interest”), at a consideration of the sum of (i) the purchase price of US\$100,000 (equivalent to HK\$916,500), (ii) the total purchase price of any further acquired equity and (iii) an amount representing an interest rate of 8% per annum on the total purchase price (the “Consideration”).

The Major Shareholder has also granted the Group with the Put Option pursuant to the agreement, under which the Group has the right (but no obligation) to sell back Equity Interest to the Major Shareholder and the Major Shareholder has the obligation to purchase the Equity Interest at the Consideration.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 as set out in Appendix 15 to the GEM Listing Rules.

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

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

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

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

An aggregate of 120,000 shares (repurchased on 29, 30 June 2023 and 3, 13, 14 July 2023) were cancelled in August 2023. As at 30 September 2023, no Shares were repurchased but not yet cancelled.

Saved as disclosed above, during the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of 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, 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 and the interim report 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. CHEUNG Tei Sing Jamie has been appointed as an independent non-executive director of Mainland Headwear Holdings Limited (stock code: 1100) since 1 September 2023.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.somerleycapital.com). The interim report of the Company for the six months ended 30 September 2023 containing all the information required by the GEM Listing Rules will be dispatched to the Company's shareholders and published on the above websites in due course.

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

Hong Kong, 10 November 2023

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

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