



# SOMERLEY CAPITAL HOLDINGS LIMITED

**Somerley Capital Holdings Limited**

**新百利融資控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8439)**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019**

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

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

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

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

## INTERIM FINANCIAL HIGHLIGHTS

- The Group's total revenue decreased by approximately 23.6% to approximately HK\$34.7 million for the six months ended 30 September 2019 (the "Period") from approximately HK\$45.4 million for the six months ended 30 September 2018.
- Revenue generated from acting as financial adviser and as independent financial adviser for the Period amounted to approximately HK\$20.7 million (2018: approximately HK\$35.4 million), accounting for approximately 59.7% of the Group's total revenue (2018: approximately 78.0%).
- Revenue generated from acting as compliance adviser for the Period increased significantly to approximately HK\$8.4 million (2018: approximately HK\$4.4 million), accounting for approximately 24.2% of the Group's total revenue (2018: approximately 9.7%).
- Revenue generated from acting as sponsor and underwriter for the Period amounted to approximately HK\$4.3 million (2018: approximately HK\$4.2 million), accounting for approximately 12.4% of the Group's total revenue (2018: approximately 9.3%).
- Other revenue, mainly arising from the provision of asset management services, litigation support services, pitch support services and merger & acquisition advisory services during the Period, amounted to approximately HK\$1.3 million (2018: approximately HK\$1.4 million).
- For the Period, the Group recorded a loss before tax of approximately HK\$1.6 million (2018: profit before tax of approximately HK\$9.1 million), and after-tax loss was approximately HK\$1.6 million (2018: profit after tax of approximately HK\$7.6 million). The loss was primarily due to (i) a decrease in revenue due to the absence of any marquee financial advisory transaction and a slow down in deal flow and delays in project completion during the Period; and (ii) an increase in operating expenses as a result of the Group's expansion.
- Net assets decreased to approximately HK\$106.0 million as at 30 September 2019 from approximately HK\$114.5 million as at 31 March 2019 mainly due to the combined effects of (i) the after-tax loss for the Period of approximately HK\$1.6 million and (ii) payment of final dividend for the year ended 31 March 2019 of approximately HK\$7.1 million.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW AND PROSPECT**

The Group is principally engaged in providing (i) corporate finance advisory services in Hong Kong and through its subsidiaries in Hong Kong and Beijing; and (ii) asset management services in Hong Kong.

The corporate finance advisory 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 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, mostly for newly listed companies in Hong Kong; and (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.

Environmental Investment Services Asia Limited (“EISAL”) has become a subsidiary of the Group since December 2018. EISAL is a corporation licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “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, an initiative to position Hong Kong as a leading international green finance hub. EISAL, in collaboration with WWF Hong Kong, is presently working towards the launch of an innovative climate impact fund focused on low carbon listed equity investments in the Asian region. Detailed preparations are in hand for the marketing of this fund before the end of this financial year. The acquisition of EISAL has extended the Group’s activities and should complement its efforts in participating in initial public offerings and developing an equity capital markets capability.

During the Period, the Group recorded a loss after tax of approximately HK\$1.6 million (2018: profit after tax of approximately HK\$7.6 million). Total revenue was approximately HK\$34.7 million for the Period, representing a decrease of approximately 23.6% as compared with the corresponding period of last year. As noted in the Company's profit warning announcement dated 21 October 2019, this was primarily due to absence of a marquee financial advisory transaction with revenue of approximately HK\$9.2 million which was completed for the six months ended 30 September 2018 and a slow down in deal flow and delays in project completion during the Period. In addition, there was an increase in operating expenses (excluding the fair value change on a financial asset through profit or loss) for the Period to approximately HK\$37.3 million, representing an increase of approximately 3.0% as compared with the corresponding period of last year. This was due mainly to the inclusion of EISAL in the consolidated accounts of the Group, the establishment of the Group's Beijing subsidiary in September 2018 and upward pressure on salaries and other operating expenses. Please note that the significant increase in "depreciation of right-of-use asset" and the significant decrease in "rental expenses and other premise expenses" noted below, which are largely off-setting, are due to the adoption of Hong Kong Financial Reporting Standards 16 Leases ("HKFRS 16") as explained below and not to any changes in the Group's lease agreements or method of operating.

The second quarter of the financial year showed an improvement over the first quarter. Our Beijing subsidiary has made some encouraging progress and EISAL is actively preparing for the launch of its innovative climate impact fund. Although the present circumstances in Hong Kong make it hard to judge the prospects for the full year ending 31 March 2020, the Directors consider the Hong Kong financial markets are proving resilient to setbacks and challenges and adaptable to changing conditions. The Group has experienced some recovery in deal flow during September and October and the Directors are cautiously optimistic for progress in the second half of the financial year.

## **FINANCIAL REVIEW**

### **Revenue**

The Group's total revenue decreased by approximately 23.6% to approximately HK\$34.7 million for the Period from approximately HK\$45.4 million for the six months ended 30 September 2018.

Revenue generated from acting as financial adviser (“FA”) and as independent financial adviser (“IFA”) for the Period amounted to approximately HK\$20.7 million (2018: approximately HK\$35.4 million), accounting for approximately 59.7% of the Group’s total revenue (2018: approximately 78.0%). The decrease is mainly attributable to (i) absence of a marquee financial advisory transaction with revenue of approximately HK\$9.2 million which was completed in the six months ended 30 September 2018 and (ii) a decrease in revenue owing to a slow down in deal flow and delays in project completion. FA and IFA activities are expected to remain the major source of the Group’s revenue in the immediate future.

There was a relatively significant increase in revenue generated from acting as compliance adviser for the Period to approximately HK\$8.4 million (2018: approximately HK\$4.4 million), accounting for approximately 24.2% of the Group’s total revenue (2018: approximately 9.7%). The Group has been successful in securing additional compliance advisory mandates which led to the increase in this source of revenue for the Period.

Revenue generated from acting as sponsor and underwriter for the Period amounted to approximately HK\$4.3 million (2018: approximately HK\$4.2 million), accounting for approximately 12.4% of the Group’s total revenue (2018: approximately 9.3%).

Other revenue, mainly arising from the provision of asset management services, litigation support services, pitch support services and merger & acquisition advisory services during the Period, amounted to approximately HK\$1.3 million (2018: approximately HK\$1.4 million).

### **Other Income**

Other income mainly represented bank interest income, 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\$1.0 million for the Period from approximately HK\$0.7 million for the six months ended 30 September 2018, primarily due to (i) increase in interest income from bank deposits; and (ii) office sharing income and reimbursement of other premises expenses from SGL starting from 1 July 2018.

## Employee Benefits Costs

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

	For the six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
Fees, salaries, allowances and other benefits	23,942	21,864
Discretionary bonus	—	3,600
Share-based payments	254	375
Contributions to retirement benefits scheme	527	382
	<u>24,723</u>	<u>26,221</u>
Analysed as:		
– corporate holding	614	735
– corporate finance advisory (Hong Kong)	22,080	25,333
– corporate finance advisory (Beijing)	1,097	153
– asset management	932	—
	<u>24,723</u>	<u>26,221</u>

Employee benefits costs decreased by approximately 5.7% to approximately HK\$24.7 million for the Period from approximately HK\$26.2 million for the six months ended 30 September 2018, primarily due to the combined effects of (i) the increments in basic salaries during the Period; (ii) increase in headcount as a result of the establishment of the Beijing subsidiary and inclusion of EISAL in the Group in September and December 2018 respectively; and (iii) absence of accrued bonus as a result of the loss incurred for the Period.

## Depreciation and Other Operating Expenses

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

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.

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Depreciation of property and equipment	<b>527</b>	647
Depreciation of right-of-use asset	<b>4,486</b>	—
	<b>5,013</b>	647
Rental expenses and other premises expenses	<b>1,564</b>	4,894
Travelling expenses	<b>286</b>	325
Impairment loss recognised in respect of trade receivables	<b>341</b>	106
Recurring GEM listing expenses (excluding remuneration of independent non-executive directors)	<b>1,463</b>	1,571
Others	<b>3,214</b>	2,142
	<b>11,881</b>	9,685
Analysed as:		
– corporate holding	<b>1,926</b>	1,886
– corporate finance advisory (Hong Kong)	<b>8,342</b>	7,668
– corporate finance advisory (Beijing)	<b>1,146</b>	131
– asset management	<b>467</b>	—
	<b>11,881</b>	9,685

The Group's depreciation and other operating expenses increased by approximately 22.7% to approximately HK\$11.9 million for the Period from approximately HK\$9.7 million for the six months ended 30 September 2018. The increase was mainly due to an increase in rental under the Group's new office lease and the general increase in other operating expenses as a result of the Group's expansion.

## **(Loss) Profit for the Period**

For the Period, the Group recorded a loss before tax of approximately HK\$1.6 million (2018: profit before tax of approximately HK\$9.1 million), and after-tax loss was approximately HK\$1.6 million (2018: profit after tax of approximately HK\$7.6 million). The loss was primarily due to (i) a decrease in revenue due to the absence of any marquee financial advisory transaction and a slow down in deal flow and delays in project completion during the Period; and (ii) an increase in operating expenses as a result of the Group's expansion.

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

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

As at 30 September 2019, the Group's net current assets amounted to approximately HK\$85.4 million (31 March 2019: approximately HK\$101.4 million), and its liquidity as represented by current ratio was approximately 8.3 times (31 March 2019: approximately 13.4 times). The cash and cash equivalents amounted to approximately HK\$82.8 million as at 30 September 2019 (31 March 2019: approximately HK\$102.0 million). The functional currency of the Group is Hong Kong dollars. As at 30 September 2019, approximately HK\$5.0 million of the Group's cash and cash equivalents were denominated in the other currencies (31 March 2019: approximately HK\$1.0 million), including Renminbi, United States Dollars, Euro, Great Britain Pounds, Thai Baht and Malaysia Ringgit.

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 2019 and 30 September 2019.

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

## **Foreign Exchange Exposure**

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

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

The Group had no capital commitments as at 30 September 2019 (31 March 2019: approximately HK\$0.2 million). Save for the business plan disclosed in the prospectus of the Company dated 15 March 2017 (the "Prospectus"), announcement of, among others, change in use of proceeds published on 22 June 2018 or as otherwise disclosed in this announcement, the Group did not have plans for making material investments or acquiring capital assets as at 30 September 2019.

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

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

## **Significant Investments**

Except for investments in subsidiaries and EISAL, the Group did not hold any significant investments during the Period (2018: nil).

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

As at 31 March 2019 and 30 September 2019, the Group did not have any charges on its assets or material contingent liabilities.

## **Gearing Ratio**

As at 31 March 2019 and 30 September 2019, the Group did not have any borrowings and hence gearing ratio was not applicable.

## **Dividend**

The board of Directors (the “Board”) does not recommend the payment of any dividend for the Period (2018: nil).

## **Treasury Policies**

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

## **Employees and Remuneration Policies**

The Group employed 48 and 50 employees as at 31 March 2019 and 30 September 2019 respectively.

For the Period, employee benefits costs of the Group (including the Directors' emoluments) were approximately HK\$24.7 million (2018: approximately HK\$26.2 million). Remuneration is determined with reference to market terms, the financial results of the Group and the performance, qualifications and experience of employees. Apart from basic remuneration, share options may be granted under the share option scheme of the Company to eligible employees by reference to the Group's performance as well as the individual's contribution. The Directors believe that the compensation packages offered by the Group to its staff are competitive in comparison with market standards and practices.

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

Majority of the business objectives as stated in the Prospectus and the announcement of, among others, change in use of proceeds published on 22 June 2018 were accomplished as at 31 March 2019 except for the enhancement of the Group's information technology systems. As at 30 September 2019, the enhancement of the Group's information technology ("IT") infrastructure and the implementation of the business continuity plan are almost completed, but further upgrading and updating of IT is a continuing requirement.

The net proceeds from the Group's listing on GEM of the Stock Exchange on 28 March 2017 (the "Listing") were approximately HK\$55.9 million. 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 for the year ended 31 March 2018. On 22 June 2018, the Group announced the change in use of net proceeds of approximately HK\$28.2 million and approximately HK\$25.9 million were utilised for the year ended 31 March 2019.

As at 30 September 2019, the remaining proceeds of approximately HK\$2.3 million were unutilised and will be used for further upgrading and updating IT for the year ending 31 March 2020.

As disclosed in the Prospectus, to the extent that the net proceeds from the Listing were 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 hold the funds as short-term interest bearing deposits so long as the Directors consider it to be in the best interests of the Company and the shareholders.

## THE FINANCIAL STATEMENTS

### INTERIM RESULTS

The Board is pleased to present the unaudited condensed financial information of the Group for the three months and the six months ended 30 September 2019, together with the comparative unaudited figures for the corresponding period in 2018, as follows:

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

*For the six months ended 30 September 2019*

	Notes	Three months ended 30 September		Six months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	6	<b>19,222</b>	28,663	<b>34,668</b>	45,393
Other income	7	<b>491</b>	570	<b>962</b>	706
		<b>19,713</b>	29,233	<b>35,630</b>	46,099
Employee benefits costs		<b>(12,459)</b>	(14,950)	<b>(24,723)</b>	(26,221)
Fair value loss on financial asset at fair value through profit or loss		—	(28)	—	(790)
Depreciation	12	<b>(2,495)</b>	(432)	<b>(5,013)</b>	(647)
Introduction expenses		<b>(134)</b>	(115)	<b>(454)</b>	(305)
Finance cost		<b>(103)</b>	—	<b>(214)</b>	—
Other operating expenses		<b>(3,522)</b>	(5,130)	<b>(6,868)</b>	(9,038)
Profit (loss) before tax	8	<b>1,000</b>	8,578	<b>(1,642)</b>	9,098
Income tax credit (expense)	9	<b>39</b>	(1,231)	<b>50</b>	(1,463)
Profit (loss) for the period		<b>1,039</b>	7,347	<b>(1,592)</b>	7,635

		Three months ended 30 September		Six months ended 30 September	
		2019	2018	2019	2018
Notes		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Other comprehensive expense					
Item that may be reclassified					
subsequently to profit or loss:					
Exchange difference arising on					
translation of foreign operations		<u>(4)</u>	<u>(6)</u>	<u>(9)</u>	<u>(6)</u>
Total comprehensive income (expense)					
for the period		<u><b>1,035</b></u>	<u>7,341</u>	<u><b>(1,601)</b></u>	<u>7,629</u>
Profit (loss) for the period					
attributable to:					
Owners of the Company		<u>1,212</u>	7,347	<u>(1,267)</u>	7,635
Non-controlling interest		<u>(173)</u>	—	<u>(325)</u>	—
		<u><b>1,039</b></u>	<u>7,347</u>	<u><b>(1,592)</b></u>	<u>7,635</u>
Total comprehensive income (expense)					
for the period attributable to:					
Owners of the Company		<u>1,208</u>	7,341	<u>(1,276)</u>	7,629
Non-controlling interest		<u>(173)</u>	—	<u>(325)</u>	—
		<u><b>1,035</b></u>	<u>7,341</u>	<u><b>(1,601)</b></u>	<u>7,629</u>
Earnings (loss) per share					
— basic ( <i>HK cents</i> )	10	<u><b>0.86</b></u>	<u>5.27</u>	<u><b>(0.90)</b></u>	<u>5.48</u>
— diluted ( <i>HK cents</i> )	10	<u><b>0.86</b></u>	<u>5.25</u>	<u><b>(0.90)</b></u>	<u>5.46</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

		As at 30 September 2019 <i>HK\$'000</i> (Unaudited)	As at 31 March 2019 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property and equipment	12	18,417	4,659
Goodwill		1,123	1,123
Intangible asset		9,000	9,000
Rental deposits	13	2,565	2,577
Deferred tax asset		32	17
		<u>31,137</u>	<u>17,376</u>
Current assets			
Trade receivables	13	11,727	5,810
Prepayments, deposits and other receivables	13	2,075	1,796
Amount due from ultimate holding company		396	10
Financial asset at fair value through profit or loss		—	—
Cash and cash equivalents		82,777	101,961
		<u>96,975</u>	<u>109,577</u>
Current liabilities			
Contract liability		67	210
Other payables and accruals		1,693	6,438
Lease liability	12	8,271	—
Tax payable		1,584	1,543
		<u>11,615</u>	<u>8,191</u>
Net current assets		<u>85,360</u>	<u>101,386</u>
Total assets less current liabilities		<u>116,497</u>	<u>118,762</u>

	<b>As at 30 September 2019</b>	<b>As at 31 March 2019</b>
<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Non-current liabilities		
Provision for long service payment	<b>238</b>	267
Provision for reinstatement cost	<b>2,300</b>	2,300
Deferred tax liabilities	<b>1,612</b>	1,688
Lease liability	<b>6,337</b>	—
	<b>10,487</b>	4,255
Net assets	<b>106,010</b>	114,507
Capital and reserves		
Share capital	<b>1,413</b>	1,410
Reserves	<b>101,902</b>	110,077
Equity attributable to owners of the Company	<b>103,315</b>	111,487
Non-controlling interest	<b>2,695</b>	3,020
Total equity	<b>106,010</b>	114,507

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Attributable to the owners of the Company							Total	Non-controlling interest	Total
	Share capital	Share premium	Retained earnings	Shareholder contribution reserve	Share option reserve	Translation reserve	Other reserve (note)			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 March 2019 (Audited)	1,410	64,847	29,118	4,179	2,029	4	9,900	111,487	3,020	114,507
Impact of adopting HKFRS 16 (note 3)	—	—	(170)	—	—	—	—	(170)	—	(170)
At 1 April 2019 (Unaudited)	1,410	64,847	28,948	4,179	2,029	4	9,900	111,317	3,020	114,337
Loss for the period	—	—	(1,267)	—	—	—	—	(1,267)	(325)	(1,592)
Other comprehensive expense:										
Exchange differences arising from translation of foreign operation	—	—	—	—	—	(9)	—	(9)	—	(9)
Total comprehensive expense for the period	—	—	(1,267)	—	—	(9)	—	(1,276)	(325)	(1,601)
Dividends recognised as distribution (note 11)	—	(7,064)	—	—	—	—	—	(7,064)	—	(7,064)
Issue of shares upon exercise of share options	3	173	—	—	(92)	—	—	84	—	84
Recognition of equity-settled share-based payments	—	—	—	—	254	—	—	254	—	254
At 30 September 2019 (Unaudited)	<u>1,413</u>	<u>57,956</u>	<u>27,681</u>	<u>4,179</u>	<u>2,191</u>	<u>(5)</u>	<u>9,900</u>	<u>103,315</u>	<u>2,695</u>	<u>106,010</u>
At 31 March 2018 (Audited)	1,386	67,270	19,506	4,179	1,837	—	9,900	104,078	—	104,078
Impact of adopting HKFRS 9	—	—	(41)	—	—	—	—	(41)	—	(41)
At 1 April 2018 (Audited)	1,386	67,270	19,465	4,179	1,837	—	9,900	104,037	—	104,037
Profit for the period	—	—	7,635	—	—	—	—	7,635	—	7,635
Other comprehensive expense:										
Exchange differences arising from translation of foreign operation	—	—	—	—	—	(6)	—	(6)	—	(6)
Total comprehensive income (expenses) for the period	—	—	7,635	—	—	(6)	—	7,629	—	7,629
Dividends recognised as distribution (note 11)	—	(4,882)	—	—	—	—	—	(4,882)	—	(4,882)
Issue of shares upon exercise of share options	8	484	—	—	(257)	—	—	235	—	235
Recognition of equity-settled share-based payments	—	—	—	—	375	—	—	375	—	375
At 30 September 2018 (Unaudited)	<u>1,394</u>	<u>62,872</u>	<u>27,100</u>	<u>4,179</u>	<u>1,955</u>	<u>(6)</u>	<u>9,900</u>	<u>107,394</u>	<u>—</u>	<u>107,394</u>

*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.

# **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*For the six months ended 30 September 2019*

## **1. GENERAL**

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

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

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

## **2. BASIS OF PREPARATION**

The condensed consolidated financial statements of Somerley Capital Holdings Limited and its subsidiaries (collectively, the Group) for the period have been prepared in accordance with the applicable disclosure provisions of Chapter 18 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) 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 2019, except as described below:

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

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

The adoption of HKFRS 16 resulted in changes in the Group's accounting policies and adjustments to the amounts recognised in the condensed consolidated financial statements. The new accounting policies are set out below. 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.

#### **Impacts on adoption of HKFRS 16 Lease**

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described below. The Group has applied HKFRS 16 Leases retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 April 2019, and has not restated comparatives for the 2018 reporting period as permitted under the specific transitional provisions in the standard. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 17 Leases.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. The Group applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

The major impacts of the adoption of HKFRS 16 on the Group's condensed consolidated financial statements are described below.

### **The Group as lessee**

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases (except for lease of low value assets and lease with a remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 2.44%.

The Group recognises right-of-use assets and measures them at their carrying amount as if HKFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.

The following table summarises the impact of transition to HKFRS 16 as at 1 April 2019. Line items that were not affected by the adjustments have not been included.

	<b>Carrying amount previously reported as at 31 March 2019 HK\$'000</b>	<b>Impact of adopting HKFRS 16 HK\$'000</b>	<b>Carrying amount as restated at 1 April 2019 HK\$'000</b>
Property and equipment	4,659	18,492	23,151
Lease liability	—	18,662	18,662
Retained earnings	29,118	(170)	28,948

*Note:*

As at 1 April 2019, right-of-use assets were measured at the carrying amount of approximately HK\$18,492,000 as if HKFRS 16 had been applied since the commencement date. The amount of approximately HK\$170,000 represents the difference between the right-of-use assets and the lease liability was recognised as an adjustment to the opening balance of retained earnings. Leasehold improvement (included in property and equipment) which represents the reinstatement cost of approximately HK\$1,724,000 as at 31 March 2019 was reclassified to right-of-use assets. Accordingly, the carrying amount of right-of-use assets was approximately HK\$20,216,000 as at 1 April 2019.

The following table summarises the impact on transition to HKFRS 16 on retained earnings as at 1 April 2019:

	<i>HK\$'000</i>
Balance as at 31 March 2019, as originally stated	29,118
Difference between the right-of-use assets and the lease liability	<u>(170)</u>
Balance as at 1 April 2019	<u><u>28,948</u></u>

***Impacts on transition***

Differences between operating lease commitment as at 31 March 2019, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liability recognised as at 1 April 2019 are as follow:

	<i>HK\$'000</i>
Operating lease commitments as at 31 March 2019	<u><u>19,849</u></u>
Discounted using the applicable incremental borrowing rate at the date of initial application	19,306
Less:	
Short-term leases accounted for as expenses using the straight-line basis	<u>(644)</u>
Lease liability recognised as at 1 April 2019	<u><u>18,662</u></u>

### ***Practical expedients applied***

On the date of initial application of HKFRS 16, the Group has used the following practical expedients permitted by the standard:

- not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-4 Determining whether an Arrangement contains a Lease;
- reliance on previous assessments on whether leases are onerous by applying HKAS 37 as an alternative to performing an impairment review;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

### **HKFRS 16 Lease**

#### ***Leases***

##### *Definition of a lease*

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

##### *The Group as lessee*

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

### *Lease liabilities*

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is presented as a separate line in the condensed consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

### *Right-of-use assets*

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under HKAS 37 “Provision, Contingent Liabilities and Contingent Assets”. The costs are included in the related property and equipment, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets that do not meet the definition of investment property in “Property and equipment”, the same line item as that within which the corresponding underlying assets would be presented if they were owned.

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the Group’s annual consolidated financial statements for the year ended 31 March 2019.

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

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

In preparing this unaudited condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2019.

#### **5. SEGMENT INFORMATION**

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

During the six months ended 30 September 2018, the Group focused on advisory business and all the assets and major revenue were located and derived in Hong Kong. Accordingly, no segment analysis was prepared. During the Period, the directors of the Company have organised the Group into different segments by types of services provided, of which the “Asset management services” was a new segment identified after Environmental Investment Services Asia Limited (“EISAL”) was acquired as a subsidiary on 14 December 2018.

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

1. Corporate finance advisory service
2. Asset management service

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

*For the six months ended 30 September 2019*

	<b>Corporate finance advisory service HK\$'000</b>	<b>Asset management service HK\$'000</b>	<b>Total HK\$'000</b>
Segment revenue	<u>34,562</u>	<u>106</u>	<u>34,668</u>
Segment profit (loss)	1,283	(1,290)	(7)
Corporate and other unallocated expenses, net			<u>(1,635)</u>
Loss before tax			<u>(1,642)</u>

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

## Segment assets and liabilities

*As at 30 September 2019*

	<b>Corporate finance advisory service</b> <i>HK\$'000</i>	<b>Asset management service</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Segment assets	64,939	13,421	78,360
Elimination of intersegment receivables			(44)
Corporate and other unallocated assets			<u>49,796</u>
Total assets			<u><u>128,112</u></u>
Segment liabilities	20,036	1,605	21,641
Elimination of intersegment liabilities			(3,331)
Corporate and other unallocated liabilities			<u>3,792</u>
Total liabilities			<u><u>22,102</u></u>

*As at 31 March 2019*

	<b>Corporate finance advisory service</b>	<b>Asset management service</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	67,708	14,668	82,376
Elimination of intersegment receivables			(45)
Corporate and other unallocated assets			<u>44,622</u>
Total assets			<u><u>126,953</u></u>
Segment liabilities	9,089	1,562	10,651
Elimination of intersegment liabilities			(1,015)
Corporate and other unallocated liabilities			<u>2,810</u>
Total liabilities			<u><u>12,446</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, 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 liability, other payables and accruals and tax payable.

Upon application of HKFRS 16, the Group's property and equipment and lease liability are now included in the measure of segment assets and segment liabilities respectively as at 30 September 2019. Comparative information is not restated.

## Other segment information

For the six months ended 30 September 2019

	Corporate finance advisory service HK\$'000	Asset management service HK\$'000	Corporate HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to property and equipment	279	—	—	279
Depreciation of property and equipment (including right-of-use assets)	4,608	—	405	5,013
Impairment loss recognised in respect of trade receivables	<u>341</u>	<u>—</u>	<u>—</u>	<u>341</u>

## Geographical information

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

## Information about major customers

Revenue from customers of the corresponding period contributing over 10% of the total revenue of the Group are as follows:

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Customer A <sup>1</sup>	3,900	—
Customer B <sup>1</sup>	—	10,200

<sup>1</sup> Revenue from corporate finance advisory service segment.

## 6. REVENUE

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

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contract with customers:		
Fee income from acting as financial adviser	5,481	18,722
Fee income from acting as independent financial adviser	15,265	16,713
Fee income from acting as compliance adviser	8,352	4,406
Fee income from acting as sponsor and underwriter	4,314	4,200
Asset management fee income	106	—
Others	1,150	1,352
	<u>34,668</u>	<u>45,393</u>

## 7. OTHER INCOME

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	576	280
Management fee income from ultimate holding company	39	45
Office sharing income and recharge of other premises expenses from ultimate holding company	347	173
Other	—	208
	<u>962</u>	<u>706</u>

## 8. (LOSS) PROFIT BEFORE TAX

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2019</b>	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
(Loss) profit for the period has been arrived at after charging (crediting):		
Directors' emoluments:		
Fees	<b>360</b>	360
Other emoluments	<b>5,148</b>	4,968
Share-based payments	<b>107</b>	139
Contributions to retirement benefits scheme	<b>18</b>	18
	<b>5,633</b>	5,485
Other staff costs	<b>18,463</b>	20,126
(Reversal of) provision for long service payment	<b>(29)</b>	10
Share-based payments	<b>147</b>	236
Contributions to retirement benefits schemes	<b>509</b>	364
Total employee benefits costs	<b>24,723</b>	26,221
Auditor's remuneration	<b>260</b>	210
Exchange loss, net	<b>34</b>	21
Impairment loss recognised in respect of trade receivables	<b>341</b>	106
Finance cost on lease liability	<b>214</b>	—
Operating lease rental payments for rented premises (note)	<b>591</b>	4,021

*Note:* Operating lease rental payment for rented premises for the six months ended 30 September 2018 represented payments made and amounted for under HKAS 17. The Group has initially applied HKFRS 16 as at 1 April 2019 using the modified retrospective approach. Details of the lease payments made for the Period are set out in note 12.

## 9. INCOME TAX (CREDIT) EXPENSE

	Six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong	41	1,456
Deferred taxation	(91)	7
	<u>(50)</u>	<u>1,463</u>

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. (2018: 16.5%).

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

## 10. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<b>(Loss) earnings</b>		
(Loss) profit attributable to ordinary equity holders of the Company, used in the basic (loss) earnings per share calculation	<u>(1,267)</u>	<u>7,635</u>

**Number of shares**  
**Six months ended**  
**30 September**  
**2019**                      2018  
**(Unaudited)**              (Unaudited)

**Shares**

Weighted average number of ordinary shares in issue during the period used in the basic (loss) earnings per share calculation ('000)	<b>141,048</b>	139,205
Effect of dilutive potential ordinary shares — share options ('000)	—	708
 Weighted average number of ordinary shares in issue during the period, used in the diluted (loss) earnings per share calculation ('000) ( <i>note</i> )	<b>141,048</b>	139,913

*Note:*

Diluted loss per share is the same as basic loss per share for the Period. The computation of diluted loss per share does not assume the exercise of the Company's outstanding options to subscribe for additional share since their exercise would result in an anti-dilutive effect on the basic loss per share for the Period.

## 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 HK5 cents per share in respect of the year ended 31 March 2019, amounting to approximately \$7,064,000 (2018: HK\$4,882,000), was paid on 26 September 2019 to the shareholders of the Company whose names appear on the Company's register of members on 18 September 2019.

The Directors do not recommend the payment of interim dividend for the Period (2018: nil).

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

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

During the Period, the Group had addition of furniture and fixtures and leasehold improvements of approximately HK\$279,000 (2018: HK\$545,000) and nil (2018: HK\$2,939,000) respectively.

As at 1 April 2019, the carrying amount of right-of-use assets is approximately HK\$20,216,000 which comprises the recognition of right-of-use assets for rented premise of approximately HK\$18,492,000 and the estimated reinstatement cost of approximately HK\$1,724,000 recategorised from leasehold improvement. As at 30 September 2019, the carrying amounts of right-of-use assets was approximately HK\$15,730,000.

The Group's depreciation during the period amounted to approximately HK\$527,000 (2018: HK\$647,000) and HK\$4,486,000 (2018: nil) in respect of property and equipment and right-of-use assets respectively.

### (ii) Lease liability

Upon adoption of HKFRS 16, on 1 April 2019, the Group recognised lease liability of approximately \$18,662,000 (note 3). As at 30 September 2019, the carrying amount of lease liability was approximately \$14,608,000.

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

	<b>Six months ended 30 September 2019 HK\$'000 (Unaudited)</b>
Depreciation on right-of-use assets	4,486
Finance cost on lease liability	214
Expense relating to short-term leases	<u>591</u>

### (iv) Other

The total cash outflow for leases amounted to approximately HK\$4,859,000.

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

	As at 30 September 2019 <i>HK\$'000</i> (Unaudited)	As at 31 March 2019 <i>HK\$'000</i> (Audited)
Trade receivables	12,180	5,922
Less: allowance for impairment of trade receivables	<u>(453)</u>	<u>(112)</u>
	<b><u>11,727</u></b>	<b><u>5,810</u></b>
Prepayments, deposits and other receivables		
Analysed as:		
– non-current (rental deposits)	2,565	2,577
– current	<u>2,075</u>	<u>1,796</u>
	<b><u>4,640</u></b>	<b><u>4,373</u></b>

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 presented based on the invoice date.

	As at 30 September 2019 <i>HK\$'000</i> (Unaudited)	As at 31 March 2019 <i>HK\$'000</i> (Audited)
Within 90 days	10,910	5,322
91–180 days	870	400
Over 180 days	<u>400</u>	<u>200</u>
	12,180	5,922
Less: allowance for impairment of trade receivables	<u>(453)</u>	<u>(112)</u>
	<b><u>11,727</u></b>	<b><u>5,810</u></b>

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

	<b>Six months ended 30 September 2019 HK\$'000 (Unaudited)</b>	For the year ended 31 March 2019 HK\$'000 (Audited)
Beginning of the period/year	<b>112</b>	—
Amount restated through opening retained earnings on adoption of HKFRS 9	—	49
Impairment allowance charged during the period/year	<b>341</b>	63
	<b><u>453</u></b>	<b><u>112</u></b>

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 using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

As at 30 September 2019, a provision of approximately HK\$453,000 (31 March 2019: HK\$112,000) 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 (2018: nil).

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

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

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

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive of the Company should be separate and should not be performed by the same individual. During the Period, the role of the chairman of the Company was performed by Mr. SABINE Martin Nevil. The office of the chief executive of the Company was not filled; Mr. CHOW Wai Hung Kenneth performed the role of managing director of the Company's main operating subsidiary in Hong Kong, Somerley Capital Limited, 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.

### **COMPETING INTERESTS**

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

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

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

## **COMPLIANCE ADVISER’S INTERESTS**

Halcyon Capital Limited acted as the compliance adviser of the Company until 28 June 2019 for which service they received fees. 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) during the Period.

After the completion of the engagement of Halcyon Capital Limited as the compliance adviser of the Company in compliance with rule 6A.19 of the GEM Listing Rules, the Company no longer has an external 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. YUEN Kam Tim Francis and Mr. LAW Cheuk Kin Stephen. Mr. CHENG Yuk Wo is the chairman of the Audit Committee. The primary duties of the Audit Committee are reviewing the annual reports and accounts, half-year reports and quarterly reports of the Group, making recommendations to the Board on the appointment and dismissal of external auditors, providing advice in respect of financial reporting, supervising risk management and internal control systems of the Group, reviewing the effectiveness of the internal audit function and monitoring any continuing connected transactions.

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

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

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

This results announcement is published on the websites of the Stock Exchange ([www.hkgem.com](http://www.hkgem.com)) and the Company ([www.somerleycapital.com](http://www.somerleycapital.com)). The interim report of the Company for the six months ended 30 September 2019 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, 8 November 2019

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

*This announcement will remain on the "Latest Listed Company Information" page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its posting and will also be published on the Company's website at [www.somerleycapital.com](http://www.somerleycapital.com).*