



**SOMERLEY CAPITAL HOLDINGS LIMITED**

**新百利融資控股有限公司**

(Incorporated in the Cayman Islands with limited liability)  
Stock code : 8439

Interim Report  
**2017**

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

**GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

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

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I am pleased to be able to report that the Group has made progress in the first half of this year, its initial full financial year as a public company. Revenue in the second quarter of this financial year was approximately HK\$18.7 million, compared with approximately HK\$16.1 million for the first quarter of this financial year and approximately HK\$15.6 million for the second quarter of the financial year ended 31 March 2017, increases of approximately 16.1% and 19.9% respectively.

Looking at the six months ended 30 September 2017 (the "Period") as a whole, revenue was approximately HK\$34.8 million, as compared to approximately HK\$30.0 million for the first half of the last financial year, an increase of approximately 16.0%.

We continue to recruit additional staff. Employee benefit costs for the Period totalled approximately HK\$24.4 million which compares with approximately HK\$25.8 million for the corresponding period in 2016. However, the 2016 figure includes approximately HK\$5.0 million share-based payments incurred substantially in the context of the Company's IPO. Share-based payments for the Period were approximately HK\$0.4 million. Employee benefit costs rose to approximately HK\$12.4 million for the three months ended 30 September 2017 from approximately HK\$11.0 million for the corresponding period of 2016.

Other operating expenses of approximately HK\$6.9 million for the Period were mainly rental expenses. The figure for the corresponding period of 2016 of approximately HK\$9.8 million included one-off listing expenses of approximately HK\$4.4 million.

As at 30 September 2017, the asset position of the Group remains strong, with consolidated net assets exceeding HK\$100 million for the first time.

Profit before tax for the Period was approximately HK\$3.3 million and after tax was approximately HK\$2.8 million. The losses incurred in 2016 at the corresponding period were mainly due to one-off listing expenses. After adjusting for this factor, I would regard the underlying performance of the Group for the first half of this financial year as reasonably strong compared to corresponding period of last financial year. If this performance continues in the second half of this financial year, we look forward to being able to declare a maiden final dividend for the full financial year ending 31 March 2018.

Yours sincerely,

**Martin Sabine**

# REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

## **TO THE BOARD OF DIRECTORS OF SOMERLEY CAPITAL HOLDINGS LIMITED**

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

### **INTRODUCTION**

We have reviewed the condensed consolidated financial statements of the Group set out on pages 5 to 24, which comprise the condensed consolidated statement of financial position as of 30 September 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standards 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **SCOPE OF REVIEW**

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

## CONCLUSION

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

### **SHINEWING (HK) CPA Limited**

*Certified Public Accountants*

### **Pang Wai Hang**

Practising Certificate Number: P05044

Hong Kong

14 November 2017

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

For the six months ended 30 September 2017

The Board of Directors (the “Board”) of the Company is pleased to present the unaudited condensed financial information of the Group for the Period, together with the unaudited comparative figures for the three months ended 30 September 2016 and audited comparative figures for the six months ended 30 September 2016, as follows:

	Notes	Three months ended 30 September		Six months ended 30 September	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Audited)
Revenue	6	<b>18,732</b>	15,555	<b>34,787</b>	30,027
Other income	7	<b>131</b>	653	<b>202</b>	1,531
		<b>18,863</b>	16,208	<b>34,989</b>	31,558
Employee benefits costs		<b>(12,403)</b>	(10,973)	<b>(24,398)</b>	(25,820)
Fair value gains on financial asset at fair value through profit or loss		<b>319</b>	—	<b>319</b>	—
Depreciation for property and equipment		<b>(195)</b>	(66)	<b>(321)</b>	(123)
Introduction expenses		<b>(268)</b>	(584)	<b>(336)</b>	(608)
Other operating expenses		<b>(4,055)</b>	(3,891)	<b>(6,933)</b>	(9,762)
Profit (loss) before tax	8	<b>2,261</b>	694	<b>3,320</b>	(4,755)
Income tax expense	9	<b>(185)</b>	(519)	<b>(502)</b>	(958)
Profit (loss) and total comprehensive income (expense) for the period attributable to the owners of the Company		<b>2,076</b>	175	<b>2,818</b>	(5,713)
Earnings (loss) per share					
— basic (HK cents)	11	<b>1.50</b>	0.18	<b>2.05</b>	(5.71)
— diluted (HK cents)	11	<b>1.47</b>	0.18	<b>2.01</b>	(5.71)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Notes	<b>As at 30 September 2017 HK\$'000 (Unaudited)</b>	As at 31 March 2017 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property and equipment	12	<b>3,062</b>	1,089
Deferred tax asset		<b>—</b>	38
		<b>3,062</b>	1,127
<b>Current assets</b>			
Amount due from customer for contract work		<b>2,451</b>	—
Trade receivables	13	<b>5,871</b>	10,253
Financial asset at fair value through profit or loss		<b>709</b>	—
Prepayments, deposits and other receivables	13	<b>914</b>	508
Cash and cash equivalents		<b>94,516</b>	90,540
		<b>104,461</b>	101,301
<b>Current liabilities</b>			
Other payables and accruals	14	<b>4,901</b>	4,662
Amount due to ultimate holding company		<b>652</b>	423
Tax payable		<b>707</b>	538
		<b>6,260</b>	5,623
Net current assets		<b>98,201</b>	95,678
Total assets less current liabilities		<b>101,263</b>	96,805

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	<b>As at 30 September 2017 HK\$'000 (Unaudited)</b>	As at 31 March 2017 HK\$'000 (Audited)
	<i>Note</i>	
Non-current liabilities		
Provision for long service payment	<b>318</b>	350
Deferred tax liabilities	<b>295</b>	—
	<b>613</b>	350
Net assets	<b>100,650</b>	96,455
Capital and reserves		
Share capital	<b>1,386</b>	1,350
Reserves	<b>99,264</b>	95,105
Total equity	<b>100,650</b>	96,455

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Share capital HK\$'000	Share premium HK\$'000	Retained earnings HK\$'000	Shareholder contribution reserve HK\$'000	Share option reserve HK\$'000	Other reserve (Note) HK\$'000	Total HK\$'000
At 1 April 2017 (Audited)	1,350	65,180	13,618	4,179	2,228	9,900	96,455
Profit and total comprehensive income for the period	—	—	2,818	—	—	—	2,818
Issues of shares upon exercise of share options	36	2,090	—	—	(1,110)	—	1,016
Recognition of equity-settled share-based payments (note 19)	—	—	—	—	361	—	361
At 30 September 2017 (Unaudited)	<b>1,386</b>	<b>67,270</b>	<b>16,436</b>	<b>4,179</b>	<b>1,479</b>	<b>9,900</b>	<b>100,650</b>
At 1 April 2016 (Audited)	10,000	—	16,425	—	—	—	26,425
Loss and total comprehensive expense for the period	—	—	(5,713)	—	—	—	(5,713)
Issues of shares to ultimate holding company	100	—	—	—	—	—	100
Recognition of equity-settled share-based payments	—	—	—	—	857	—	857
Contribution from shareholder	—	—	—	4,179	—	—	4,179
At 30 September 2016 (Audited)	<b>10,100</b>	<b>—</b>	<b>10,712</b>	<b>4,179</b>	<b>857</b>	<b>—</b>	<b>25,848</b>

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

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	<b>Six months ended 30 September</b>	
	<b>2017 HK\$'000 (Unaudited)</b>	2016 HK\$'000 (Audited)
<b>OPERATING ACTIVITIES</b>		
Profit (loss) before tax	<b>3,320</b>	(4,755)
Adjustments for:		
Depreciation of property and equipment	<b>321</b>	123
Bank interest income	<b>(77)</b>	—
(Reversal of provision) provision for long service payments	<b>(32)</b>	30
Bad debt expenses in respect of trade receivables	<b>180</b>	—
Share-based payment expenses	<b>361</b>	5,036
Fair value gains on financial asset at fair value through profit or loss	<b>(319)</b>	—
Financial and investment advisory service fee income received in the form of equity securities	<b>(390)</b>	—
	<hr/>	<hr/>
Operating cash flow before movements in working capital	<b>3,364</b>	434
Decrease in trade receivables	<b>4,202</b>	1,209
Increase in amount due from customer for contract work	<b>(2,451)</b>	—
Increase in prepayments, deposits and other receivables	<b>(329)</b>	(1,586)
Increase (decrease) in other payables and accruals	<b>239</b>	(5,240)
Decrease in amount due to a fellow subsidiary	<b>—</b>	(94)
Increase in amount due to ultimate holding company	<b>229</b>	—
	<hr/>	<hr/>
Cash generated from (used in) operations	<b>5,254</b>	(5,277)
Hong Kong profits tax paid	<b>—</b>	(930)
	<hr/>	<hr/>
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>	<b>5,254</b>	(6,207)
	<hr/>	<hr/>
<b>NET CASH USED IN INVESTING ACTIVITY</b>		
Purchase of property and equipment	<b>(2,294)</b>	(300)
	<hr/>	<hr/>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
<b>FINANCING ACTIVITIES</b>		
Proceeds from issuance of shares	<b>1,016</b>	—
Dividends paid	—	(8,000)
Decrease in amount due to ultimate holding company	—	(617)
	<hr/>	<hr/>
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>	<b>1,016</b>	(8,617)
	<hr/>	<hr/>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>3,976</b>	(15,124)
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD</b>	<b>90,540</b>	35,881
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD,</b> represented by bank balances and cash	<b>94,516</b>	20,757
	<hr/>	<hr/>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

*For the six months ended 30 September 2017*

## 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 the GEM of the Stock Exchange. Its parent is Somerley Group Limited (“SGL”) and its ultimate beneficial owners during the reporting period are Mr. SABINE Martin Nevil, Mr. CHEUNG Tei Sing Jamie, Mr. FLETCHER John Wilfred Sword and Ms. FONG Sau Man Cecilia. The addresses of the registered office and the principal place of business of the Company are Cricket Square, Hutchison 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 only operating subsidiary is mainly engaged in the provision of corporate finance advisory services.

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

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of Somerley Capital Holdings Limited and its subsidiaries (collectively, the “Group”) for the Period have been prepared in accordance with the applicable disclosure provisions of Chapter 18 of the GEM Listing Rules and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The unaudited condensed consolidated financial statements should read in conjunction with the annual report for the year ended 31 March 2017.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

For the six months ended 30 September 2017

## 3. CHANGE IN ACCOUNTING POLICIES

The Hong Kong Institute of Certified Public Accountants (the “HKICPA”) has issued a number of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

Amendments to HKFRSs	Annual improvements to HKFRSs 2014-2016 Cycles: amendments to HKFRS 12
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The application of the above revised HKFRSs in the current interim period has had no material effect on the Group’s financial performance and positions for the current and prior interim periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

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

The preparation of unaudited condensed consolidated interim financial statement 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 statement, 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 Group’s annual report for the year ended 31 March 2017, except as described below.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

For the six months ended 30 September 2017

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

### Revenue recognition

#### Services contracts

Where the outcome of a service contract can be estimated reliably and it is probable that the contract will be profitable, service revenue is recognised over the period of the contract by reference to the stage of completion of service contract activity at the end of the reporting period.

When the outcome of a service contract cannot be estimated reliably, service revenue is recognised only to the extent of service costs incurred that are likely to be recoverable.

The Group uses the stage of completion method to determine the appropriate amount of revenue and costs to be recognised in a given period, when the underlying services have been rendered or the underlying transactions have been completed, in accordance with the terms of service agreement.

The Group presents as an asset the gross amounts due from customers on services contracts for all services contracts in progress for which service costs incurred plus recognised profits exceed progress billings. Progress billings not yet paid by customers are included within trade receivables.

## 5. SEGMENT INFORMATION

Information reported to the management of the Group, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performances focuses on advisory business. During the Period and the six months ended 30 September 2016, the Group focused on advisory business and all the assets and major revenue are located and derived in Hong Kong. Accordingly, no segment analysis is prepared.

### Information about major customers

No customer accounted for 10% or more of the Group's revenue for the Period and the six months ended 30 September 2016.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

For the six months ended 30 September 2017

## 6. REVENUE

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

	<b>Six months ended 30 September</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Fee income from acting as financial adviser	<b>12,833</b>	7,390
Fee income from acting as independent financial adviser	<b>14,465</b>	17,274
Fee income from acting as compliance adviser	<b>3,339</b>	5,271
Fee income from acting as sponsor and underwriter	<b>4,072</b>	—
Others	<b>78</b>	92
	<b>34,787</b>	30,027

## 7. OTHER INCOME

	<b>Six months ended 30 September</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Exchange gain, net	<b>66</b>	—
Bank interest income	<b>77</b>	—
Management fee income from a fellow subsidiary	—	1,530
Management fee income from the ultimate holding company	<b>59</b>	—
Others	—	1
	<b>202</b>	1,531

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

For the six months ended 30 September 2017

## 8. PROFIT (LOSS) BEFORE TAX

	<b>Six months ended 30 September</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Profit (loss) for the period has been arrived at after charging (crediting):		
Directors' emoluments		
Fees	<b>360</b>	—
Other emoluments	<b>4,968</b>	4,872
Share-based payments	<b>139</b>	2,310
Contributions to retirement benefits scheme	<b>18</b>	18
	<b>5,485</b>	7,200
Other staff costs		
(Reversal of provision) provision for long service payment	<b>18,433</b>	15,613
Share-based payments	<b>(32)</b>	30
Contributions to retirement benefits schemes	<b>222</b>	2,726
	<b>290</b>	251
Total staff costs	<b>24,398</b>	25,820
Auditor's remuneration	<b>206</b>	113
Exchange loss, net	<b>—</b>	2
Bad debt expenses in respect of trade receivables	<b>180</b>	—
Listing expenses	<b>—</b>	4,391
Operating lease rental payments for rented premises	<b>2,915</b>	2,682

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

For the six months ended 30 September 2017

## 9. INCOME TAX EXPENSE

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Audited)
Current tax:		
Hong Kong	169	920
Deferred taxation	333	38
	<hr/>	<hr/>
	<b>502</b>	958

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period.

## 10. DIVIDENDS

The Directors do not recommend the payment of interim dividend for the Period (2016: nil).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

For the six months ended 30 September 2017

## 11. EARNINGS (LOSS) PER SHARE

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

	<b>Six months ended 30 September</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
<b>Earnings (loss)</b>		
Profit (loss) attributable to ordinary equity holders of the parent, used in the basic earnings (loss) per share calculation (HK\$'000):	<b>2,818</b>	(5,713)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings (loss) per share calculation ('000)	<b>137,262</b>	100,000
Effect of dilutive potential ordinary shares ('000)	<b>2,782</b>	—
Weighted average number of ordinary shares in issue during the period, used in the diluted earnings (loss) per share calculation ('000)	<b>140,044</b>	100,000

*Note:* For the six months ended 30 September 2016, the weighted average number of ordinary shares for the purpose of calculating basic loss per share has been taking into account the capitalisation issue pursuant to the group reorganisation (the "Reorganisation") of the Company, as described in the section headed "History and Development — Reorganisation" in the prospectus of the Company dated 15 March 2017 (the "Prospectus").

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

For the six months ended 30 September 2017

## 12. PROPERTY AND EQUIPMENT

During the Period, the Group acquired at cost, furniture and equipment of approximately HK\$2,294,000 (2016: HK\$300,000). During the Period, there was no acquisition of leasehold improvements (2016: nil).

The Group's depreciation expenses during the Period, amounted to approximately HK\$321,000 (2016: HK\$123,000).

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

	<b>As at 30 September 2017 HK\$'000 (Unaudited)</b>	As at 31 March 2017 HK\$'000 (Audited)
Trade receivables	<b>5,871</b>	10,253
Prepayments, deposits and other receivables	<b>914</b>	508

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 net of allowance for impairment presented based on the invoice date which approximates the respective revenue recognition dates at the end of each reporting period. It also represented the ageing analysis of trade receivables which are past due but not impaired, at the end of each reporting period.

	<b>As at 30 September 2017 HK\$'000 (Unaudited)</b>	As at 31 March 2017 HK\$'000 (Audited)
Within 90 days	<b>5,854</b>	8,105
91-180 days	<b>17</b>	2,148
Total	<b>5,871</b>	10,253

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

For the six months ended 30 September 2017

## 13. TRADE RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Trade receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The Group has policy for impairment allowance of trade receivables which is based on the evaluation of collectability and ageing analysis of accounts and on management's judgment, including the current creditworthiness and the past collection history of each client or receivable.

During the Period, trade receivables of approximately HK\$180,000 had been written off directly to profit or loss (2016: nil).

## 14. OTHER PAYABLES AND ACCRUALS

	<b>As at 30 September 2017 HK\$'000 (Unaudited)</b>	As at 31 March 2017 HK\$'000 (Audited)
Bonus payables	<b>3,600</b>	2,216
Other payables	<b>801</b>	1,818
Accruals	<b>500</b>	628
	<b>4,901</b>	4,662

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

For the six months ended 30 September 2017

## 15. SHARE CAPITAL

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

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 21 April 2016 (date of incorporation), 31 March 2017, 1 April 2017 and 30 September 2017	<u>200,000,000</u>	<u>2,000</u>
Issued and fully paid:		
Issued upon incorporation	1	1
Increased during the period ( <i>note i</i> )	9,999,999	99
Share issued upon reorganisation ( <i>note ii</i> )	10,000,000	100
Share issued pursuant to public offering ( <i>note iii</i> )	35,000,000	350
Share issued by capitalisation of the share premium account ( <i>note iii</i> )	<u>80,000,000</u>	<u>800</u>
At 31 March 2017	<u>135,000,000</u>	<u>1,350</u>
At 1 April 2017	135,000,000	1,350
Share issued upon exercise of share options	<u>3,631,888</u>	<u>36</u>
At 30 September 2017	<u>138,631,888</u>	<u>1,386</u>

Notes:

- (i) On 21 April 2016 (date of incorporation), the Company allotted and issued 1 share of HK\$0.01 each. On the same day, the Company allotted and issued 9,999,999 shares of HK\$0.01 each.
- (ii) On 9 March 2017, the Company allotted and issued 10,000,000 shares of HK\$0.01 each upon reorganisation.
- (iii) Pursuant to the written resolutions of the shareholders of the Company passed on 9 March 2017, 80,000,000 shares were issued by way of capitalisation of an amount of HK\$800,000 standing to the credit of the share of premium account of the Company as stated in share capital as detailed in the Prospectus dated 15 March 2017. The Company's shares were listed on the Stock Exchange and 35,000,000 new shares with a nominal value of HK\$0.01 each were issued to the investors by way of public offering at HK\$2.05 each. Gross total proceeds from public offering of HK\$71,750,000, before the share issue expenses of HK\$5,420,000, were credited to the share premium account.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

For the six months ended 30 September 2017

## 16. RELATED PARTY TRANSACTIONS

### (a) Transactions

	<b>Six months ended 30 September</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Somerley International Limited		
— Rental and other premises expenses	—	3,232
— Management fee income	—	1,530
Somerley Group Limited		
— Rental and other premises expenses	<b>3,510</b>	—
— Management fee income	<b>59</b>	—
A director of a fellow subsidiary		
— Introduction expenses	<b>68</b>	608
	<b>68</b>	608

### (b) Balances

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

### (c) Compensation of key management personnel

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

	<b>Six months ended 30 September</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Short-term benefits	<b>5,328</b>	4,872
Share-based payments	<b>139</b>	2,310
Post-employment benefits	<b>18</b>	18
	<b>5,485</b>	7,200

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

For the six months ended 30 September 2017

## 17. COMMITMENTS

	<b>As at 30 September 2017 HK\$'000 (Unaudited)</b>	As at 31 March 2017 HK\$'000 (Audited)
Capital expenditure in respect of acquisition of property and equipment contracted for but not provided in the condensed consolidated financial statements	<b>355</b>	1,800

## 18. MAJOR NON-CASH TRANSACTION

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

## 19. SHARE-BASED PAYMENT TRANSACTIONS

### Pre-IPO Share Option Scheme

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

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

For the six months ended 30 September 2017

## 19. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

### Pre-IPO Share Option Scheme (Continued)

The estimated fair value of the options granted on the grant date is approximately HK\$4,485,000. During the six months ended 30 September 2017, the Group recognised the total expense of approximately HK\$361,000 in relation to share options granted on 19 May 2016 by the Company.

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

#### **For the six months ended 30 September 2017**

Share options granted on 19 May 2016:

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

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

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

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

For the six months ended 30 September 2017

## 19. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

### Pre-IPO Share Option Scheme (Continued)

#### For the six months ended 30 September 2017 (Continued)

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

	Outstanding as at 1 April 2017	Exercised during the Period	Lapsed during the Period	Outstanding as at 30 September 2017
First Vesting Period	4,924,088	(3,512,214)	—	1,411,874
Second Vesting Period	7,297,175	—	(225,250)	7,071,925
	<u>12,221,263</u>	<u>(3,512,214)</u>	<u>(225,250)</u>	<u>8,483,799</u>
Exercisable at the end of the period				<u>1,411,874</u>

## BUSINESS REVIEW

The services of the Group mainly include (i) acting as financial adviser to Hong Kong public listed companies, major shareholders and investors of these companies and parties seeking to control or invest in listed companies in Hong Kong (mostly in transactions which involve the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the GEM Listing Rules and/or the Codes on Takeovers and Mergers and Share Buy-backs (the "Takeovers Codes"), including acting as arranger in connection with the introduction of investors to listed companies in Hong Kong and/or their major shareholders in a takeover transaction; (ii) acting as independent financial adviser to independent board committees and/or independent shareholders of listed companies in Hong Kong; and (iii) acting as compliance adviser, mostly for newly listed companies in Hong Kong. In addition, the Group also acts as sponsor to initial public offering and listings of shares of companies on the Stock Exchange in Hong Kong ("IPO") and has managed and underwritten secondary equity issues in Hong Kong.

Corporate finance advisory business will remain as the core business of the Group and the Group intends to build on its ability to provide high quality corporate finance advisory services. During the Period, financial advisory and independent financial advisory engagements have generated a substantial majority of the Group's revenue. New hires were made to further expand and strengthen the existing corporate finance teams.

Developing a greater equity capital markets capability is complementary to the Group's expansion of its existing corporate finance advisory business. During the Period, the Group has established a new team to develop its sponsorship and IPO business. Revenue from acting as sponsor and underwriter for the Period was approximately HK\$4.1 million (2016: nil).

## FINANCIAL REVIEW

### Revenue

The Group's revenue was primarily derived from (i) advising on transactions or compliance matters under the Listing Rules, the GEM Listing Rules and/or the Takeovers Codes in the capacity of financial advisers; and (ii) giving opinions or recommendations to the independent board committees and/or the independent shareholders of listed companies in the capacity of independent financial advisers.

Total revenue of the Group grew by approximately 16.0% to approximately HK\$34.8 million for the Period from approximately HK\$30.0 million for the six months ended 30 September 2016.

Revenue generated from acting as financial adviser and as independent financial adviser for the Period amounted to approximately HK\$27.3 million (2016: approximately HK\$24.7 million), accounting for approximately 78.4% of the Group's total revenue (2016: approximately 82.3%). These activities are expected to remain as the major sources of the Group's revenue in the immediate future.

Revenue generated from acting as compliance adviser for the Period amounted to approximately HK\$3.3 million (2016: approximately HK\$5.3 million), accounting for approximately 9.5% of the Group's total revenue (2016: approximately 17.7%). The decline in this source of income was due to the expiry as expected of a number of compliance advisory mandates after the annual reports of the relevant companies for the year 2016 were published.

Revenue generated from acting as sponsor and underwriter for the Period amounted to approximately HK\$4.1 million (2016: nil), accounting for approximately 11.8% of the Group's total revenue (2016: nil).

### Other Income

Other income mainly represented management service fee income from Somerley Group Limited, interest income and exchange differences for the Period and management service fee income from Somerley International Limited ("SIL"), a former fellow subsidiary of the Company, for the six months ended 30 September 2016. The significant decrease in other income was mainly due to the cessation of business of SIL in December 2016.

## Employee Benefits Costs

The Group's employee benefits costs primarily consist of salaries, bonus, share-based payments and allowances as well as contributions to the mandatory provident fund for the Directors and employees of the Group. Employee benefits costs decreased to approximately HK\$24.4 million for the Period from approximately HK\$25.8 million for the six months ended 30 September 2016. The net decrease was primarily due to the combined effects of (i) decrease in share-based payments to approximately HK\$0.4 million for the Period from approximately HK\$5.0 million for the six months ended 30 September 2016; (ii) approximately HK\$2.6 million increase in employee benefits costs as a result of an increment in basic salary and additional headcount for the Period; and (iii) approximately HK\$0.6 million increase in accrued bonus.

## Other Operating Expenses

The Group's other operating expenses decreased to approximately HK\$6.9 million for the Period from approximately HK\$9.8 million for the six months ended 30 September 2016. Other operating expenses were mainly rental expenses, travelling expenses, professional fees and other expenses, including utility expenses, building management fees, telecommunication expenses and insurance expenses. The decrease was mainly due to the combined effects of (i) the absence of the one-off listing expenses for the Period (2016: approximately HK\$4.4 million); and (ii) the increase in professional fees, such as printing fees, compliance advisory fees and company secretarial fees, incurred after the Group's listing on GEM of the Stock Exchange on 28 March 2017 (the "Listing").

## Income Tax Expenses

The Group's income tax expenses primarily included provision for Hong Kong current and deferred income tax expenses. The effective tax rate for the Period was approximately 15.1%. Despite a loss before tax of approximately HK\$4.8 million for the six months ended 30 September 2016, income tax expense of approximately HK\$1.0 million was incurred for that period because both share based payment expenses and listing expenses were not deductible for tax purpose in Hong Kong.

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

The Group made a profit before tax for the Period of approximately HK\$3.3 million, compared to a loss of approximately HK\$4.8 million for the corresponding period of the previous year. For the Period, profit attributable to owners of the Company was approximately HK\$2.8 million, as compared to approximately HK\$5.7 million loss attributable to owners of the Company for the six months ended 30 September 2016. The improvement was primarily due to the combined effects of (i) approximately HK\$4.8 million increase in revenue; (ii) approximately HK\$1.4 million decrease in employee benefits costs; and (iii) absence of one-off listing expenses of approximately HK\$4.4 million, but was offset to a degree by the absence of other income from SIL and increase in other operating expenses. The return to profit is welcome and was expected, as the previous losses were principally due to one-off costs associated with the Listing.

## **Liquidity and financial resources**

As at 31 March 2017 and 30 September 2017, the Group had cash and cash equivalents of approximately HK\$90.5 million and HK\$94.5 million respectively.

As at 31 March 2017 and 30 September 2017, the Group had no banking facilities and no borrowings.

As at 31 March 2017 and 30 September 2017, the Group's cash and cash equivalents, except a small aggregate amount of approximately HK\$27,000 and HK\$24,000 respectively in foreign currencies converted for travel purposes (including Renminbi, United States Dollar, Euro, Great Britain Pound and Malaysia Ringgit), were held in Hong Kong dollars.

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

## **Foreign exchange exposure**

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

## **Capital structure**

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

## **Future plans for material investments or capital assets**

As at 31 March 2017 and 30 September 2017, the Group had capital commitments of approximately HK\$1.8 million and approximately HK\$0.4 million respectively, in respect of information technology enhancement for its Hong Kong office. Save for the business plan disclosed in the prospectus of the Company dated 15 March 2017 (the "Prospectus") or otherwise disclosed in this report, the Group did not have any future plans for material investments or capital assets as at 30 September 2017.

## **Material acquisition and disposal of subsidiaries**

During the Period, there were no material acquisitions and disposals of subsidiaries and affiliated companies by the Group (2016: nil).

## **Significant investments**

Except for investments in subsidiaries, the Group did not hold any significant investments during the Period (2016: nil).

## **Charge on assets**

The Group did not have any charges on its assets as at 31 March 2017 and 30 September 2017.

## **Contingent liabilities**

The Group did not have any material contingent liabilities as at 31 March 2017 and 30 September 2017.

## **Gearing ratio**

As at 31 March 2017 and 30 September 2017, the Group did not have any borrowings and hence no gearing ratio was applicable.

## **Dividend**

The Directors do not recommend the payment of any dividend for the Period (2016: nil).

## **Treasury policies**

The credit risk the Group facing 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 2017 and 30 September 2017, the Group employed 36 and 41 employees respectively.

For the Period, employee benefits costs of the Group (including the Directors' emoluments) were approximately HK\$24.4 million (2016: approximately HK\$25.8 million). Remuneration is determined with reference to market terms and the performance, qualifications and experience of employees in order to attract and retain talented employees.

Apart from basic remuneration, share options may be granted under the share option scheme of the Company to eligible employees by reference to the Group's performance as well as the individual's contribution. As disclosed in the Prospectus, the Company adopted the Pre-IPO Share Option Scheme on 11 May 2016 and a post-IPO share option scheme (the "Share Option Scheme") on 9 March 2017 to incentivise and retain staff members who have made contributions to the success of the Group. The Directors believe that the compensation packages offered by the Group to its staff are competitive in comparison with market standards and practices.

## Comparison between business objectives and actual business progress

An analysis comparing the business objectives as stated in the Prospectus with our Group's actual business progress up to 30 September 2017 is set out below:

<u>Business objectives up to 30 September 2017 as stated in the Prospectus</u>	<u>Actual business progress up to 30 September 2017</u>
Expansion of the corporate finance advisory business	The Group has strengthened the existing corporate finance advisory teams by recruiting additional employees and is still in the process of further recruitment.
Development of the equity capital market operations	The Group has established a new team which focuses on equity capital market business and the team is proactively looking for sponsoring and underwriting business opportunities.
Enhancement of the information technology systems of the Group	The Group has taken steps in enhancing its server equipment and implementing its business continuity plan.
Expansion of office	The Group has utilised additional office space for additional employees.

## Use of proceeds

The net proceeds from the Listing were approximately HK\$55.9 million (based on the final public offering price of HK\$2.05 per Share). Accordingly, the Group adjusted the use of proceeds in the same manner as stated in the Prospectus. Details of the application of the net proceeds from the Listing are as follows:

	<b>Adjusted use of proceeds in the same manner as stated in the Prospectus from the Listing to end of the Period HK\$'million</b>	<b>Actual use of proceeds from the Listing to end of the Period HK\$'million</b>
Expansion of corporate finance advisory business	1.3	0.5
Development of the equity capital markets operation (note 1)	16.7	16.2
Enhancement of the information technology systems of the Group (note 2)	4.6	2.3
Expansion of office	0.8	0.4
	<hr/>	<hr/>
	23.4	19.4
	<hr/>	<hr/>

### Notes:

1. A new team which focuses on equity capital market business is currently developing the business. Approximately HK\$15.7 million is reserved for capturing opportunities of underwriting transaction from time to time.
2. Certain stages of business continuity plan and server enhancement were completed during the Period while the remaining stages are postponed to the period from October 2017 to March 2018 due to delay from suppliers and extensive time required for testing.

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

In the event that any part of the business plans of the Group does not materialise or proceed as planned, the Directors will carefully evaluate the situation and may reallocate the intended funding to other business plans and/or to new projects of the Group and/or to hold the funds as short-term interest bearing deposits so long as the Directors consider it to be in the best interest of the Company and the shareholders taken as a whole.

## 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 of 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 should be separate and should not be performed by the same individual. During the Period, the role of the chairman of the Company was performed by Mr. SABINE Martin Nevil ("Mr. Sabine"). The office of the chief executive officer of the Company was not filled; Mr. CHOW Wai Hung Kenneth ("Mr. Chow") performed the role of Managing Director of the Company's only operating subsidiary, Somerley Capital Limited. Within the Company, decisions are made collectively by the executive Directors and are discussed with management from time to time. The Board believes that this arrangement enables the Company to make decisions and implement follow up actions quickly. This arrangement can help achieve the Company's objectives efficiently and effectively in response to the changing environment. The Board also believes that the Company already had a strong corporate governance structure in place to ensure effective oversight of management. The Board will keep reviewing the current structure of the Board from time to time and may make further appointments should candidates with suitable knowledge, skill and experience be identified.

### Directors' Securities Transactions

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

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

## **Competing Interests**

The Directors, controlling shareholders and their respective close associates (as defined in the GEM Listing Rules) are not aware of any competing business that they themselves are currently conducting or is being conducted by their connected or related parties during the Period.

## **Purchase, Sale or Redemption of the Company's Listed Securities**

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

## **Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporations**

As at 30 September 2017, the Directors and chief executive of the Company (the "Chief Executive") and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules were as follows:

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## Long position in ordinary shares of the Company

Name of Directors	Capacity/Nature of interests	Number of ordinary share(s) held	Number of underlying shares held pursuant to share options	Approximate percentage of the total number of issued shares of the Company
Mr. SABINE Martin Nevil	Interest of a controlled corporation	90,997,350 (Note 1)	—	65.64%
	A concert party to an agreement to buy shares described in s317(1)(a)	1,291,440 (Note 2)	—	0.93%
		—	645,717 (Notes 2 & 3)	0.47%
Mr. CHEUNG Tei Sing Jamie ("Mr. Cheung")	Beneficial owner	1,291,440	—	0.93%
		—	645,717 (Note 3)	0.47%
	A concert party to an agreement to buy shares described in s317(1)(a)	90,997,350 (Note 1)	—	65.64%
Mr. CHOW Wai Hung Kenneth	Beneficial owner	3,754,170	—	2.71%
		—	1,877,083 (Note 3)	1.35%

### Notes:

1. Somerley Group Limited ("SGL") is directly interested in 90,997,350 Shares. SGL is wholly-owned by Mr. Sabine, Mr. FLETCHER John Wilfred Sword ("Mr. Fletcher"), Mr. Cheung and Ms. FONG Sau Man Cecilia.
2. Mr. Sabine, Mr. Fletcher and Mr. Cheung are acting in concert in respect of their interests in the Company and therefore each of Mr. Sabine, Mr. Fletcher and Mr. Cheung is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.
3. These share options were granted by the Company on 19 May 2016 under the Pre-IPO Share Option Scheme.

## *Interest in the associated corporations*

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

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

Save as disclosed above, as at 30 September 2017, none of the Directors or Chief Executive and/or any of their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules.

### **Rights to Acquire Shares or Debentures**

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

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

### **Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares and Underlying Shares of the Company**

As at 30 September 2017, substantial shareholders (not being the Directors or Chief Executive) had interests or short positions in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, as follows:

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## Long position in ordinary shares of the Company

Name of substantial shareholders	Capacity/Nature of interests	Number of ordinary share(s) held	Number of underlying shares held pursuant to share options	Approximate percentage of the total number of issued shares of the Company
Somerley Group Limited	Beneficial owner	90,997,350 (Note 1)	—	65.64%
SABINE Maureen Alice ("Mrs. Sabine")	Interest of a spouse	92,288,790 (Note 2)	—	66.57%
		—	645,717 (Note 2)	0.47%
FLETCHER John Wilfred Sword	A concert party to an agreement to buy shares described in s317(1)(a)	92,288,790 (Note 1)	—	66.57%
		—	645,717 (Note 1)	0.47%
FLETCHER Jacqueline ("Mrs. Fletcher")	Interest of a spouse	92,288,790 (Note 3)	—	66.57%
		—	645,717 (Note 3)	0.47%
CHOI Helen Oi Yan ("Mrs. Cheung")	Interest of a spouse	92,288,790 (Note 4)	—	66.57%
		—	645,717 (Note 4)	0.47%

### Notes:

- SGL is directly interested in 90,997,350 Shares and SGL is wholly-owned by Mr. Sabine, Mr. Fletcher, Mr. Cheung and Ms. FONG Sau Man Cecilia. Mr. Sabine, Mr. Fletcher and Mr. Cheung are acting in concert in respect of their interests in the Company and therefore each of Mr. Sabine, Mr. Fletcher and Mr. Cheung is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.
- Mrs. Sabine is the spouse of Mr. Sabine. By virtue of the SFO, Mrs. Sabine is deemed to be interested in the Shares held by Mr. Sabine.
- Mrs. Fletcher is the spouse of Mr. Fletcher. By virtue of the SFO, Mrs. Fletcher is deemed to be interested in the Shares held by Mr. Fletcher.
- Mrs. Cheung is the spouse of Mr. Cheung. By virtue of the SFO, Mrs. Cheung is deemed to be interested in the Shares held by Mr. Cheung.

Save as disclosed above, the Directors and Chief Executive are not aware that there is any party who, as at 30 September 2017, had an interest or short position in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

### SHARE OPTION SCHEME

#### Pre-IPO Share Option Scheme

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

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

- (i) not more than 5,524,294 Shares comprised in the options under the Pre-IPO Share Option Scheme shall vest unto the grantees and become exercisable during the First Vesting Period; and
- (ii) the remaining Shares comprised in the options under the Pre-IPO Share Option Scheme (being not more than 7,537,441 Shares) shall vest unto the grantees and become exercisable during the Second Vesting Period. For the avoidance of doubt, any outstanding and unexercised option at the end of the First Vesting Period shall be carried over to the Second Vesting Period and shall be exercisable during the Second Vesting Period.

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

Name or category of grantees	Date of grant of share options	Exercise Price (HK\$)	Exercise Period	Number of share options					Balance as at 30.09.2017
				Balance as at 01.04.2017	Granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period	
<b>Directors</b>									
CHOW Wai Hung Kenneth	19/5/2016	0.28	Second Vesting Period	1,877,083	—	—	—	—	1,877,083
CHEUNG Tei Sing Jamie	19/5/2016	0.28	Second Vesting Period	645,717	—	—	—	—	645,717
Subtotal				2,522,800	—	—	—	—	2,522,800
<b>Other Employees</b>									
In aggregate	19/5/2016	0.28	First Vesting Period	4,924,088	—	3,512,214 (Note)	—	—	1,411,874
	19/5/2016	0.28	Second Vesting Period	4,774,375	—	—	225,250	—	4,549,125
Total				12,221,263	—	3,512,214	225,250	—	8,483,799

Note:

The weighted average closing price of the Shares immediately before the date(s) of exercise(s) of the share options during the Period was HK\$2.00 per Share.

### Share Option Scheme

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

As at 30 September 2017, the total number of Shares available for issue under the Share Option Scheme is 13,500,000 Shares, representing approximately 9.74% of the total number of issued Shares. Since the adoption of the Share Option Scheme, no share option has been granted under the Share Option Scheme by the Company.

## COMPLIANCE ADVISER'S INTERESTS

By mutual agreement, Somerley Capital Limited ceased to be one of the joint compliance advisers of the Company with effect from 1 September 2017. Halcyon Capital Limited continues its role as the independent compliance adviser of the Company on a sole basis from 1 September 2017 onwards.

Neither Halcyon Capital Limited nor any of its directors or employees or close associates had any interest in the shares of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 30 September 2017.

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

## AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with specific written terms of reference formulated in accordance with the requirements of rules 5.28 to 5.29 of the GEM Listing Rules. The Audit Committee currently consists of all the three independent non-executive Directors, namely Mr. CHENG Yuk Wo, Mr. HIGGS Jeremy James and Mr. YUEN Kam Tim Francis. Mr. CHENG Yuk Wo is the chairman of the Audit Committee. The primary duties of the Audit Committee are mainly 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.

## CHANGES IN INFORMATION OF DIRECTORS

Mr. CHENG Yuk Wo was appointed on 20 October 2017 as an independent non-executive director of Kidsland International Holdings Limited (stock code: 2122), the shares of which are listed on the Main Board of the Stock Exchange commencing from 10 November 2017.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors, the Company has maintained sufficient public float of not less than 25% of the total number of issued Shares worth not less than HK\$30 million pursuant to rule 11.23 of the GEM Listing Rules as at the latest practicable date prior to the issue of this report.

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

Hong Kong, 14 November 2017

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