SOMERLEY CAPITAL HOLDINGS LIMITED

新 百 利 融 資 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8439

Interim Report 2018

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.

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

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The results for the six months ended 30th September 2018 are set out on page 15 of this Report. Revenue (excluding other income) increased to HK$45.4 million from HK$34.8 million for the first half of last financial year, an improvement of around 30%. This was mainly due to a continued solid performance executing base-load corporate finance transactions, supplemented by the completion of a "marquee" financial advisory transaction (which we define as generating fees of over US$1 million) and two IPO projects reaching major milestones (triggering fee payments).

Expenses were also higher at around HK$37 million, increasing by approximately 13%. Key expenses are analysed on pages 6 and 7 of this Report. Employee benefit costs accounted for 70% of this figure, amounting to HK$26.2 million. The next largest item is rental and other premises expenses of HK$4.9 million. We endeavor to control costs but employee benefits are linked to performance and our main office rental is fixed for the 3 years from 30th June 2018.

Owing principally to the increase in revenue, profit before tax increased to HK$9.1 million (2017-18 HK$3.3 million) and profit after tax to HK$7.6 million (2017-18 HK$2.8 million). This improvement is welcome but does not yet represent the level of profit or return on capital which the Directors aim to achieve.

The Group's balance sheet is set out on pages 16 and 17 and continues to be strong, with net assets at 30th September 2018 of HK$107.4 million and cash and cash equivalents of HK$95.2 million.

The Directors do not at present consider it appropriate to pay an interim dividend but will consider recommending a final dividend when the full year's results are available.

Overall, the scope of our business is expanding. Our new wholly-owned subsidiary in Beijing, Somerley Capital (Beijing) Limited, has successfully commenced operation, led by Quan Zhang and his team. This should enhance execution of China-related projects and strengthen relations with China-based clients. The new subsidiary will also work closely with a specialized M&A team which we are in the course of setting up in Hong Kong. In addition, as previously announced, in July 2018 we made a 9.9% investment in Environmental Investment Services Asia Limited ("EISAL"), a leading "green" fund manager based in Hong Kong. We hope to complete arrangements for EISAL to become a subsidiary of the Group in the second half of the financial year.

CHAIRMAN'S STATEMENT

Recent conditions in the Hong Kong and China Stock markets have been volatile and this seems likely to affect the confidence of investors and corporate decision makers in the second half of the financial year ending 31 March 2019. The work-on-hand for the third quarter looks satisfactory for the moment but projects in the pipeline may be subject to review in light of changing market conditions. In the Group's experience, the best response to such conditions is to concentrate on high quality execution of projects which are reasonably well advanced. As always, I thank our teams for the dedication they show.

Yours sincerely,
Martin Sabine
Chairman

BUSINESS REVIEW AND PROSPECTS

The Group is principally engaged in providing corporate finance services in Hong Kong and through its recently-opened subsidiary in Beijing. The services of the Group 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 "Listing Rules"), the GEM Listing Rules and/or the Codes on Takeovers and Mergers and Share Buy-backs (the "Takeovers Code"), including acting as arranger in connection with the introduction of investors to listed companies in Hong Kong and/or their major shareholders in a takeover transaction; (ii) acting as independent financial adviser to independent board committees and/or independent shareholders of listed companies in Hong Kong; (iii) acting as compliance adviser, mostly for newly listed companies in Hong Kong; and (iv) acting as sponsor to initial public offering and listings of shares of companies on the Stock Exchange in Hong Kong (the "IPO") and managing and underwriting equity issues in Hong Kong.

During the six months ended 30 September 2018 (the "Period"), the Group completed a marquee financial advisory transaction with revenue of approximately HK$9.2 million and achieved major milestones for two sponsorship engagements which generated fees of approximately HK$4.2 million. Together with the Group's solid foundation in corporate finance advisory business, the Group recorded total revenue of approximately HK$45.4 million for the Period (2017: approximately HK$34.8 million), representing an increase of approximately 30.5% as compared with the same period of last year.

In respect of expenses, as a result of the annual salary increment, the implementation of future plans and accordingly, an increase in the office area and number of staff and thus operating expenses (excluding fair value loss on financial asset through profit or loss of approximately HK$0.8 million) increased to approximately HK$36.2 million (2017: approximately HK$32.0 million), representing an increase of approximately 13.1% as compared with the same period of last year.

In the first half of the financial year ending 31 March 2019, the Group's financial performance improved. The profit for the Period increased to approximately HK$7.6 million from approximately HK$2.8 million for the six months ended 30 September 2017, primarily due to the increase in revenue.

Looking Forward

Recent conditions in the Hong Kong and China Stock markets have been volatile and this seems likely to affect the confidence of investors and corporate decision makers in the second half of the financial year ending 31 March 2019. The work-on-hand for the third quarter looks satisfactory for the moment but projects in the pipeline may be subject to review in light of changing market conditions. In the Group's experience, the best response to such conditions is to concentrate on high quality execution of projects which are reasonably well advanced.

FINANCIAL REVIEW

Revenue

The Group's total revenue from corporate finance advisory businesses increased by approximately 30.5% to approximately HK$45.4 million for the Period from approximately HK$34.8 million for the six months period ended 30 September 2017.

Revenue generated from acting as financial adviser and as independent financial adviser for the Period amounted to approximately HK$35.4 million (2017: approximately HK$27.3 million), accounting for approximately 78.0% of the Group's total revenue (2017: approximately 78.4%). The increase was largely due to the completion of a marquee financial advisory transaction with revenue of approximately HK$9.2 million. These activities are expected to remain the major source of the Group's revenue in the immediate future.

Revenue generated from acting as compliance adviser for the Period amounted to approximately HK$4.4 million (2017: approximately HK$3.3 million), accounting for approximately 9.7% of the Group's total revenue (2017: approximately 9.5%). Based on market and industry statistics published by the Securities and Futures Commission, the number of newly listed companies in Hong Kong was 166 for the first nine months of 2018 (2017: 114) and the Group has proactively secured additional compliance advisory mandates which led to the increase in revenue from acting as compliance advisor for the Period.

Revenue generated from acting as sponsor and underwriter for the Period amounted to approximately HK$4.2 million (2017: approximately HK$4.1 million), accounting for approximately 9.3% of the Group's total revenue (2017: approximately 11.8%). The Group achieved major milestones for two sponsorship engagements and as at 30 September 2018 the Group had 3 work-in-progress sponsorship engagements (2017: 2).

Other Income

Other income mainly represented bank interest income, reimbursement of out-of-pocket expenses from customers, the management service fee income from Somerley Group Limited ("SGL"), rental income and recharge of other premise expenses from SGL.

Employee Benefits Costs

The Group's employee benefits costs primarily consist of salaries, bonuses, share-based payments and allowances as well as contributions to the mandatory provident fund for the Directors and employees of the Group.

	2018	2017
	HK$'000	HK$'000
Salaries, allowances and other benefits	**21,664**	20,129
Discretionary bonuses	**3,800**	3,600
Share-based payments	**375**	361
Retirement benefits scheme contributions	**382**	308
	26,221	24,398

Employee benefits costs increased by approximately 7.4% to approximately HK$26.2 million for the Period from approximately HK$24.4 million for the six months period ended 30 September 2017, primarily due to the combined effects of (i) the 2018 annual increment in basic salary and additional executives hired during the Period; and (ii) a slight increase in bonuses.

Other Operating Expenses

Other operating expenses were mainly rental expenses, 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.

	2018 HK$'000	2017 HK$'000
Rental expenses and other premises expenses	**4,894**	3,610
Travelling expenses	**325**	312
Bad debt in respect of trade receivables	**—**	180
Impairment loss recognised in respect of trade receivables	**106**	—
Recurring GEM listing expenses (excluding remuneration of independent non-executive directors)	**1,225**	1,007
Others	**2,488**	1,824
	9,038	6,933

The Group's other operating expenses increased by approximately 30.4% to approximately HK$9.0 million for the Period from approximately HK$6.9 million for the period ended 30 September 2017. The increase was mainly due to (i) the increase in rental expenses as a result of office expansion and the execution of new lease; (ii) the recognition of business continuity plan expenses; and (iii) the increase in legal and professional expenses due to specific needs of certain advisory engagements and the acquisition of Environmental Investment Services Asia Limited ("EISAL").

Profit for the Period

For the Period, the Group made a profit before tax of approximately HK$9.1 million (2017: approximately HK$3.3 million) and profit attributable to owners of the Company was approximately HK$7.6 million (2017: approximately HK$2.8 million). The net increase was primarily due to the combination of positive and negative effects of (i) approximately HK$10.6 million increase in revenue; (ii) approximately HK$1.8 million increase in employee benefits costs; (iii) the increase in other operating expenses; and (iv) the recognition of fair value loss on financial asset at fair value through profit or loss.

Liquidity and Capital Resources

As at 31 March 2018 and 30 September 2018, the Group had cash and cash equivalents of approximately HK$95.5 million and HK$95.2 million respectively.

As at 31 March 2018 and 30 September 2018, the Group had no banking facilities and no borrowings.

As at 31 March 2018 and 30 September 2018, the Group's cash and cash equivalents were held in Hong Kong dollars, except a small aggregate amount of approximately HK$1.0 million and HK$1.6 million respectively in foreign currencies (including Renminbi, United States Dollar, Euro, Great Britain Pound and Malaysia Ringgit).

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

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.

Capital Structure

The Group's equity consists only of ordinary shares of the Company (the "Shares").

Future Plans for Material Investments or Capital Assets

The Group had no capital commitment as at 31 March 2018 and 30 September 2018. Save for the business plan disclosed in the prospectus of the Company dated 15 March 2017 (the "Prospectus"), the announcement of change in use of proceeds dated 22 June 2018 or otherwise disclosed in this report, the Group did not have any future plans for making material investments or acquiring capital assets as at 30 September 2018.

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

During the Period, there were no material acquisitions and disposals of subsidiaries, associates and joint ventures by the Group.

Significant investments

During the Period, the Company and EISAL have agreed the terms and conditions (the "Agreements") for the Company to become the majority shareholder in EISAL. EISAL is a Hong Kong-based investment management company specialising in the Asian low carbon environmental sector and manages the Green Dragon Fund which invests in companies with significant exposure to that sector operating within the Asia Pacific region. EISAL is a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities. EISAL is a founding member of the Hong Kong Green Finance Association.

The Agreements are structured through:

(i) the cash subscriptions of 1,140,000 new ordinary shares in EISAL ("EISAL Shares") at an issue price of US$0.60 per EISAL Share; and

(ii) the acquisition of 1,333,334 existing EISAL Shares from certain existing shareholders at a consideration of US$0.60 per EISAL Share which will be settled in US$0.30 cash and 1.14 new Shares issued by the Company.

On 10 July 2018, the first subscription of 240,000 new EISAL Shares at a total cost of US$144,000 was completed. As at 30 September 2018, the Group held 9.97% interest in EISAL and the investment cost of US$144,000 or approximately HK$1.1 million was classified as financial asset at fair value through other comprehensive income.

The second subscription of 900,000 new EISAL Shares and the acquisition of 1,333,334 existing EISAL Shares, which will further increase the Company's interest in the share capital of EISAL as enlarged by the completion of first and second subscriptions and the acquisition by approximately 67.5%, is pending consent from the Securities and Futures Commission.

Except for investments in subsidiaries and the investment in EISAL as stated above, the Group did not hold any significant investments during the Period (2017: nil).

Charge on assets

The Group did not have any charges on its assets as at 31 March 2018 and 30 September 2018.

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 March 2018 and 30 September 2018.

Gearing ratio

As at 31 March 2018 and 30 September 2018, the Group did not have any borrowings and hence no gearing ratio was applicable.

Dividend

The board of Directors (the "Board") does not recommend the payment of any dividend for the Period (2017: 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

As at 31 March 2018 and 30 September 2018, the Group employed 42 and 49 employees respectively.

For the Period, employee benefits costs of the Group (including the Directors' emoluments) were approximately HK$26.2 million (2017: approximately HK$24.4 million). Remuneration is determined with reference to market terms and the performance, qualifications and experience of employees in order to attract and retain talented 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. As disclosed in the Prospectus, the Company adopted a pre-IPO share option scheme on 11 May 2016 and a post-IPO share option scheme on 9 March 2017 to incentivise and retain staff members who have made or are likely to make significant contributions to the success of the Group. The Directors believe that the compensation packages offered by the Group to its staff are competitive in comparison with market standards and practices.

Comparison between Business Objectives and Actual Business Progress

An analysis comparing the business objectives as stated in the Prospectus and the announcement of change in use of proceeds publish on 22 June 2018 with our Group's actual business progress up to 30 September 2018 is set out below:

Business objectives up to 30 September 2018	Actual business progress up to 30 September 2018
Expansion of the corporate finance advisory business	The existing corporate finance advisory teams were strengthened by recruiting additional employees
Development of the equity capital market operations	A IPO execution team was established and the Group had 3 work-in-progress sponsorship engagements as at 30 September 2018
Enhancement of the information technology systems of the Group	The enhancement of the Group's information technology infrastructure was completed and the business continuity plan will be completed in the second half of the financial year ending 31 March 2019
Expansion of office	Renovation of office was completed
Exploration of new investment opportunities	On 10 July 2018, the Company completed the first subscription in EISAL, which is a Hong Kong-based investment management company specialising in the Asian low carbon environmental sector and manages the Green Dragon Fund which invests in companies with significant exposure to that sector operating within the Asia Pacific region. EISAL is a licensed corporation under the SFO to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities. Details of investment in EISAL are set out in pages 8 and 9 of this report.

Use of net proceeds

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. Accordingly, the Group adjusted the use of net proceeds in the same manner as stated in the Prospectus and approximately HK$27.7 million were utilised as at 31 March 2018.

The Group announced the change in use of net proceeds of approximately HK$28.2 million on 22 June 2018 and the details of application up to 30 September 2018 are as follows:

	Adjusted use of proceeds from 1 April 2018 to 31 March 2019 HK$'million	**Actual use of proceeds from 1 April 2018 to end of the Period** HK$'million
Expansion of corporate finance advisory business	4.5	2.2
Development of the equity capital markets operation	6.9	2.7
Enhancement of the information technology systems of the Group	3.0	0.6
Expansion of office	1.8	1.8
Exploration of new investment opportunities	12.0	1.1
	28.2	8.4

As disclosed in the Prospectus, to the extent that the net proceeds from the Listing are not immediately required for the above purposes, they have been placed on short-term interest bearing deposits with authorised financial institutions in Hong Kong. In the event that any part of the business plans of the Group does not materialise or proceed as planned, the Directors will carefully evaluate the situation and may reallocate the intended funding to other business plans and/or to new projects of the Group and/or to hold the funds as short-term interest bearing deposits so long as the Directors consider it to be in the best interest of the Company and the shareholders taken as a whole.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF
SOMERLEY CAPITAL HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Somerley Capital Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 15 to 53, which comprise the condensed consolidated statement of financial position as of 30 September 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended, and other explanatory notes. The Rules Govening the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standards 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accontants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

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

Without qualifying our review conclusion, we draw attention to the fact that the condensed consolidated statement of profit or loss and other comprehensive income for each of the three-month periods ended 30 September 2018 and 30 September 2017 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number: P05044

Hong Kong
9 November 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

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 2017, as follows:

		Three months ended 30 September		Six months ended 30 September	
		2018	2017	**2018**	2017
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue	6	**28,663**	18,732	**45,393**	34,787
Other income	7	**570**	131	**706**	202
		29,233	18,863	**46,099**	34,989
Employee benefits costs		**(14,950)**	(12,403)	**(26,221)**	(24,398)
Fair value (loss) gain on financial asset at fair value through profit or loss		**(28)**	319	**(790)**	319
Depreciation for property and equipment		**(432)**	(195)	**(647)**	(321)
Introduction expenses		**(115)**	(268)	**(305)**	(336)
Other operating expenses		**(5,130)**	(4,055)	**(9,038)**	(6,933)
Profit before tax	8	**8,578**	2,261	**9,098**	3,320
Income tax expense	9	**(1,231)**	(185)	**(1,463)**	(502)
Profit for the period		**7,347**	2,076	**7,635**	2,818
Other comprehensive expense					
Item that may be reclassified subsequently to profit or loss:					
Exchange difference arising from translation of foreign operations		**(6)**	—	**(6)**	—
Total comprehensive income for the period attributable to the owners of the Company		**7,341**	2,076	**7,629**	2,818
Earnings per share					
— basic (HK cents)	10	**5.27**	1.50	**5.48**	2.05
— diluted (HK cents)	10	**5.25**	1.47	**5.46**	2.01

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Notes	**As at 30 September 2018 HK$'000 (Unaudited)**	As at 31 March 2018 HK$'000 (Audited)
Non-current assets			
Property and equipment	12	**5,574**	2,737
Financial asset at fair value through other comprehensive income	13	**1,133**	—
Rental deposits	15	**2,561**	—
		9,268	2,737
Current assets			
Trade receivables	15	**9,979**	9,679
Prepayments, deposits and other receivables	15	**2,499**	995
Amount due from ultimate holding company		**247**	78
Financial asset at fair value through profit or loss	14	**1**	955
Tax recoverable		**—**	210
Cash and cash equivalents		**95,227**	95,472
		107,953	107,389
Current liabilities			
Other payables and accruals	16	**5,718**	5,494
Tax payable		**1,246**	—
		6,964	5,494
Net current assets		**100,989**	101,895
Total assets less current liabilities		**110,257**	104,632

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Note	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000 (Audited)
Non-current liabilities			
Provision for long service payment		**315**	305
Provision for reinstatement cost		**2,300**	—
Deferred tax liabilities		**248**	249
		2,863	554
Net assets		**107,394**	104,078
Capital and reserves			
Share capital	17	**1,394**	1,386
Reserves		**106,000**	102,692
Total equity		**107,394**	104,078

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Share capital HK$'000	Share premium HK$'000	Retained earnings HK$'000	Shareholder contribution reserve HK$'000	Share option reserve HK$'000	Translation reserve HK$'000	Other reserve (Note) HK$'000	Total HK$'000
At 31 March 2018 (Audited)	**1,386**	**67,270**	**19,506**	**4,179**	**1,837**	**–**	**9,900**	**104,078**
Impact of adopting HKFRS 9	**–**	**–**	**(41)**	**–**	**–**	**–**	**–**	**(41)**
At 1 April 2018	**1,386**	**67,270**	**19,465**	**4,179**	**1,837**	**–**	**9,900**	**104,037**
Profit for the period	**–**	**–**	**7,635**	**–**	**–**	**–**	**–**	**7,635**
Other comprehensive expense: Exchange differences arising from translation of foreign operation	**–**	**–**	**–**	**–**	**–**	**(6)**	**–**	**(6)**
Total comprehensive income (expenses) for the period	**–**	**–**	**7,635**	**–**	**–**	**(6)**	**–**	**7,629**
Dividends recognised as distribution (note 11)	**–**	**(4,882)**	**–**	**–**	**–**	**–**	**–**	**(4,882)**
Issues of shares upon exercise of share options (note 17)	**8**	**484**	**–**	**–**	**(257)**	**–**	**–**	**235**
Recognition of equity-settled share-based payments (note 21)	**–**	**–**	**–**	**–**	**375**	**–**	**–**	**375**
At 30 September 2018 (Unaudited)	**1,394**	**62,872**	**27,100**	**4,179**	**1,955**	**(6)**	**9,900**	**107,394**
At 1 April 2017 (Audited)	1,350	65,180	13,618	4,179	2,228	–	9,900	96,455
Profit and total comprehensive income for the period	–	–	2,818	–	–	–	–	2,818
Issues of shares upon exercise of share options (note 17)	36	2,090	–	–	(1,110)	–	–	1,016
Recognition of equity-settled share-based payments (note 21)	–	–	–	–	361	–	–	361
At 30 September 2017 (Unaudited)	1,386	67,270	16,436	4,179	1,479	–	9,900	100,650

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	Six months ended 30 September 2018 HK$'000 (Unaudited)	Six months ended 30 September 2017 HK$'000 (Unaudited)
Operating activities		
Profit before tax	**9,098**	3,320
Adjustments for:		
Depreciation of property and equipment	**647**	321
Bank interest income	**(280)**	(77)
Provision (reversal of provision) for long service payment	**10**	(32)
Bad debt expense in respect of trade receivables	**—**	180
Impairment loss recognised in respect of trade receivables	**106**	—
Share-based payment expenses	**375**	361
Unrealised fair value loss (gain) on financial asset at fair value through profit or loss	**881**	(319)
Realised gain on disposal of financial asset at fair value through profit or loss	**(91)**	—
Corporate finance advisory service fee income received in the form of equity securities	**—**	(390)
Operating cash flow before movements in working capital	**10,746**	3,364
(Increase) decrease in trade receivables	**(455)**	4,202
Increase in amount due from customer on service contract	**—**	(2,451)
Increase in prepayments, deposits and other receivables	**(3,925)**	(329)
(Decrease) increase in other payables and accruals	**(583)**	239
Increase in amount due from ultimate holding company	**(169)**	—
Increase in amount due to ultimate holding company	**—**	229
NET CASH FROM OPERATING ACTIVITIES	**5,614**	5,254

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	Six months ended 30 September 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
INVESTING ACTIVITIES		
Bank interest received	**140**	—
Proceeds from disposal of financial asset at fair value through profit or loss	**164**	—
Purchase of financial asset at fair value through other comprehensive income	**(1,133)**	—
Purchase of property and equipment	**(377)**	(2,294)
NET CASH USED IN INVESTING ACTIVITIES	**(1,206)**	(2,294)
FINANCING ACTIVITIES		
Dividends paid	**(4,882)**	—
Proceeds from issuance of shares	**235**	1,016
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(4,647)**	1,016
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(239)**	3,976
CASH AND CASH EQUIVALENT AT THE BEGINNING OF PERIOD	**95,472**	90,540
Effect of foreign exchange rate changes	**(6)**	—
CASH AND CASH EQUIVALENT AT THE END OF PERIOD, represented by bank balances and cash	**95,227**	94,516

For the six months ended 30 September 2018

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, Hustchison 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.

These condensed consolidated financial statements are presented in Hong Kong dollars ("HK$") which is 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 the applicable disclosure provisions of Chapter 18 of the GEM Listing Rules and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

3. CHANGE IN ACCOUNTING POLICIES

The accounting policies adopted in 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 2018, except as described below:

In the current interim period, the Group has applied, for the first time, the following new and revised HKFRSs issued by the HKICPA that are relevant to the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Amendments to HKAS 28	*Annual Improvements 2014–2016 Cycle*

Except as described below, the application of the new and revised HKFRSs do not have a material impact on the condensed consolidated financial statements of the Group.

HKFRS 9 *Financial Instruments*

HKFRS 9 Financial Instruments replaces HKAS 39 Financial Instruments: Recognition and Measurement and brings together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied HKFRS 9 on 1 April 2018 in accordance with the transition requirements. The Group has not restated comparative information for financial instruments in the scope of HKFRS 9. Therefore, the comparative information was reported under HKAS 39 and was not comparable to the information presented as at 30 September 2018 and for the six-month period then ended. Differences arising from the adoption of HKFRS 9 have been recognised directly in retained earnings as of 1 April 2018.

3. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

HKFRS 9 *Financial Instruments (Continued)*

The following table gives a summary of the opening balance adjustments recognised for each line item in the condensed consolidated statement of financial position that has been impacted by HKFRS 9:

	At 31 March 2018 HK$'000	**Impact on initial application of HKFRS 9** HK$'000 (note 3(b))	**At 1 April 2018** HK$'000
Trade receivables	9,679	(49)	9,630
Total current assets	107,389	(49)	107,340
Net current assets	101,895	(49)	101,846
Total assets less current liabilities	104,632	(49)	104,583
Deferred tax liabilities	249	(8)	241
Total non-current liabilities	554	(8)	546
Net assets	104,078	(41)	104,037
Reserves	102,692	(41)	102,651
Total equity	104,078	(41)	104,037

The following table summarises the impact of transition to HKFRS 9 on retained earnings at 1 April 2018:

	HK$'000
Recognition of additional expected credit losses on financial assets measured at amortised cost (note 3(b))	(49)
Related tax	8
Net decrease in retained earnings at 1 April 2018	(41)

3. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

HKFRS 9 *Financial Instruments* (Continued)

(a) Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVTOCI") and at fair value through profit or loss ("FVTPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

— FVTOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

— FVTPL, if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

3. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

HKFRS 9 *Financial Instruments* (Continued)

(a) Classification of financial assets and financial liabilities (Continued)

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument- by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as FVTPL or FVTOCI (non-recycling), are recognised in profit or loss.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The Group did not designate or re-designate any financial asset or financial liability at FVTPL as at 1 April 2018.

All recognised financial assets and financial liabilities as at 1 April 2018 that are within the scope of HKFRS 9 continue to be measured on the same basis as are previously measured under HKAS 39.

3. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

HKFRS 9 *Financial Instruments* (Continued)

(b) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit loss ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises the expected credit losses ("ECLs") earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applied the new ECL model to the financial assets measured at amortised cost (including cash and cash equivalents, trade receivable and other receivables).

Financial assets measured at fair value, including equity securities measured at FVTPL and equity securities designated at FVTOCI (non-recycling), are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets and trade receivable: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

3. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

HKFRS 9 *Financial Instruments* (Continued)

(b) Credit losses (Continued)

Measurement of ECLs (Continued)

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

HKFRS 9 *Financial Instruments* (Continued)

(b) Credit losses (Continued)

Significant increases in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

3. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

HKFRS 9 *Financial Instruments* (Continued)

(b) Credit losses (Continued)

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

3. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

HKFRS 9 *Financial Instruments* (Continued)

(b) Credit losses (Continued)

Opening balance adjustment

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The loss allowance as at 1 April 2018 was determined as follows for trade receivables.

Ageing as at 1 April 2018	0-90 days	91-180 days	Total
Expected loss rate	0.24%	3.14%	0.51%
Gross carrying amount (HK$'000)	8,782	897	9,679
Loss allowance	(21)	(28)	(49)

The loss allowances for trade receivables as at 31 March 2018 are reconciled to the opening loss allowances on 1 April 2018 as follows:

	HK$'000
At 31 March 2018 – calculated under HKAS 39	—
Amounts restated through opening retained earnings	49
Opening loss allowance as at 1 April 2018 – calculated under HKFRS 9	49

3. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

HKFRS 9 *Financial Instruments* (Continued)

(c) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

— Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings as at 1 April 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

— The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at 1 April 2018 (the date of initial application of HKFRS 9 by the Group).

— If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

3. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 April 2018. In accordance with the transition provisions in HKFRS 15, the Group has adopted the modified retrospective approach for the new rules.

3. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

HKFRS 15 *Revenue from Contracts with Customers* (Continued)

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Timing of revenue recognition

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

3. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

HKFRS 15 *Revenue from Contracts with Customers* (Continued)

(i) Timing of revenue recognition (Continued)

The adoption of HKFRS 15 does not have a significant impact on the Group's recognition of revenue. The revenue of the Group is recognised either over time or at a point in time.

3. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

HKFRS 15 *Revenue from Contracts with Customers* (Continued)

(ii) Significant financing components

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Where payment schemes include a significant financing component, the transaction price is adjusted to separately account for this component. In the case of payments in advance, such adjustment results in interest expense being accrued by the Group to reflect the effect of the financing benefit obtained by the Group from the customers during the period between the payment date and the completion date of legal assignment.

This change in accounting policy had no material impact on opening balances as at 1 April 2018.

(iii) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Deferred revenue relating to financial advisory services continue to be presented in the condensed consolidated statement of financial position under "other payables and accruals". No contract asset is recognised by the Group upon transition and at the end of the reporting period.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of unaudited condensed consolidated financial statements 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 financial statements, 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 2018.

5. SEGMENT INFORMATION

Information reported to the management of the Group, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performances focuses on advisory business. During the six months ended 30 September 2018, the Group continuously focused on corporate finance advisory business and all the assets and major revenue are located and derived in Hong Kong. Accordingly, no segment analysis is prepared.

Information about major customers

During the Period, revenue of approximately HK$10.2 million (30 September 2017: nil) from 1 customer accounted for 10% or more of the Group's total revenue.

6. REVENUE

Revenue represented revenue arising on provision of corporate finance advisory services during the period.

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Fee income from acting as financial adviser	**18,722**	12,833
Fee income from acting as independent financial adviser	**16,713**	14,465
Fee income from acting as compliance adviser	**4,406**	3,339
Fee income from acting as sponsor and underwriter	**4,200**	4,072
Others	**1,352**	78
	45,393	34,787

7. OTHER INCOME

	Six months ended 30 September 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Exchange gain, net	—	66
Bank interest income	280	77
Management fee income from ultimate holding company	45	59
Office sharing income and recharge of other premises expenses from ultimate holding company	173	—
Reimbursement of out-of-pocket expenses from customers	208	—
	706	202

For the six months ended 30 September 2018

8. PROFIT BEFORE TAX

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Directors' emoluments:		
Fees	**360**	360
Other emoluments	**4,968**	4,968
Share-based payments	**139**	139
Contributions to retirement benefits scheme	**18**	18
	5,485	5,485
Other staff costs	**20,126**	18,433
Provision (reversal of provision) for long service payment	**10**	(32)
Share-based payments	**236**	222
Contributions to retirement benefits schemes	**364**	290
Total employee benefits costs	**26,221**	24,398
Auditor's remuneration	**210**	206
Exchange loss, net	**21**	—
Bad debt expenses in respect of trade receivables	**—**	180
Impairment loss recognised in respect of trade receivables	**106**	—
Operating lease rental payments for rented premises	**4,021**	2,915

9. INCOME TAX EXPENSE

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong	**1,456**	169
Deferred taxation	**7**	333
	1,463	502

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Period. (2017: 16.5%).

10. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation (HK$'000):	**7,635**	2,818
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation ('000)	**139,205**	137,262
Effect of dilutive potential ordinary shares ('000)	**708**	2,782
Weighted average number of ordinary shares in issue during the period, used in the diluted earnings per share calculation ('000)	**139,913**	140,044

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 HK3.5 cents per share in respect of the year ended 31 March 2018, amounting to approximately HK$4,882,000 (2017: nil), was paid on 21 September 2018 to the shareholders of the Company whose names appear on the Company's register of members on 13 September 2018.

The Directors do not recommend the payment of interim dividend for the Period (30 September 2017: nil).

12. PROPERTY AND EQUIPMENT

During the Period, the Group had additions, at cost, of furniture and fixtures and leasehold improvements of approximately HK$545,000 (2017: HK$2,294,000) and HK$2,939,000 (2017: nil) respectively. Included in the addition, an amount of approximately HK$2,300,000 represented the recognition of reinstatement cost in relation to the leasehold improvement.

The Group's depreciation expenses during the Period amounted to approximately HK$647,000 (2017: HK$321,000).

13. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000 (Audited)
Financial asset at fair value through other comprehensive income		
— Unlisted equity investment	**1,133**	—

14. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000 (Audited)
Financial asset at fair value through profit or loss		
— Listed equity investment, outside Hong Kong	**1**	955

15. TRADE RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000 (Audited)
Trade receivables	**10,134**	9,679
Less: allowance for impairment of trade receivables	**(155)**	—
	9,979	9,679
Prepayments, deposits and other receivables		
Analysed as:		
— Non-current	**2,561**	—
— Current	**2,499**	995
	5,060	995

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

The trade receivables are, in general, due upon the issuance of the invoices. The Group does not hold any collateral over these balances. The following is an ageing analysis of trade receivables which are past due but not impaired, at the end of each reporting period.

	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000 (Audited)
Within 90 days	**7,938**	8,782
91-180 days	**2,196**	897
	10,134	9,679
Less: allowance for impairment of trade receivables	**(155)**	—
	9,979	9,679

The movements in impairment allowance of accounts receivables are as follows:

	Six months ended 30 September 2018 HK$'000 (Unaudited)	For the year ended 31 March 2018 HK$'000 (Audited)
Beginning of the period/year	**—**	—
Amount restated through opening retained earnings on adoption of HKFRS 9	**49**	—
Impairment allowance charged during the period/year	**106**	—
End of the period/year	**155**	—

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

The Group applies the simplified approach to provide for life time expected credit losses as prescribed by HKFRS 9. As at 30 September 2018, a provision of HK$155,000 (1 April 2018: HK$49,000) was made against the gross amounts of trade receivables.

There is no concentration of credit risk with respect to trade receivables as the Group has a diversified number of customers.

During the Period, no trade receivables had been written off directly to profit or loss (2017: HK$180,000).

16. OTHER PAYABLES AND ACCRUALS

	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000 (Audited)
Bonus payables	**3,800**	4,248
Other payables	**1,390**	560
Deferred revenue	**171**	—
Accruals	**357**	686
	5,718	5,494

17. SHARE CAPITAL

	No. of shares '000	Nominal value HK$'000
Authorised share capital		
Ordinary shares of HK$0.01 each	200,000	2,000
Issued and fully paid		
Ordinary shares of HK$0.01 each		
As at 1 April 2017 — Audited	135,000	1,350
Shares issued upon exercise of share options (note i)	3,632	36
As at 31 March 2018 — Audited	138,632	1,386
As at 1 April 2018 — Audited	138,632	1,386
Shares issued upon exercise of share options (note ii)	841	8
As at 30 September 2018 — Unaudited	139,473	1,394

Note:

(i) During the year ended 31 March 2018, share options were exercised at subscription prices HK$0.28 per ordinary share, resulting in the issue of 3,631,888 ordinary shares for proceeds of approximately HK$1,016,000. An amount of approximately HK$1,110,000 was transferred from share option reserve to the share premium account upon exercise of the share options.

(ii) During the Period, share options were exercised at subscription prices HK$0.28 per ordinary share, resulting in the issue of 840,667 ordinary shares for proceeds of approximately HK$235,000. An amount of approximately HK$257,000 was transferred from share option reserve to the share premium account upon exercise of the share options.

For the six months ended 30 September 2018

18. RELATED PARTY TRANSACTIONS

(a) Transactions

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Somerley Group Limited		
— Rental and other premises expenses	**2,163**	3,510
— Office sharing income and recharge of other premises expenses	**173**	—
— Management fee income	**45**	59
A director of a former fellow subsidiary		
— Introduction expenses	**—**	68

(b) Balances

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

(c) Compensation of key management personnel

The emoluments of the directors of the Company and key executives are determined with regards to the performance of individuals.

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Short-term benefits	**5,328**	5,328
Share-based payments	**139**	139
Post-employment benefits	**18**	18
	5,485	5,485

19. COMMITMENTS

a. Capital commitments

	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000 (Audited)
Capital expenditure in respect of acquisition of property and equipment contracted for but not provided in the condensed consolidated financial statements	**—**	355

b. Operating lease commitments

At the end of reporting period, the Group had total commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000 (Audited)
Within one year	**8,535**	6,402
In the second to fifth year inclusive	**14,226**	19,205
	22,761	25,607

Operating lease payments represent rentals payable by the Group for its office properties.

Leases are negotiated for an average term of three years and rentals are fixed for an average of three years.

20. MAJOR NON-CASH TRANSACTION

During the six months ended 30 September 2017, the Group provided corporate finance advisory service and the consideration was settled by the equity securities of the customer at its fair value amounted to approximately HK$390,000.

21. SHARE-BASED PAYMENT TRANSACTIONS

Pre-IPO Share Option Scheme

On 19 May 2016, the Company entered into the conditional granted options under Pre-IPO Share Option Scheme (the "Pre-IPO Share Option Scheme") to directors, employees and other staff of the Group as the grantees ("Grantees"), pursuant to a written resolution passed on 11 May 2016. Pursuant to the Pre-IPO Share Option Scheme, in consideration of HK$1 paid by each Grantee, the Company granted share options to the Grantees. The exercise of these share options would entitle the Grantees to purchase the Company's share in aggregate of 13,061,735 Shares held by Company.

The share option is valid after the listing date of the Company to 10 May 2024. According to the Pre-IPO Share Option Scheme, not more than 5,524,294 Shares comprised in the options under the Pre-IPO Share Option Scheme shall vest unto the Grantees and become exercisable with price of HK$0.28 during the period commencing from the listing date of the Company and ending on expiry of the option period (the "First Vesting Period") and the remaining Shares comprised in the options under the Pre-IPO Share Option Scheme (being not more than 7,537,441 Shares) shall vest unto the Grantees and become exercisable during the period commencing on (i) the date on which the listing date of the Company of the Shares is transferred to the Main Board; or (ii) 1 January 2020, whichever is earlier, and ending on the expiry of the option period (the "Second Vesting Period").

21. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Pre-IPO Share Option Scheme (Continued)

The estimated fair value of the options granted on the grant date is approximately HK$4,485,000. During the Period, the Group recognised the total expense of approximately HK$375,000 (30 September 2017: HK$361,000) in relation to share options granted by the Company.

The fair value was calculated using the Binomial model. The inputs into the model were as follow:

For the six months ended 30 September 2018

Share options granted on 19 May 2016:

Weighted average share price at grant date	HK$0.54
Exercise price	HK$0.28
Option life	96 months
Expected volatility	64.92%
Risk-free interest rate	1.32%
Expected dividend yield	0%

Expected volatility was determined by using the average of industry annualised historical stock price volatility.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in the computing the fair value of the share options is based on the director's best estimate. The value of an option varies with different variables of certain subjective assumptions.

The valuation has been performed by Greater China Appraisal Limited, who is independent to the Group.

21. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Pre-IPO Share Option Scheme (Continued)

For the six months ended 30 September 2018 (Continued)

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

	Outstanding as at 1 April 2018	Exercised during the period	Outstanding as at 30 September 2018
First Vesting Period	1,411,608	(840,667)	570,941
Second Vesting Period	6,951,792	—	6,951,792
	8,363,400	(840,667)	7,522,733
Exercisable at the end of the period			570,941

For the six months ended 30 September 2018

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

	As at 30 September 2018			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial asset				
Financial asset at fair value through profit or loss				
— Listed equity investment	1	—	—	1
Financial asset at fair value through other comprehensive income				
— Unlisted equity investment	—	—	1,133	1,133

	As at 31 March 2018			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial asset				
Financial asset at fair value through profit or loss				
— Listed equity investment	955	—	—	955

During the six months ended 30 September 2018, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2017: nil)

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

Financial asset	Fair value of	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs
Financial asset at fair value through profit and loss	Listed equity investment — HK$1,000 (31 March 2018: HK$955,000)	Level 1	Quoted closing price in an active market	N/A
Financial asset at fair value through other comprehensive income	Unlisted equity investment — HK$1,133,000 (31 March 2018: nil)	Level 3	Market comparable companies	Book value multiples

(ii) The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate to their corresponding fair value due to short-term maturities as at 30 September 2018 and 31 March 2018.

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 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 ("Mr. Chow") performed the role of managing director of the Company's operating subsidiary in Hong Kong, Somerley Capital, and the chairman of the Company's operating subsidiary in China, Somerley Capital (Beijing) Limited. Within the Company, decisions are made collectively by the executive Directors and are discussed with senior management from time to time. The Board believes that this arrangement enables the Company to make decisions and implement follow up actions quickly and helps achieve the Company's objectives efficiently and effectively in response to the changing environment. The Board also believes that the Company has a strong corporate governance structure in place to ensure effective oversight of management. The Board will review the current structure of the Board from time to time.

DIRECTORS' SECURITIES TRANSACTIONS

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

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

COMPETING INTERESTS

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

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

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

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

As at 30 September 2018, the Directors and chief executive of the Company (the "Chief Executive") and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules were as follows:

Long position in ordinary shares of the Company

Name of Directors	Capacity/ Nature of interests	Number of ordinary share(s) held	Number of underlying shares held pursuant to share options	Approximate percentage of the total number of issued shares of the Company
SABINE Martin Nevil	Interest of a controlled corporation	92,583,350 (Note 1)	—	66.38%
	A concert party to an agreement to buy shares described in s317(1)(a)	1,291,440 (Note 2)	—	0.93%
		—	645,717 (Notes 2 & 3)	0.46%
CHEUNG Tei Sing Jamie ("Mr. Cheung")	Beneficial owner	1,291,440	—	0.93%
		—	645,717 (Note 3)	0.46%
	A concert party to an agreement to buy shares described in s317(1)(a)	92,583,350 (Note 1)	—	66.38%
CHOW Wai Hung Kenneth	Beneficial owner	3,754,170	—	2.69%
		—	1,877,083 (Note 3)	1.35%

Notes:

1. SGL is directly interested in 92,583,350 Shares. SGL is wholly-owned by Mr. Sabine, Mr. FLETCHER John Wilfred Sword ("Mr. Fletcher"), Mr. Cheung and Ms. FONG Sau Man Cecilia.

2. Mr. Sabine, Mr. Fletcher and Mr. Cheung are acting in concert in respect of their interests in the Company and therefore each of Mr. Sabine, Mr. Fletcher and Mr. Cheung is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.

3. These share options were granted by the Company on 19 May 2016 under the Pre-IPO Share Option Scheme.

Interest in the associated corporations

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

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

Save as disclosed above, as at 30 September 2018, none of the Directors or Chief Executive and/or any of their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

Save as disclosed above, at no time during the Period had the Directors and the Chief Executive (including their spouses and children under 18 years of age) any interest in, or been granted or exercised, any rights to subscribe for the shares (or warrants or debentures, as applicable) of the Company or any of its associated corporations (within the meaning of the SFO).

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

As at 30 September 2018, substantial shareholders (not being the Directors or Chief Executive) had interests or short positions in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

Long position in ordinary shares of the Company

Name of substantial shareholders	Capacity/ Nature of interests	Number of ordinary share(s) held	Number of underlying shares held pursuant to share options	Approximate percentage of the total number of issued shares of the Company
Somerley Group Limited	Beneficial owner	92,583,350 (Note 1)	—	66.38%
SABINE Maureen Alice ("Dr. Sabine")	Interest of a spouse	93,874,790 (Note 2)	—	67.31%
		—	645,717 (Note 2)	0.46%
FLETCHER John Wilfred Sword	A concert party to an agreement to buy shares described in s317(1)(a)	93,874,790 (Note 1)	—	67.31%
		—	645,717 (Note 1)	0.46%
FLETCHER Jacqueline ("Mrs. Fletcher")	Interest of a spouse	93,874,790 (Note 3)	—	67.31%
		—	645,717 (Note 3)	0.46%
CHOI Helen Oi Yan ("Mrs. Cheung")	Interest of a spouse	93,874,790 (Note 4)	—	67.31%
		—	645,717 (Note 4)	0.46%

Notes:

1. SGL is directly interested in 92,583,350 Shares and SGL is wholly-owned by Mr. Sabine, Mr. Fletcher, Mr. Cheung and Ms. FONG Sau Man Cecilia. Mr. Sabine, Mr. Fletcher and Mr. Cheung are acting in concert in respect of their interests in the Company and therefore each of Mr. Sabine, Mr. Fletcher and Mr. Cheung is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.

2. Dr. Sabine is the spouse of Mr. Sabine. By virtue of the SFO, Dr. Sabine is deemed to be interested in the Shares held by Mr. Sabine.

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

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

Save as disclosed above, the Directors and Chief Executive are not aware that there is any party who, as at 30 September 2018, had an interest or short position in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

Pre-IPO Share Option Scheme

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

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

(i) not more than 5,524,294 Shares comprised in the options under the Pre-IPO Share Option Scheme shall vest unto the grantees and become exercisable during the First Vesting Period; and

(ii) the remaining Shares comprised in the options under the Pre-IPO Share Option Scheme (being not more than 7,537,441 Shares) shall vest unto the grantees and become exercisable during the Second Vesting Period. For the avoidance of doubt, any outstanding and unexercised option at the end of the First Vesting Period shall be carried over to the Second Vesting Period and shall be exercisable during the Second Vesting Period.

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

Name or category of grantees	Date of grant of share options	Exercise Price (HK$)	Exercise Period	Balance as at 01.04.2018	Granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period	Balance as at 30.09.2018
				Number of share options					
Directors									
CHOW Wai Hung Kenneth	19/5/2016	0.28	Second Vesting Period	1,877,083	–	–	–	–	1,877,083
CHEUNG Tei Sing Jamie	19/5/2016	0.28	Second Vesting Period	645,717	–	–	–	–	645,717
Subtotal				2,522,800	–	–	–	–	2,522,800
Other Employees									
In aggregate	19/5/2016	0.28	First Vesting Period	1,411,608	–	840,667 (Note)	–	–	570,941
	19/5/2016	0.28	Second Vesting Period	4,428,992	–	–	–	–	4.428,992
Total				8,363,400	–	840,667	–	–	7,522,733

Note:

The weighted average closing price of the Shares immediately before the date(s) of exercise(s) of the share options during the Period was approximately HK$1.83 per Share.

Share Option Scheme

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

As at 30 September 2018, the total number of Shares available for issue under the Share Option Scheme is 13,500,000 Shares, representing approximately 9.68% of the total number of issued Shares. Since the adoption of the Share Option Scheme, no share option has been granted under the Share Option Scheme by the Company.

COMPLIANCE ADVISER'S INTERESTS

Neither Halcyon Capital Limited nor any of its directors or employees or close associates had any interest in the shares of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 30 September 2018.

Pursuant to the agreement dated 31 May 2016 entered between Halcyon Capital Limited and the Company, Halcyon Capital Limited received and will receive fees for acting as the Company's compliance adviser.

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. HIGGS Jeremy James and Mr. YUEN Kam Tim Francis. 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. Sabine has been appointed as a director of Somerley (Hong Kong) Limited, a subsidiary of the Company in Hong Kong.

Mr. Cheung has been appointed as a supervisor of Somerley Capital (Beijing) Limited, a subsidiary of the Company in China, and a director of Somerley (Hong Kong) Limited, a subsidiary of the Company in Hong Kong.

Mr. Chow has been appointed as a director of Somerley (Hong Kong) Limited, a subsidiary of the Company in Hong Kong, and the chairman of Somerley Capital (Beijing) Limited, a subsidiary of the Company in China.

SUFFICIENCY OF PUBLIC FLOAT

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

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

Hong Kong, 9 November 2018

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