



# 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 2021**

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

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

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

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

## **INTERIM FINANCIAL HIGHLIGHTS**

- The Group's total revenue decreased by approximately 0.8% to approximately HK\$35.8 million for the six months ended 30 September 2021 (the "Period") from approximately HK\$36.1 million for the six months ended 30 September 2020.
- Revenue generated from acting as financial adviser and as independent financial adviser for the Period amounted to approximately HK\$24.1 million (2020: approximately HK\$28.0 million), accounting for approximately 67.3% of the Group's total revenue (2020: approximately 77.6%).
- Revenue generated from acting as compliance adviser for the Period amounted to approximately HK\$11.7 million (2020: approximately HK\$7.9 million), accounting for approximately 32.7% of the Group's total revenue (2020: approximately 21.9%).
- During the Period, the Group recorded a profit before tax of approximately HK\$0.2 million (2020: approximately HK\$6.6 million) and a profit after tax of approximately HK\$0.2 million (2020: approximately HK\$6.5 million). The decrease in profit was mainly due to (i) approximately HK\$0.3 million decrease in revenue; and (ii) the absence of fair value gain on investment in The Climate Impact Asia Fund of approximately HK\$5.6 million.
- The Group's net assets as at 30 September 2021 decreased to approximately HK\$99.3 million from approximately HK\$104.5 million as at 31 March 2021 primarily due to the distribution of final dividend for the year ended 31 March 2021.

## **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.

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

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

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

## **Prospects**

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

## **FINANCIAL REVIEW**

### **Revenue**

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

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

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

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

## Other Income and Gain

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

## Employee Benefits Costs

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

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

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

## Depreciation and Other Operating Expenses

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

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

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

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

## **Profit for the Period**

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

## **Liquidity, Financial Resources and Capital Structure**

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

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

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

## **Foreign Exchange Exposure**

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

## **Future Plans for Material Investments or Capital Assets**

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

## **Material Acquisition and Disposal of Subsidiaries, Associates or Joint Ventures**

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

## **Significant Investments**

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

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

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

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

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

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

#### **Events After The Reporting Date**

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

#### **Charge on Assets & Contingent Liabilities**

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

#### **Gearing Ratio**

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

#### **Dividend**

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



## **Treasury Policies**

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

## **Employees and Remuneration Policies**

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

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

## **Update of Business Progress and Use of Proceeds**

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

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

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

## INTERIM RESULTS

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

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2021

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

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2021*

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

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

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 September 2021*

	Attributable to the owners of the Company							Total	Non-controlling interests	Total
	Share capital	Share premium	Retained earnings	Shareholder contribution reserve	Share option reserve	Translation reserve	Other reserve (note)			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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	1	67	—	—	(43)	—	—	25	—	25
At 30 September 2021 (Unaudited)	<u>1,420</u>	<u>49,437</u>	<u>32,043</u>	<u>4,179</u>	<u>2,072</u>	<u>45</u>	<u>9,900</u>	<u>99,096</u>	<u>249</u>	<u>99,345</u>
At 1 April 2020 (Audited)	1,413	57,975	23,132	4,179	2,307	(40)	9,900	98,866	1,647	100,513
Profit (loss) for the period	—	—	6,671	—	—	—	—	6,671	(201)	6,470
Other comprehensive income:										
Exchange differences arising from translation of foreign operation	—	—	—	—	—	23	—	23	—	23
Total comprehensive income (expense) for the period	—	—	6,671	—	—	23	—	6,694	(201)	6,493
Dividends recognised as distribution (note 11)	—	(3,546)	—	—	—	—	—	(3,546)	—	(3,546)
Issue of shares upon exercise of share options	5	319	—	—	(181)	—	—	143	—	143
At 30 September 2020 (Unaudited)	<u>1,418</u>	<u>54,748</u>	<u>29,803</u>	<u>4,179</u>	<u>2,126</u>	<u>(17)</u>	<u>9,900</u>	<u>102,157</u>	<u>1,446</u>	<u>103,603</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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2021*

## 1. GENERAL

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

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

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

## 2. BASIS OF PREPARATION

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

## 3. CHANGE IN ACCOUNTING POLICIES

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

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

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

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

#### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

#### 5. SEGMENT INFORMATION

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

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

1. Corporate finance advisory service
2. Asset management service

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

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



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

### Segment assets and liabilities

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

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

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

## Other segment information

*For the six months ended 30 September 2021*

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

*For the six months ended 30 September 2020*

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

## Geographical information

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

## Information about major customers

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

## 6. REVENUE

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

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

## 7. OTHER INCOME AND GAIN

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

## 8. PROFIT BEFORE TAX

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

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

## 9. INCOME TAX EXPENSE

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

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

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

## 10. EARNINGS PER SHARE

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>
	(Unaudited)	(Unaudited)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	<u><b>321</b></u>	<u>6,671</u>
	<b>Number of shares</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	(Unaudited)	(Unaudited)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation (’000)	<b>141,925</b>	141,608
Effect of dilutive potential ordinary shares — share options (’000)	<u><b>4,771</b></u>	<u>4,642</u>
Weighted average number of ordinary shares in issue during the period, used in the diluted earnings per share calculation (’000)	<u><b>146,696</b></u>	<u>146,250</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 HK3.8 cents per share in respect of the year ended 31 March 2021 (2020: HK2.5 cents per share), amounting to approximately HK\$5,395,000 (2020: HK\$3,546,000), was paid during the Period.

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

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

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

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

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

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

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

### (ii) Lease liabilities

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

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

### (iii) Amounts recognised in profit or loss

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

(iv) Other

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

**13. TRADE RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

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

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

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

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

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

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

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

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



#### 14. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

### **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

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

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

### **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.

## **AUDIT COMMITTEE**

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

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

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

## **CHANGE OF DIRECTORS INFORMATION**

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

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

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This results announcement is published on the websites of the Stock Exchange ([www.hkgem.com](http://www.hkgem.com)) and the Company ([www.somerleycapital.com](http://www.somerleycapital.com)). The interim report of the Company for the six months ended 30 September 2021 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, 12 November 2021

*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 GEM website at [www.hkgem.com](http://www.hkgem.com) 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](http://www.somerleycapital.com).*