



# 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)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2022**

### **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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## FINANCIAL HIGHLIGHTS

- The Group's total revenue decreased by approximately 9.7% to approximately HK\$68.2 million for the year ended 31 March 2022 (the "Year") from approximately HK\$75.5 million for the year ended 31 March 2021.
- Revenue generated from acting as financial adviser ("FA") and as independent financial adviser ("IFA") for the Year amounted to approximately HK\$41.2 million (2021: approximately HK\$55.9 million), accounting for approximately 60.4% of the Group's total revenue (2021: approximately 74.0%).
- Revenue generated from acting as compliance adviser ("CA") for the Year amounted to approximately HK\$26.5 million (2021: approximately HK\$19.1 million), accounting for approximately 38.9% of the Group's total revenue (2021: approximately 25.3%).
- For the Year, the Group recorded a loss before tax of approximately HK\$3.8 million (2021: profit before tax of approximately HK\$6.9 million) and a loss after tax of approximately HK\$3.9 million (2021: profit after tax of approximately HK\$7.3 million). This result was primarily due to the combined effects of: (i) approximately HK\$7.3 million decrease in revenue; (ii) approximately HK\$1.8 million net decrease in depreciation and other operating expenses; (iii) the absence of the fair value gain of approximately HK\$11.2 million on the investment in The Climate Impact Asia Fund ("CIAF") as a result of its full redemption for the year ended 31 March 2021; and (iv) the absence of total impairment losses of approximately HK\$5.6 million recognised in respect of the goodwill and the intangible asset held by the Group's asset management business segment for the year ended 31 March 2021.
- Net assets decreased to approximately HK\$95.4 million as at 31 March 2022 from approximately HK\$104.5 million as at 31 March 2021 mainly due to the loss for the Year of approximately HK\$3.9 million and distribution of 2020–2021 final dividend of approximately HK\$5.4 million.
- The board of Directors (the "Board") has recommended the payment of a final dividend of HK2.5 cents per share for the Year (2021: HK3.8 cents per share), subject to the approval of the shareholders at the forthcoming annual general meeting. Such proposed dividend will be payable on or around 9 September 2022 to the shareholders whose names appear on the register of members of the Company at close of business on 29 August 2022. The final dividend will absorb approximately HK\$3.6 million (2021: approximately HK\$5.4 million) as at the date of this announcement.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

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 (“SCL”) 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 the cross-border mergers and acquisitions.

During the Year, restrictions designed to combat the spread of COVID-19 mutations affected corporate finance advisory activities in Hong Kong. By the fourth quarter of the Year, the limited marketing opportunities and the generally weak stock market performance in Hong Kong and China combined to dampen deal activity. In addition, there was fierce fee competition in the corporate finance advisory industry, leading to a challenging business environment to the Group. The Group has concurrently implemented relevant measures to closely monitor the outstanding trade receivables and consistently maintain a high level of liquidity. COVID-19 has also affected how the employees work. The Group has provided employees with up-to-date laptops to enhance work mobility, added additional video conferencing equipment, put in place flexible work arrangements and adopted a partial work-from-home operational model to ensure the safety of its employees while maintaining contacts with clients.

The Group has also explored new initiatives in the fintech and digital financial arena with a view to complement its conventional corporate finance advisory business. A comprehensive offering of security token offerings (“STOs”) implemented within the Hong Kong regulatory environment would offer issuers an alternative avenue for fundraising and professional investors an investment opportunity alongside with the more traditional fundraising routes. In addition to an investment in Aspen Digital Limited which is a one-stop digital finance service company, the Group and Coinstreet Holdings Limited (“CSH”) have entered into a strategic partnership which will combine CSH’s

technical expertise in STOs with the Group's extensive experience and best governance practices in the conventional corporate finance and advisory sector. Details are set out in the announcement dated 17 December 2021. Established in February 2022, Signum Digital Limited will apply for relevant regulatory approvals to operate an online subscription platform for tokenised assets and digital securities.

During the Year, the Group recorded a loss before tax of approximately HK\$3.8 million (2021: profit before tax of approximately HK\$6.9 million).

	For the year ended 31 March 2022			For the year ended 31 March 2021		
	Corporate Finance <i>HK\$'000</i>	Asset Management <i>HK\$'000</i>	Total <i>HK\$'000</i>	Corporate Finance <i>HK\$'000</i>	Asset Management <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>68,175</u>	<u>—</u>	<u>68,175</u>	<u>75,009</u>	<u>447</u>	<u>75,456</u>
Segment (loss) profit	(492)	(1,465)	(1,957)	5,853	(7,736)*	(1,883)
Fair value gain on the investments			298			11,171
Share of loss of an associate			(4)			—
Corporate and other unallocated expenses			<u>(2,095)</u>			<u>(2,412)</u>
(Loss) profit before tax			<u>(3,758)</u>			<u>6,876</u>

\* Included impairment losses recognised in respect of goodwill and intangible asset.

The corporate finance advisory business segment was affected by a highly competitive fee environment and unsettled conditions for corporate finance advisory services. The progress of certain projects was slow and other projects were cancelled because of unhelpful market conditions during the Year, especially in the fourth quarter of the Year. The corporate finance advisory business segment recorded revenue of approximately HK\$68.2 million (2021: approximately HK\$75.0 million). The segment made a loss before tax of approximately HK\$0.5 million for the Year (2021: segment profit before tax of approximately HK\$5.9 million).

In view of current market conditions, the Group has been proceeding cautiously in re-activating its asset management business. There was no active operation during the Year and the asset management business segment recorded a loss of approximately HK\$1.5 million (2021: approximately HK\$7.7 million). The decrease in loss was due to the absence of the total impairment losses recognised in respect of the goodwill and the intangible asset of approximately HK\$5.6 million for the year ended 31 March 2021.

During the Year, the Group recorded a loss after tax of approximately HK\$3.9 million (2021: profit after tax of approximately HK\$7.3 million). This result was mainly due to the combined effects of: (i) the decrease in total revenue; (ii) the absence of fair value gain on investment in CIAF as a result of its full redemption set out in section headed “Significant Investments” below; (iii) net decrease in depreciation and other operating expenses; and (iv) the absence of impairment losses in respect of the intangible asset and goodwill held by the Group’s asset management business segment.

## **FINANCIAL REVIEW**

### **Revenue**

The Group’s total revenue decreased by approximately 9.7% to approximately HK\$68.2 million for the Year from approximately HK\$75.5 million for the year ended 31 March 2021.

Revenue generated from acting as FA and as IFA for the Year amounted to approximately HK\$41.2 million (2021: approximately HK\$55.9 million), accounting for approximately 60.4% of the Group’s total revenue (2021: approximately 74.0%). The decrease is mainly due to fierce fee competition and challenging business environment. FA and IFA activities are expected to remain the major source of the Group’s revenue in the immediate future.

Revenue generated from acting as CA for the Year amounted to approximately HK\$26.5 million (2021: approximately HK\$19.1 million), accounting for approximately 38.9% of the Group’s total revenue (2021: approximately 25.3%). During the Year, CA activities have provided a stable source of income to the Group, complementing the more fluctuating corporate finance advisory income. However, as on balance CA mandates expire after about 18 months, this source of income may suffer if IPO activity in Hong Kong does not pick up after a slow start to calendar year of 2022.

The Group did not engage in sponsorship engagement for the Year. The rest of the Group’s revenue for the Year was contributed by the provision of the independent expert opinion.

## Other Income

Other income mainly represented bank interest income, reimbursement of out-of-pocket expenses from customers, management service fee income from Somerley Group Limited (“SGL”), rental income and reimbursement of other premise expenses from SGL. Other income increased to approximately HK\$1.6 million for the Year from approximately HK\$1.3 million for the year ended 31 March 2021, primarily due to the combined effect of: (i) the absence of the discretionary management fee income received by EISAL from SGL and Mr. SABINE Martin Nevil, the controlling shareholders of the Group, in respect of fair value gains from their investments in shares of CIAF recognised for the year ended 31 March 2021; and (ii) exchange gain arising in translation of assets denominated in Renminbi.

## Employee Benefits Costs

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

	For the year ended 31 March	
	2022	2021
	HK\$’000	HK\$’000
Fees, salaries, allowances and other benefits	48,614	46,302
Discretionary bonuses	2,985	5,920
Contributions to the retirement benefits scheme	1,090	925
	<u>52,689</u>	<u>53,147</u>
Analysed as:		
— corporate holding	720	720
— corporate finance advisory (Hong Kong)	48,509	47,645
— corporate finance advisory (Beijing)	2,728	2,368
— asset management	732	2,414
	<u>52,689</u>	<u>53,147</u>

Employee benefits costs decreased by approximately 0.8% to approximately HK\$52.7 million for the Year from approximately HK\$53.1 million for the year ended 31 March 2021. This small decrease was primarily due to the combined effects of: (i) the absence of the government grant of approximately HK\$2.5 million from the Employment Support Scheme under the Anti-Epidemic Fund recognised for the year end 31 March 2021; and (ii) the decrease in discretionary bonuses.

## Depreciation and Other Operating Expenses

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

Other operating expenses were mainly certain rental expenses under short-term leases, 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, including for the Group's medical scheme for employees.

	<b>For the year ended 31 March</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Depreciation of property and equipment	<b>1,004</b>	1,042
Depreciation of right-of-use assets	<b>8,177</b>	10,158
	<b>9,181</b>	11,200
Other premises expenses	<b>2,018</b>	2,096
Travelling expenses	<b>234</b>	214
Impairment loss recognised in respect of trade receivables	<b>445</b>	793
Recurring GEM listing expenses (excluding remuneration of independent non-executive directors)	<b>1,556</b>	1,673
Others	<b>6,331</b>	5,631
	<b>19,765</b>	21,607
Analysed as:		
— corporate holding	<b>2,335</b>	2,445
— corporate finance advisory (Hong Kong)	<b>14,967</b>	16,679
— corporate finance advisory (Beijing)	<b>1,723</b>	1,579
— asset management	<b>740</b>	904
	<b>19,765</b>	21,607

The Group's depreciation and other operating expenses decreased by approximately 8.3% to approximately HK\$19.8 million for the Year from approximately HK\$21.6 million for the year ended 31 March 2021. The decrease was mainly due to the decrease in depreciation of right-of-use assets due to the lower rental on the Group's office premises in Hong Kong after renewal of the lease for a further three years from 1 July 2021.

## **Income tax expense**

The Group's income tax expense primarily includes provisions for Profits Tax in Hong Kong and Corporate Income Tax in the People's Republic of China, and deferred income tax expenses. During the year ended 31 March 2021, the Group recognised an impairment loss in respect of an intangible asset, resulting in a corresponding deferred tax income of approximately HK\$0.7 million which offset current income tax expenses.

## **Loss for the Year**

For the Year, the Group recorded a loss before tax of approximately HK\$3.8 million (2021: profit before tax of approximately HK\$6.9 million) and a loss after tax of approximately HK\$3.9 million (2021: profit after tax of approximately HK\$7.3 million). This result was primarily due to the combined effects of: (i) approximately HK\$7.3 million decrease in revenue; (ii) approximately HK\$1.8 million net decrease in depreciation and other operating expenses; (iii) the absence of the fair value gain of approximately HK\$11.2 million on the investment in CIAF as a result of its full redemption for the year ended 31 March 2021; and (iv) the absence of total impairment losses of approximately HK\$5.6 million recognised in respect of the goodwill and the intangible asset held by the Group's asset management business segment for the year ended 31 March 2021.

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

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

As at 31 March 2022, the Group's net current assets amounted to approximately HK\$83.9 million (2021: approximately HK\$98.5 million), and liquidity as represented by its current ratio was approximately 9.7 times (2021: approximately 10.5 times). Cash and cash equivalents amounted to approximately HK\$75.0 million as at 31 March 2022 (2021: approximately HK\$96.5 million). The functional currency of the Group is Hong Kong dollars. As at 31 March 2022, approximately HK\$16.7 million of the Group's cash and cash equivalents was denominated in other currencies (2021: approximately HK\$6.4 million), principally Renminbi and United States Dollars.

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 2022.

The Directors are of the view that the Group's financial resources are fully 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.

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

The Group had no capital commitment as at 31 March 2022 (2021: nil). Save for the business plan disclosed in the prospectus of the Company dated 15 March 2017 (the "Prospectus"), the announcement of the 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 31 March 2022.

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

On 17 December 2021, the Group and CSH entered into a joint venture agreement which will bring together CSH's fintech solutions and technical expertise in STOs, and the Group's extensive experience and best governance practices in the conventional corporate finance sector. Details are set out in the announcement dated 17 December 2021. In February 2022, Signum Digital Limited was established with the objective of providing advisory services and STOs to enterprises and professional investors in Hong Kong, subject to obtaining all required approvals and licenses from the SFC and in compliance with relevant rules and regulations. The investment in Signum Digital Limited was accounted for using the equity method of accounting as an interest in an associate.

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

## **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. In November 2020, EISAL tendered its resignation as CIAF's investment manager.

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 and interest in an associate, the Group did not hold any significant investments during the Year.

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

As at 31 March 2022, the Group did not have any charges on its assets (2021: nil) or material contingent liabilities (2021: nil).

### **Gearing Ratio**

As at 31 March 2022, the Group did not have any borrowings (2021: nil) and hence a gearing ratio is not applicable.

### **Dividend**

The board of Directors (the “Board”) has recommended the payment of a final dividend of HK2.5 cents per Share for the Year (2021: HK3.8 cents per Share), subject to the approval of the shareholders at the forthcoming annual general meeting.

### **Record dates**

In order to be eligible to attend and vote at the forthcoming annual general meeting, all transfers of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company’s branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 17 August 2022.

In order to qualify for the final dividend, all transfer forms accompanied by relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Monday, 29 August 2022.

### **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 2022, the Group employed 48 employees (2021: 50).

For the Year, employee benefits costs of the Group (including the Directors' emoluments) were approximately HK\$52.7 million (2021: approximately HK\$53.1 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. The Group has also developed training programs for its management and employees to ensure they remain properly trained.

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

The majority of the business objectives as stated in the Prospectus and the announcement of the 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 2022, the enhancement of the Group's information technology ("IT") infrastructure and the implementation of the business continuity plan was completed, but further upgrading and updating of IT will be 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 31 March 2022, remaining proceeds of approximately HK\$1.1 million were unutilised and are expected to be used for further upgrading and updating of IT for the year ending 31 March 2023.

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

### **Principal Risks and Uncertainties**

The key risks and uncertainties to which the Group is subject are summarised as follows:

- (i) The main operating subsidiary of the Group at present is SCL and any material disruptions to the business of SCL would adversely affect the business, results of operations and financial position of the Group;
- (ii) The revenue of the Group is difficult to predict and may be volatile in any given reporting period owing to market conditions affecting the pipeline of transactions and the timing of transaction completions and hence recognition of revenue;

- (iii) Profit margins may be squeezed both by competition driving down fee levels and inflation increasing operating costs;
- (iv) Delays or terminations of transactions or defaults or delays in payments by clients may have an adverse impact on the Group's financial performance;
- (v) SCL is reliant on key management personnel to conduct its business. Failure to retain and motivate them or to attract suitable replacements would have an adverse impact on operations;
- (vi) The Group may be exposed to risks from equity capital markets business in cases where securities underwritten by the Group are undersubscribed or placing exercises fail to complete. No underwriting obligations were outstanding as at 31 March 2022;
- (vii) The trademark used by SCL is subject to the trademark usage agreement and such non-exclusive trademark may be adversely affected by acts of SGL;
- (viii) Potential employee misconduct could damage the Group's reputation, financial position and current and future business relationships with clients;
- (ix) Potential exposure to professional liability and litigation;
- (x) Future business plans may or may not materialise or may not materialise in full;
- (xi) The Group's internal control system may be subject to failures and limitations;
- (xii) The Group may experience failure in or disruption to its computer systems and data storage;
- (xiii) The Group is operating in a strictly regulated business environment, and any non-compliance with rules and regulations may have material and adverse impact and consequences;
- (xiv) The corporate finance industry in Hong Kong has a significant number of existing participants and potential new entrants, and is in general highly competitive; and
- (xv) The Group may incur losses as it invests time and funds into funding new projects for its asset management business and into developing its STO business.

## **COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS**

The Company is an investment holding company listed on GEM of the Stock Exchange. The Group's operations are carried out by its operating subsidiaries, SCL and EISAL in Hong Kong, and Somerley Capital (Beijing) Limited in Beijing. SCL and EISAL are licensed by the Securities and Futures Commission in Hong Kong, and are subject to applicable laws, regulations and codes of relevant regulatory authorities in Hong Kong, such as the SFO and Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong). During the Year and up to the date of this announcement, the Group has complied with all the relevant laws and regulations in Hong Kong and China in all material respects in respect of the business operations of the Group.

## **OUTLOOK AND PROSPECTS**

Headwinds were increasingly felt during 2021–22 and are proving persistent at the start of 2022–23. The Group's turnover in April/May 2022 has reflected a generally lower level of activity being experienced in the Hong Kong corporate finance market. In addition to rising interest rates and travel restrictions limiting marketing efforts, continuing weakness in the stock market is dampening 'animal spirits', affecting both equity fund-raising (and with it the Group's CA appointments) and mergers and acquisitions activity. Nevertheless, the Directors are confident that the Group can maintain its leading advisory market share and remain optimistic that activity will pick up later in the year. In the meantime, the Directors will seriously consider the opportunity to devote time to push forward in fintech and digital finance.

## THE FINANCIAL STATEMENTS ANNUAL RESULTS

The Board announces that the audited consolidated results of the Group for the Year, together with the comparative audited figures for the previous corresponding period in 2021, are as follows:

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

*For the year ended 31 March 2022*

	<i>NOTES</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	4	<b>68,175</b>	75,456
Other income	5	<b>1,608</b>	1,317
		<b>69,783</b>	76,773
Employee benefits costs		<b>(52,689)</b>	(53,147)
Fair value gain on financial assets at fair value through profit or loss		<b>298</b>	11,171
Depreciation		<b>(9,181)</b>	(11,200)
Introduction expenses		<b>(1,019)</b>	(435)
Share of loss of an associate		<b>(4)</b>	—
Finance cost on lease liabilities		<b>(362)</b>	(256)
Impairment loss recognised in respect of intangible asset	12	—	(4,500)
Impairment loss recognised in respect of goodwill	11	—	(1,123)
Other operating expenses		<b>(10,584)</b>	(10,407)
(Loss) profit before tax	6	<b>(3,758)</b>	6,876
Income tax (expense) credit	7	<b>(98)</b>	472
(Loss) profit for the year		<b>(3,856)</b>	7,348
<i>Other comprehensive income</i>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		<b>17</b>	78
Total comprehensive (expense) income for the year		<b>(3,839)</b>	7,426

	<i>NOTES</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Loss) profit for the year attributable to:			
Owners of the Company		<b>(3,637)</b>	8,540
Non-controlling interests		<b>(219)</b>	(1,192)
		<u><b>(3,856)</b></u>	<u>7,348</u>
 Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		<b>(3,620)</b>	8,618
Non-controlling interests		<b>(219)</b>	(1,192)
		<u><b>(3,839)</b></u>	<u>7,426</u>
 (Loss) earnings per share			
— basic (HK cents)	<i>9</i>	<u><b>(2.56)</b></u>	<u>6.03</u>
— diluted (HK cents)	<i>9</i>	<u><b>(2.56)</b></u>	<u>5.83</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Property and equipment		1,787	1,421
Right-of-use assets	10	14,860	3,729
Goodwill	11	—	—
Intangible asset	12	1,500	1,500
Interest in an associate		776	—
Rental deposit	13	2,071	234
Financial asset at fair value through profit or loss	14	1,566	—
Deferred tax assets		104	127
		<u>22,664</u>	<u>7,011</u>
Current assets			
Trade receivables	13	5,637	7,486
Prepayments, deposits and other receivables	13	8,480	4,839
Financial assets at fair value through profit or loss	14	3,817	1
Tax recoverable		546	—
Cash and cash equivalents		75,028	96,478
		<u>93,508</u>	<u>108,804</u>
Current liabilities			
Contract liability		181	323
Other payables and accruals		1,754	4,126
Amount due to an associate		763	—
Lease liabilities	10	6,917	3,238
Provision for reinstatement cost		—	2,300
Tax payable		—	363
		<u>9,615</u>	<u>10,350</u>
Net current assets		<u>83,893</u>	<u>98,454</u>
Total assets less current liabilities		<u>106,557</u>	<u>105,465</u>

	<i>NOTES</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current liabilities			
Lease liabilities	<i>10</i>	<b>8,366</b>	545
Provision for long service payment		<b>230</b>	130
Provision for reinstatement cost		<b>2,300</b>	—
Deferred tax liabilities		<b>247</b>	247
		<u><b>11,143</b></u>	<u>922</u>
Net assets		<u><b>95,414</b></u>	<u>104,543</u>
Capital and reserves			
Share capital	<i>15</i>	<b>1,424</b>	1,419
Reserves		<b>93,733</b>	102,719
Equity attributable to owners of the Company		<b>95,157</b>	104,138
Non-controlling interests		<b>257</b>	405
Total equity		<u><b>95,414</b></u>	<u>104,543</u>

## NOTES

### 1. GENERAL

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

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 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. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

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

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, Hong Kong Accounting Standard (“HKAS”) 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

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

## New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and related Amendments <sup>2</sup>
Amendments to HKFRS 3	Reference to Conceptual Framework <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements- Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>2</sup>
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use <sup>1</sup>
Amendments to HKAS 37	Onerous Contracts- Cost of Fulfilling a Contract <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that, the application of the new and amendments to HKFRSs will have no material impact on the financial performance and position for the current and prior period and disclosure set out in the consolidated financial statements.

### 3. 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.

During the year ended 31 March 2022 and 2021, the directors of the Company have organised the Group into different segments by types of services provided.

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 segment.

	For the year ended 31 March 2022			For the year ended 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 revenue	<u>68,175</u>	<u>—</u>	<u>68,175</u>	<u>75,009</u>	<u>447</u>	<u>75,456</u>
Segment (loss) profit	(492)	(1,465)	(1,957)	5,853	(7,736)	(1,883)
Fair value gain on financial assets at fair value through profit or loss			298			11,171
Share of loss of an associate			(4)			—
Corporate and other unallocated expenses			<u>(2,095)</u>			<u>(2,412)</u>
(Loss) profit before tax			<u>(3,758)</u>			<u>6,876</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss) profit represents the (loss resulted) profit earned from each segment without allocation of fair value gain on financial assets at fair value through profit or loss, share of result of an associate, certain bank interest income, finance cost and central administration costs. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

## Segment assets and liabilities

	For the year ended 31 March 2022			For the year ended 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	62,275	3,073	65,348	58,299	3,237	61,536
Elimination of inter-segment receivables			(467)			(92)
Corporate and other unallocated assets			<u>51,291</u>			<u>54,371</u>
Total assets			<u><u>116,172</u></u>			<u><u>115,815</u></u>
Segment liabilities	16,490	394	16,884	8,712	667	9,379
Elimination of inter-segment liabilities			(1,042)			(1,292)
Corporate and other unallocated liabilities			<u>4,916</u>			<u>3,185</u>
Total liabilities			<u><u>20,758</u></u>			<u><u>11,272</u></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, certain right-of-use assets, interest in an associate, financial asset at fair value through profit or loss, cash and cash equivalents, 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, amount due to an associate and tax payable.

## Other segment information

For the year ended 31 March 2022	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	969	—	401	1,370
Depreciation of property and equipment	917	—	87	1,004
Depreciation of right-of-use assets	7,221	331	625	8,177
Impairment loss recognised in respect of trade receivables	445	—	—	445
Interest income	108	—	109	217
Finance cost on lease liabilities	330	4	28	362
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	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>
For the year ended 31 March 2021				
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to property and equipment	214	—	—	214
Depreciation of property and equipment	840	—	202	1,042
Depreciation of right-of-use assets	9,106	442	610	10,158
Impairment loss recognised in respect of intangible asset	—	4,500	—	4,500
Impairment loss recognised in respect of goodwill	—	1,123	—	1,123
Impairment loss recognised in respect of trade receivables	793	—	—	793
Interest income	61	—	62	123
Finance cost on lease liabilities	228	17	11	256
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## Geographical information

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

## Information about major customers

No customer accounted for 10% or more of the Group's revenue for the years ended 31 March 2022 and 2021.

## 4. REVENUE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Corporate finance advisory fee income</b>		
— from acting as financial adviser	19,930	20,120
— from acting as independent financial adviser	21,274	35,778
— from acting as compliance adviser	26,471	19,111
— others	500	—
	<u>68,175</u>	<u>75,009</u>
Asset management fee income	—	447
	<u>68,175</u>	<u>75,456</u>

Disaggregation of revenue by timing of recognition:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Timing of revenue recognition</b>		
Over time	68,175	75,378
At a point in time (fee income from acting as financial adviser) ( <i>note</i> )	—	78
	<u>68,175</u>	<u>75,456</u>

*Note:* The amount represents the introduction fee and performance obligations only satisfied when the transaction was completed.

### Transaction price allocated to the remaining performance obligations

As at 31 March 2022, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately HK\$27,332,000 (2021: HK\$29,654,000). The amount represents revenue expected to be recognised in the future from corporate finance advisory service. The Group will recognise this revenue as the service is provided, which is expected to occur over the next 25 months (2021: 33 months).

The above amounts do not include variable consideration which is constrained.

### 5. OTHER INCOME

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank interest income	<b>217</b>	123
Management fee income from ultimate holding company and controlling shareholder	<b>174</b>	497
Office sharing income and reimbursement of other premises expenses from ultimate holding company	<b>750</b>	696
Other	<b>467</b>	1
	<b><u>1,608</u></b>	<u>1,317</u>

## 6. (LOSS) PROFIT BEFORE TAX

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Loss) profit before tax has been arrived at after charging (crediting):		
Directors' emoluments	11,082	11,052
Other employee's emoluments		
Salaries, allowances and benefits in kind ( <i>note</i> )	37,468	35,459
Discretionary bonuses	2,985	5,920
Contributions to retirement benefits scheme	1,054	889
Provision for (reversal of provision for) long service payment	100	(173)
	<u>52,689</u>	<u>53,147</u>
Total employee benefits costs		
Auditor's remuneration	435	446
Exchange (gain) loss, net	(466)	190
Depreciation for property and equipment	1,004	1,042
Depreciation for right-of-use assets	8,177	10,158
Impairment loss recognised in respect of trade receivables	445	793
	<u><u>445</u></u>	<u><u>793</u></u>

*Note:* Wage subsidies of approximately HK\$2,456,000 granted from the Employment Support Scheme under the Anti-Epidemic Fund for the use of paying wages of employees had been recognised during the year ended 31 March 2021. The amounts had been offset with the employee benefits costs.

## 7. INCOME TAX EXPENSE (CREDIT)

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current income tax:		
Hong Kong	71	499
People's Republic of China	—	4
Under (over) provision in prior years:		
Hong Kong	72	(40)
People's Republic of China	(68)	—
Deferred taxation	23	(935)
	<u><u>98</u></u>	<u><u>(472)</u></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 years ended 31 March 2022 and 2021, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

Under the Law of the 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%.

The income tax expense (credit) for the year can be reconciled to the (loss) profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	<b>2022</b>	2021
	<b>HK\$’000</b>	HK\$’000
(Loss) profit before tax	<b><u>(3,758)</u></b>	<u>6,876</u>
Tax at domestic income tax rate of 16.5% (2021: 16.5%)	<b>(620)</b>	1,134
Tax effect of expenses not deductible	<b>38</b>	347
Tax effect of income not taxable for tax purpose	<b>(162)</b>	(2,272)
Under (over) provision in respect of prior years	<b>4</b>	(40)
Tax effect of tax loss not recognised	<b>928</b>	542
Utilisation of tax losses previously not recognised	<b>(19)</b>	—
Tax effect of different tax rates of a subsidiary operating in other jurisdiction	<b>(1)</b>	(18)
Tax effect of two tier profits tax rates regime	<b><u>(70)</u></b>	<u>(165)</u>
Income tax expense (credit)	<b><u>98</u></b>	<u>(472)</u>

At the end of the reporting period, the Group has estimated tax losses of approximately HK\$25,341,000 (2021: HK\$19,833,000) that are available for offsetting against future taxable profits of the company in which the losses arose. Deferred tax asset has not been recognised due to the unpredictability of future profit streams. As at 31 March 2022, the unrecognised tax losses of approximately HK\$794,000 (2021: HK\$911,000) will expire within five years and the remaining tax losses may be carried forward indefinitely.

## 8. DIVIDENDS

	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Dividends recognised as distribution during the year:		
— 2021 Final — HK3.8 cents (2021: 2020 final dividend — HK2.5 cents) per share	<b><u>5,395</u></b>	<u>3,546</u>

Subsequent to the end of the reporting period, a final dividend of HK2.5 cents (2021: HK3.8 cents) per share in respect of the year ended 31 March 2022 has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

## 9. (LOSS) EARNINGS PER SHARE

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

	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
(Loss) earnings		
(Loss) profit attributable to owners of the Company, used in the basic and diluted (loss) earnings per share calculation:	<b><u>(3,637)</u></b>	<u>8,540</u>

### Number of shares

	<b>2022</b>	2021
Shares		
Weighted average number of ordinary shares during the year used in the basic (loss) earnings per share calculation ('000)	<b>142,002</b>	141,722
Effect of dilutive potential ordinary shares:		
— Share options ('000)	<u>—</u>	<u>4,829</u>
Weighted average number of ordinary shares during the year used in the diluted (loss) earnings per share calculation ('000)	<b><u>142,002</u></b>	<u>146,551</u>

### Note:

For the year ended 31 March 2022, diluted loss per share is same as basic loss per share. The computation of diluted loss per share does not assume the exercise of the Company's share options since their exercise would result in a decrease in loss per share.

## 10. LEASES

### (i) Right-of-use assets

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Buildings	<u>14,860</u>	<u>3,729</u>

The Group has lease arrangements for buildings. The lease terms are generally ranged from two to three years. The payment terms of lease are fixed with no extension option.

Additions to the right-of-use assets for the year ended 31 March 2022 amounted to approximately HK\$19,322,000, due to renewal of existing leases of buildings.

### (ii) Lease liabilities

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current	8,366	545
Current	<u>6,917</u>	<u>3,238</u>
	<u>15,283</u>	<u>3,783</u>

Amounts payable under lease liabilities:

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within one year	6,917	3,238
After one year but within two years	6,552	545
After two years but within five years	<u>1,814</u>	<u>—</u>
	15,283	3,783
Less: Amount due for settlement within 12 months	<u>(6,917)</u>	<u>(3,238)</u>
Amount due for settlement after 12 months	<u>8,366</u>	<u>545</u>

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

	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation expense on right-of-use assets	<b>8,177</b>	10,158
Interest expenses on lease liabilities	<b>362</b>	256

**(iv) Others**

During the year ended 31 March 2022, the total cash outflow for leases including interest paid on lease liabilities and payment of lease liabilities amounted to approximately HK\$8,184,000 (2021: HK\$9,693,000).

**11. GOODWILL**

	<i>HK\$'000</i>
<b>COST</b>	
At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022	<u>1,123</u>
<b>IMPAIRMENT</b>	
At 1 April 2020	—
Impairment loss recognised during the year	<u>1,123</u>
At 31 March 2021, 1 April 2021 and 31 March 2022	<u>1,123</u>
<b>CARRYING VALUE</b>	
At 31 March 2022	<u>—</u>
At 31 March 2021	<u>—</u>

For the purposes of impairment testing, goodwill set out above has been allocated to the cash generating unit (the “CGU”), relating to the asset management segment.

During the year ended 31 March 2021, the Group recognised an impairment loss of approximately HK\$1,123,000 and the goodwill has been fully impaired. Based on the profit forecast prepared by the management, the recoverable amount, which was primarily affected by lack of new subscription for the investment fund and the increasingly competitive business environment of asset management service, was estimated to be less than its carrying amount.

## 12. INTANGIBLE ASSET

*HK\$'000*

### **COST**

At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022 9,000

### **IMPAIRMENT**

At 1 April 2020 3,000

Impairment loss recognised during the year 4,500

At 31 March 2021, 1 April 2021 and 31 March 2022 7,500

### **CARRYING VALUE**

At 31 March 2022 1,500

At 31 March 2021 1,500

The intangible asset represents licences for regulated activities issued by the SFC (“Licences”).

The Licences are considered by the directors of the Company as having indefinite useful lives because it is expected that the Licences will continue to be valid and will contribute net cash inflows for the Group in the foreseeable future. The Licences will not be amortised until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired.

As at 31 March 2022 and 2021, the management of the Group conducted an impairment assessment on intangible asset of the asset management service segment. An independent valuer, Fairdex Valuation Advisory Limited was engaged by the management of the Group to assess the recoverable amount of intangible asset with reference to the fair value less cost of disposal based on Level 3 hierarchy using replacement cost approach with key assumptions in relation to remuneration of responsible officers and rental expense. As at 31 March 2022, the carrying amounts of the intangible asset approximated their recoverable amounts and no impairment loss (2021: HK\$4,500,000) was recognised during the year with reference to the fair value less cost of disposal. The carrying amounts of intangible asset after impairment amounted to HK\$1,500,000 (2021: HK\$1,500,000).

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

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables ( <i>note</i> )	<b>6,168</b>	8,152
Less: Impairment allowance ( <i>note</i> )	<u>(531)</u>	<u>(666)</u>
	<b><u>5,637</u></b>	<b><u>7,486</u></b>

As at 31 March 2022, the gross amount of trade receivable arising from contracts with customers amounted to approximately HK\$6,168,000 (2021: HK\$8,152,000).

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Prepayments, deposits and other receivables:		
— non-current assets (rental deposit)	<b>2,071</b>	234
— current assets	<u>8,480</u>	<u>4,839</u>
	<b><u>10,551</u></b>	<b><u>5,073</u></b>

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Deposit and other receivables	<b>2,398</b>	2,816
Prepayments	<b>1,475</b>	2,049
Receivables from broker	<u>6,678</u>	<u>208</u>
	<b><u>10,551</u></b>	<b><u>5,073</u></b>

The ECL on other receivables are estimated individually by reference to past experience of default and general economic condition of the industry at the reporting date. There has not been a significant change in the credit risk since initial recognition. The Group estimated the 12-month ECL on other receivables were not significant.

*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>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 90 days	5,027	6,775
91–180 days	388	361
Over 180 days	<u>222</u>	<u>350</u>
Total	<u><u>5,637</u></u>	<u><u>7,486</u></u>

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The expected credit losses on trade receivables are estimated individually or collectively grouped by past due statuses. In determining the expected loss rates, the management considers the using a provision matrix by reference to credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances and further, adjusted for factors that are specific to the debtors, as well as forward looking information that may impact the customers' ability to repay the outstanding balances at the reporting date.

#### For the year ended 31 March 2022

	Weighted average expected loss rate %	Gross carrying amount <i>HK\$'000</i>	Loss allowance <i>HK\$'000</i>
Less than 90 days past due	0.77	5,065	38
91–180 days past due	6.43	415	27
181–270 days past due	45.36	350	159
271–365 days past due	88.62	—	—
More than 365 days past due	90.62	<u>338</u>	<u>307</u>
		<u><u>6,168</u></u>	<u><u>531</u></u>

#### For the year ended 31 March 2021

	Weighted average expected loss rate %	Gross carrying amount <i>HK\$'000</i>	Loss allowance <i>HK\$'000</i>
Less than 90 days past due	0.43	6,804	29
91–180 days past due	4.95	380	19
181–270 days past due	42.00	530	223
271–365 days past due	88.45	100	88
More than 365 days past due	90.85	<u>338</u>	<u>307</u>
		<u><u>8,152</u></u>	<u><u>666</u></u>

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

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At the beginning of the year	666	248
Impairment losses recognised on trade receivables	445	793
Amount written-off as uncollectible	<u>(580)</u>	<u>(375)</u>
At the end of the year	<u><u>531</u></u>	<u><u>666</u></u>

During the year ended 31 March 2022, trade receivables amounted to approximately HK\$580,000 (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 ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Financial assets mandatorily measured at fair value through profit or loss		
Listed equity security		
— Hong Kong	3,817	—
— outside Hong Kong	—	1
Investment in unlisted convertible note	<u>1,566</u>	<u>—</u>
	<u><u>5,383</u></u>	<u><u>1</u></u>

Analysed for reporting purposes as:

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current assets	3,817	1
Non-current assets	<u>1,566</u>	<u>—</u>
	<u><u>5,383</u></u>	<u><u>1</u></u>

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\$1,566,000) as at 31 March 2022 (2021: nil), which was measured by an independent valuer.

## 15. SHARE CAPITAL

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

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022	<u>200,000</u>	<u>2,000</u>
Issued and fully paid:		
At 1 April 2020	141,319	1,413
Exercise of share options ( <i>note i</i> )	<u>540</u>	<u>6</u>
At 31 March 2021 and 1 April 2021	141,859	1,419
Exercise of share options ( <i>note ii</i> )	<u>496</u>	<u>5</u>
At 31 March 2022	<u>142,355</u>	<u>1,424</u>

*Notes:*

- (i) During the year ended 31 March 2021, share options were exercised at subscription prices HK\$0.28 and HK\$0.21 per ordinary share, resulting in the issue of 510,318 and 29,919 ordinary shares for proceeds of approximately HK\$143,000 and HK\$7,000 respectively. Amounts of approximately HK\$181,000 and HK\$11,000 was transferred from share option reserve to the share premium account upon exercise of the share options respectively.
- (ii) During the year ended 31 March 2022, share options were exercised at subscription prices HK\$0.21 per ordinary share, resulting in the issue of 495,883 ordinary shares for proceeds of approximately HK\$105,000. An amount of approximately HK\$169,000 was transferred from share option reserve to the share premium account upon exercise of the share options.

## **CORPORATE GOVERNANCE REPORT**

### **Corporate Governance Practices**

The Company is committed to achieving and maintaining high standards of corporate governance practices and procedures. The Board believe that good corporate governance practices are essential to enhance stakeholders' confidence and support.

During the Year, 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 deviation with the code provision C.2.1 of the CG Code that 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 Year, 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 prior to 31 March 2022; Mr. CHOW Wai Hung Kenneth ("Mr. Chow"), an executive Director performed the role of managing director of the Company's main operating subsidiary in Hong Kong, SCL, 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 SCL and Director of EISAL.

On 31 March 2022, Mr. Chow was designated as the chief executive officer (the "Chief Executive Officer") of the Company and Mr. Cheung was designated as the vice chairman of the Company. The Board believes that such new appointments further enhance the corporate governance standards of the Group and comply with code provision C.2.1 of the CG Code.

The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, comply with regulatory requirements and meet the growing expectations of the Shareholders and other stakeholders.

### **Audit Committee**

The Company has established the 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 written terms of reference of the Audit Committee was adopted in compliance with the code provisions D.3.3 and D.3.7 of the CG Code. A copy of the terms of reference of the Audit Committee has been posted on the Company's website at [www.somerleycapital.com](http://www.somerleycapital.com) and the website of the Stock

Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). The Audit Committee is comprised of three independent non-executive Directors. During the Year and up to the date of this announcement, the members of the Audit Committee have been and are:

Mr. CHENG Yuk Wo (*Chairman of the Audit Committee*)

Mr. YUEN Kam Tim Francis

Mr. LAW Cheuk Kin Stephen

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 transaction.

During the Year, the Audit Committee held four meetings. The Audit Committee reviewed, assessed and commented on the audited consolidated financial statements for the year ended 31 March 2021, the unaudited consolidated financial statements for the three months ended 30 June 2021, six months ended 30 September 2021 and nine months ended 31 December 2021, respectively. It has also reviewed the effectiveness of the risk management and internal control systems and internal audit functions of the Group and the continuing connected transactions and the new policies and practices adopted by the Group. The preparation of the consolidated results is in compliance with applicable accounting principles and practices adopted by the Company and the requirements of the Stock Exchange, and adequate disclosure has been made.

The Group's unaudited consolidated quarterly, interim results and audited consolidated annual results for the Year have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

#### **SCOPE OF WORK OF SHINEWING (HK) CPA LIMITED**

The figures in respect of the Group's consolidated financial statements and the related notes thereto for the Year as set out in this announcement have been agreed by the Group's auditor, SHINEWING (HK) CPA Limited, as to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on this announcement.

## **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”).

Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the Required Standard of Dealings throughout the Year and up to the date of this announcement.

## **PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES OF THE COMPANY**

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

## **EVENTS AFTER THE REPORTING PERIOD**

There is no material subsequent event undertaken by the Company or by the Group after 31 March 2022 and up to the date of this announcement.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.somerleycapital.com](http://www.somerleycapital.com)). The annual report of the Company for the year ended 31 March 2022 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, 20 June 2022

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

*This announcement will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) for at least 7 days from the date of its posting and will also be published on the Company’s website at [www.somerleycapital.com](http://www.somerleycapital.com).*