



# SOMERLEY CAPITAL HOLDINGS LIMITED

**Somerley Capital Holdings Limited**

**新百利融資控股有限公司**

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

**(Stock Code: 8439)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2023**

### **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.*

## FINANCIAL HIGHLIGHTS

- The Group's total revenue decreased by approximately 10.6% to approximately HK\$61.0 million for the year ended 31 March 2023 (the "Year") from approximately HK\$68.2 million for the year ended 31 March 2022.
- Revenue generated from acting as financial adviser ("FA") and as independent financial adviser ("IFA") for the Year amounted to approximately HK\$33.6 million (2022: approximately HK\$41.2 million), accounting for approximately 55.1% of the Group's total revenue (2022: approximately 60.4%).
- Revenue generated from acting as compliance adviser ("CA") for the Year amounted to approximately HK\$27.2 million (2022: approximately HK\$26.5 million), accounting for approximately 44.6% of the Group's total revenue (2022: approximately 38.9%).
- For the Year, the Group recorded a loss before tax of approximately HK\$6.9 million (2022: approximately HK\$3.8 million) and a loss after tax of approximately HK\$7.0 million (2022: approximately HK\$3.9 million). The increase in loss was primarily due to decrease in revenue from corporate finance advisory services, partially offset by decrease in employee benefits costs.
- Net assets decreased to approximately HK\$85.0 million as at 31 March 2023 from approximately HK\$95.4 million as at 31 March 2022 mainly due to the loss for the Year of approximately HK\$7.0 million and distribution of 2021–2022 final dividend of approximately HK\$3.6 million.
- The board of Directors (the "Board") has recommended the payment of a final dividend of HK2.5 cents per share for the Year (2022: HK2.5 cents per share), subject to the approval of the shareholders at the forthcoming annual general meeting. Such proposed dividend will be payable on or around 29 September 2023 to the shareholders whose names appear on the register of members of the Company at close of business on 20 September 2023. The final dividend will absorb approximately HK\$3.6 million (2022: approximately HK\$3.6 million) as at the date of this announcement.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group is an integrated financial services provider licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) and, through its subsidiaries, is principally engaged in providing corporate finance advisory services.

The corporate finance advisory business carried on by Somerley Capital Limited (“SCL”) and Somerley Capital (Beijing) Limited is the Group’s core business segment. The Group’s corporate finance advisory services mainly include (i) acting as financial adviser to Hong Kong public listed companies, major shareholders and investors of these companies and parties seeking to control or invest in listed companies in Hong Kong, mostly in transactions which involve the Rules Governing the Listing of Securities on the Stock Exchange, the GEM Listing Rules and/or the Codes on Takeovers and Mergers and Share Buy-backs; (ii) acting as independent financial adviser to independent board committees and/or independent shareholders of listed companies in Hong Kong; (iii) acting as compliance adviser, for newly listed and existing listed companies in Hong Kong; (iv) acting as sponsor to initial public offerings and listings of shares of companies on the Stock Exchange in Hong Kong and advising on secondary equity issues in Hong Kong; and (v) acting as advisor to the cross-border mergers and acquisitions.

During the Year, the general economic environment for Hong Kong corporate finance advisory business was unhelpful and hence the overall performance of the Group’s corporate finance advisory business segment was not satisfactory. It was impacted by the virtual closure of the border between Hong Kong and China, leading to slow progress of engagements on hand. In addition, we encountered fierce fee competition in the market which has made the business environment even more challenging for the Group.

For the first half of the Year, the Group reported interim results of an approximately 29.3% decrease in revenue and a loss before tax of approximately HK\$9.5 million. The Group has adopted prudent cost control and capital management to mitigate the impact of this loss. The Group has nevertheless maintained its core value of providing quality advisory services to new and recurring clients. The Group has maintained sufficient financial resources and strong balance sheet to fund its ongoing business requirements and its operational and financial obligations. The Group has also implemented measures to control potential credit risks and effectively manage liquidity risks. The Group’s work has borne fruit to a considerable extent. The Group reported an approximately 41.1%

increase in revenue over the first half of the Year and approximately HK\$2.6 million profit before tax for the second half of the Year. As a result, the loss before tax for the Year was reduced to approximately HK\$6.9 million.

	For the year ended 31 March 2023			For the year ended 31 March 2022		
	1st half	2nd half	Year-to-date	1st half	2nd half	Year-to-date
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	<u>25,278</u>	<u>35,725</u>	<u>61,003</u>	<u>35,765</u>	<u>32,410</u>	<u>68,175</u>
Investment (loss) income	(264)	1,333	1,069	131	384	515
Other income and (loss) gain	(367)	633	266	608	783	1,391
Employee benefits costs	(24,626)	(25,381)	(50,007)	(24,829)	(27,860)	(52,689)
Depreciation	(3,979)	(3,909)	(7,888)	(4,967)	(4,214)	(9,181)
Other operating expenses	(4,998)	(5,046)	(10,044)	(5,734)	(5,424)	(11,158)
Others*	<u>(514)</u>	<u>(748)</u>	<u>(1,262)</u>	<u>(754)</u>	<u>(57)</u>	<u>(811)</u>
(Loss) profit before tax	<u>(9,470)</u>	<u>2,607</u>	<u>(6,863)</u>	<u>220</u>	<u>(3,978)</u>	<u>(3,758)</u>

\* Included share of losses of associates, finance costs, and impairment losses recognised in respect of intangible asset and trade receivables.

During the Year, the Group recorded a loss before tax of approximately HK\$6.9 million (2022: approximately HK\$3.8 million). The increase in loss was primarily due to a decrease in revenue from corporate finance advisory services, partially offset by a decrease in employee benefits costs. The corporate finance advisory business segment recorded revenue of approximately HK\$61.0 million (2022: approximately HK\$68.2 million) and a segment loss before tax of approximately HK\$3.5 million (2022: approximately HK\$0.5 million) for the Year mainly due to the decrease in revenue as a result of broadly unhelpful conditions for Hong Kong corporate finance advisory services and fee competition. A segment loss before tax of approximately HK\$1.3 million (2022: approximately HK\$1.5 million) was incurred by the Group's asset management business, carried on by Environmental Investment Services Asia Limited ("EISAL"), during the Year, and in view of current market conditions, the Group has been proceeding cautiously in re-activating its asset management business.

## FINANCIAL REVIEW

### Revenue

The Group continued to derive its revenue primarily from its corporate finance advisory services and it recognised total revenue of approximately HK\$61.0 million for the Year (2022: approximately HK\$68.2 million), representing a year-on-year decrease of approximately 10.6%.

Revenue generated from acting as FA and as IFA for the Year amounted to approximately HK\$33.6 million (2022: approximately HK\$41.2 million), accounting for approximately 55.1% of the Group's total revenue (2022: approximately 60.4%). The decrease is mainly due to unhelpful conditions for corporate finance advisory businesses and fierce fee competition.

Revenue generated from acting as CA for the Year amounted to approximately HK\$27.2 million (2022: approximately HK\$26.5 million), accounting for approximately 44.6% of the Group's total revenue (2022: approximately 38.9%). During the Year, CA activities have provided a stable source of income to the Group, complementing the more fluctuating corporate finance advisory income.

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

### Investment Income, Other Income and Gain, Net

Investment income represents interest income, dividend income, and trading gain (loss) in respect of the Group's proprietary trading under its liquidity management.

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Investment income</b>		
Interest income	<b>662</b>	217
Dividends from financial assets at fair value through profit or loss	<b>223</b>	—
Fair value gain of financial assets at fair value through profit or loss	<b>184</b>	298
	<u><b>1,069</b></u>	<u>515</u>

Other income and gain, net mainly represents management service fee income from Somerley Group Limited (“SGL”), rental income and reimbursement of other premise expenses from SGL and net exchange difference.

## Employee Benefits Costs

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

	For the year ended 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees, salaries, allowances and other benefits	<b>47,926</b>	48,614
Discretionary bonuses	<b>963</b>	2,985
Contributions to the retirement benefits scheme	<b>1,118</b>	1,090
	<b><u>50,007</u></b>	<b><u>52,689</u></b>

Employee benefits costs decreased by approximately 5.1% to approximately HK\$50.0 million for the Year from approximately HK\$52.7 million for the year ended 31 March 2022. This decrease was primarily due to the receipt of the government grant of approximately HK\$1.0 million from the Employment Support Scheme for the Year and the decrease in discretionary bonuses.

## Depreciation and Other Operating Expenses

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

Other operating expenses mainly consist of recurring GEM listing expenses, travelling expenses, professional fees and other expenses, including utility expenses, building management fees, telecommunication expenses, information technology related expenses, data intelligence service subscription fees and insurance expenses, including for the Group's medical scheme for employees.

	<b>For the year ended</b>	
	<b>31 March</b>	
	<b>2023</b>	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property and equipment	<b>723</b>	1,004
Depreciation of right-of-use assets	<b>7,165</b>	8,177
	<b>7,888</b>	9,181
Other premises expenses	<b>2,006</b>	2,018
Introduction expenses	<b>294</b>	1,019
Recurring GEM listing expenses (excluding remuneration of independent non-executive directors)	<b>1,791</b>	1,556
Others	<b>5,953</b>	6,565
	<b>17,932</b>	20,339

The Group's depreciation and other operating expenses decreased by approximately 11.8% to approximately HK\$17.9 million for the Year from approximately HK\$20.3 million for the year ended 31 March 2022. The decrease was mainly due to the decrease in depreciation of right-of-use assets due to the lower rental on the Group's office premises in Hong Kong after renewal of the lease for a further three years from 1 July 2021.

#### **Income tax expense**

The Group's income tax expense primarily includes provisions for Profits Tax in Hong Kong and Corporate Income Tax in the People's Republic of China, and deferred income tax expenses.

#### **Loss for the Year**

For the Year, the Group recorded a loss before tax of approximately HK\$6.9 million (2022: approximately HK\$3.8 million) and a loss after tax of approximately HK\$7.0 million (2022: approximately HK\$3.9 million). The increase in loss was primarily due to decrease in revenue from corporate finance advisory services, partially offset by decrease in employee benefits costs.

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

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

As at 31 March 2023, the Group's net current assets amounted to approximately HK\$74.5 million (2022: approximately HK\$83.9 million), and liquidity as represented by its current ratio was approximately 8.7 times (2022: approximately 9.7 times). Cash and cash equivalents amounted to approximately HK\$63.5 million as at 31 March 2023 (2022: approximately HK\$75.0 million). The functional currency of the Group is Hong Kong dollars. As at 31 March 2023, approximately HK\$1.6 million of the Group's cash and cash equivalents was denominated in other currencies (2022: approximately HK\$16.7 million), principally Renminbi and United States Dollars.

The Group's equity consists of ordinary shares of the Company (the "Shares"). During the Year, net proceeds of approximately HK\$0.2 million (2022: approximately HK\$0.1 million) was raised by issue of new Shares pursuant of the exercise of share options. The Group had neither banking facilities nor borrowings as at 31 March 2022 and 2023.

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

### **Foreign Exchange Exposure**

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

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

The Group had no material capital commitment as at 31 March 2023 (2022: nil). Save for the business plan disclosed in the prospectus of the Company dated 15 March 2017 (the "Prospectus"), the announcement of the change in use of proceeds published on 22 June 2018, or as otherwise disclosed in this announcement, the Group did not have plans for material investments or capital assets as at 31 March 2023 and up to the date of this announcement.

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

## **Significant Investments**

Except for investments in subsidiaries and interests in associates, the Group did not hold any significant investments during the Year.

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

As at 31 March 2023, the Group did not have any charges on its assets (2022: nil) or material contingent liabilities (2022: nil).

## **Gearing Ratio**

As at 31 March 2023, the Group did not have any borrowings (2022: nil) and hence a gearing ratio (a ratio of total borrowings to total assets) is not applicable.

## **Dividend**

The board of Directors (the “Board”) has recommended the payment of a final dividend of HK2.5 cents per Share for the Year (2022: HK2.5 cents per Share), subject to the approval of the shareholders at the forthcoming annual general meeting.

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

The net proceeds from the Group’s listing on GEM of the Stock Exchange on 28 March 2017 (the “Listing”) were approximately HK\$55.9 million and approximately HK\$27.7 million was utilised for the year ended 31 March 2018. On 22 June 2018, the Group announced a change in use of net proceeds of approximately HK\$28.2 million. As at 31 March 2023, the business objectives as stated in the Prospectus and the announcement of the change in use of proceeds published on 22 June 2018 were accomplished and the net proceeds from the Listing were fully utilised.

The breakdown of net proceeds utilised from the date of the Listing up to 31 March 2022, net proceeds utilised for the Year and net proceeds unutilised as of 31 March 2023 are set out as follows:

	Net proceeds utilised from the date of the Listing up to 31 March 2022 <i>HK\$'million</i> (approximately)	Net proceeds utilised for the year ended 31 March 2023 <i>HK\$'million</i> (approximately)	Net proceeds unutilised as of 31 March 2023 <i>HK\$'million</i> (approximately)	Expected timeline for utilising the unutilised net proceeds
Expansion of the corporate finance advisory business	6.3	—	—	N/A
Expansion of the equity capital markets operations	24.5	—	—	N/A
Enhancement of the information technology systems of the Group	4.5	1.1	—	N/A, fully utilised by 31 March 2023.
Expansion of office	3.5	—	—	N/A
General working capital	4.0	—	—	N/A
Exploration of new investment opportunities	12.0	—	—	N/A
	<u>54.8</u>	<u>1.1</u>	<u>—</u>	

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

## Principal Risks and Uncertainties

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

- (i) The main operating subsidiary of the Group at present is SCL and any material disruptions to the business of SCL would adversely affect the business, results of operations and financial position of the Group;
- (ii) The revenue of the Group is difficult to predict and may be volatile in any given reporting period owing to market conditions affecting the pipeline of transactions and the timing of transaction completions and hence recognition of revenue;
- (iii) Profit margins may be squeezed both by competition driving down fee levels and inflation increasing operating costs;
- (iv) Delays or terminations of transactions or defaults or delays in payments by clients may have an adverse impact on the Group's financial performance;
- (v) SCL is reliant on key management personnel to conduct its business. Failure to retain and motivate them or to attract suitable replacements would have an adverse impact on operations;
- (vi) The Group may be exposed to risks from equity capital markets business in cases where securities underwritten by the Group are undersubscribed or placing exercises fail to complete. No underwriting obligations were outstanding as at 31 March 2023;
- (vii) The trademark used by SCL is subject to the trademark usage agreement and such non-exclusive trademark may be adversely affected by acts of SGL;
- (viii) Potential employee misconduct could damage the Group's reputation, financial position and current and future business relationships with clients;
- (ix) Potential exposure to professional liability and litigation;
- (x) Future business plans may or may not materialise or may not materialise in full;
- (xi) The Group's internal control system may be subject to failures and limitations;
- (xii) The Group may experience failure in or disruption to its computer systems and data storage;
- (xiii) The Group is operating in a strictly regulated business environment, and any non-compliance with rules and regulations may have material and adverse impact and consequences;

- (xiv) The corporate finance industry in Hong Kong has a significant number of existing participants and potential new entrants, and is in general highly competitive; and
- (xv) The Group may incur losses as it invests time and funds into funding new projects for its asset management business and into developing its STO business.

### **Treasury Policies**

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

### **Employees and Remuneration Policies**

As at 31 March 2023, the Group employed 48 employees (2022: 48).

For the Year, employee benefits costs of the Group (including the Directors' emoluments) were approximately HK\$50.0 million (2022: approximately HK\$52.7 million). Remuneration is determined with reference to market terms, the financial results of the Group and the performance, qualifications and experience of employees. Apart from basic remuneration, share options may be granted under the share option scheme of the Company to eligible employees by reference to the Group's performance as well as the individual's contribution. The Directors believe that the compensation packages offered by the Group to its staff are competitive in comparison with market standards and practices. The Group has also developed training programs for its management and employees to ensure they remain properly trained.

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

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

## **OUTLOOK AND PROSPECTS**

After an encouraging rally in the early months of 2023, the Hong Kong stock market has faltered to some extent. The Directors detect an element of caution on the part of overseas investors and institutions committing funds to the Greater China stock markets, despite some compelling valuations. This has had a dampening effect on the confidence level of certain of the Group's clients and their ability to finance transactions. In addition, the Group's CA income tends to experience a seasonal drop from April in each year. Most of the Group's CA clients have December year ends and for a significant number the CA period has ceased after the 2022 annual accounts were published. Although CA income should increase later in the year, it seems unlikely that the Group's revenue for the first quarter of 2023–24, covering April to June 2023, will match the monthly rate achieved in the second half of 2022–23. Nevertheless, the Group's pipeline contains some interesting and important transactions and the Directors can reasonably hope for a pick-up in activity as the year proceeds.

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

*For the year ended 31 March 2023*

		2023	2022
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	61,003	68,175
Investment income	5	1,069	515
Other income and gain, net	5	266	1,391
Employee benefits costs		(50,007)	(52,689)
Depreciation		(7,888)	(9,181)
Share of losses of associates		(181)	(4)
Finance costs on lease liabilities		(342)	(362)
Impairment loss recognised in respect of intangible asset	12	(200)	—
Impairment loss recognised in respect of trade receivables	13	(539)	(445)
Other operating expenses		<u>(10,044)</u>	<u>(11,158)</u>
Loss before tax	6	(6,863)	(3,758)
Income tax expense	7	<u>(90)</u>	<u>(98)</u>
Loss for the year		(6,953)	(3,856)
<i>Other comprehensive (loss) income</i>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		<u>(36)</u>	<u>17</u>
Total comprehensive loss for the year		<u><u>(6,989)</u></u>	<u><u>(3,839)</u></u>
Loss for the year attributable to:			
Owners of the Company		(6,821)	(3,637)
Non-controlling interests		<u>(132)</u>	<u>(219)</u>
		<u><u>(6,953)</u></u>	<u><u>(3,856)</u></u>

	<i>NOTES</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Total comprehensive loss for the year attributable to:			
Owners of the Company		<b>(6,857)</b>	(3,620)
Non-controlling interests		<u>(132)</u>	<u>(219)</u>
		<b><u>(6,989)</u></b>	<b><u>(3,839)</u></b>
Loss per share			
— basic and diluted ( <i>HK cents</i> )	<i>9</i>	<b><u>(4.79)</u></b>	<b><u>(2.56)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	NOTES	2023 HK\$'000	2022 HK\$'000
Non-current assets			
Property and equipment		2,094	1,787
Right-of-use assets	10	10,043	14,860
Goodwill	11	—	—
Intangible asset	12	1,300	1,500
Interests in associates		599	776
Rental deposits	13	2,305	2,071
Financial asset at fair value through profit or loss	14	—	1,566
Deferred tax assets		83	104
		<u>16,424</u>	<u>22,664</u>
Current assets			
Trade receivables	13	12,042	5,637
Prepayments, deposits and other receivables	13	6,555	8,480
Financial assets at fair value through profit or loss	14	1,705	3,817
Tax recoverable		368	546
Cash and cash equivalents		63,540	75,028
		<u>84,210</u>	<u>93,508</u>
Current liabilities			
Contract liability		188	181
Other payables and accruals		2,255	1,754
Amount due to an associate		57	763
Lease liabilities	10	7,219	6,917
Tax payable		5	—
		<u>9,724</u>	<u>9,615</u>
Net current assets		<u>74,486</u>	<u>83,893</u>
Total assets less current liabilities		<u>90,910</u>	<u>106,557</u>

	<i>NOTES</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current liabilities			
Lease liabilities	<i>10</i>	<b>3,164</b>	8,366
Provision for long service payment		<b>267</b>	230
Provision for reinstatement cost		<b>2,300</b>	2,300
Deferred tax liabilities		<b>214</b>	247
		<u><b>5,945</b></u>	<u>11,143</u>
Net assets		<u><b>84,965</b></u>	<u>95,414</u>
Capital and reserves			
Share capital	<i>15</i>	<b>1,434</b>	1,424
Treasury shares	<i>15</i>	<b>(73)</b>	—
Reserves		<b>83,479</b>	93,733
Equity attributable to owners of the Company		<b>84,840</b>	95,157
Non-controlling interests		<b>125</b>	257
Total equity		<u><b>84,965</b></u>	<u>95,414</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2023*

### 1. GENERAL

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

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

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

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

In the current year, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) which are effective for the Company’s financial year beginning on 1 April 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Example accompanying HKFRS 16 and HKAS 41

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

## New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 and Non-current Liabilities with Covenants <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024.

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

Except for the new and amendments to HKFRSs mentioned below, the directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 12 narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 “Income Taxes” so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

For leasing transactions in which the tax deductions are attributable to the lease liabilities and for transactions in which provisions for reinstatement are recognised with the corresponding amounts recognised as part of the cost of the related assets, the Group applies HKAS 12 requirements to the relevant assets and liabilities separately. Temporary differences on initial recognition of the relevant assets and liabilities are not recognised due to application of the initial recognition exemption.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 April 2023. At 31 March 2023, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to approximately HK\$10,043,000 and HK\$10,383,000 respectively, in which the Group will recognise the related deferred tax assets and deferred tax liabilities of approximately HK\$1,657,000 and HK\$1,713,000 respectively.

### 3. SEGMENT INFORMATION

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

During the years ended 31 March 2023 and 2022, the directors of the Company have organised the Group into different segments by types of services provided.

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

1. Corporate finance advisory service
2. Asset management service

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

	For the year ended 31 March 2023			For the year ended 31 March 2022		
	Corporate finance advisory service <i>HK\$'000</i>	Asset management service <i>HK\$'000</i>	Total <i>HK\$'000</i>	Corporate finance advisory service <i>HK\$'000</i>	Asset management service <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>61,003</u>	<u>—</u>	<u>61,003</u>	<u>68,175</u>	<u>—</u>	<u>68,175</u>
Segment loss	(3,514)	(1,319)	(4,833)	(492)	(1,465)	(1,957)
Investment income			894			409
Share of losses of associates			(181)			(4)
Finance costs			(19)			(28)
Corporate and other unallocated expenses			<u>(2,724)</u>			<u>(2,178)</u>
Loss before tax			<u>(6,863)</u>			<u>(3,758)</u>

The account policies of the operating segments are the same as the Group's accounting policies. Segment loss represents the loss from each segment without allocation of share of result of associates, certain interest income, certain finance costs and central administration costs. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment. No analysis of segment asset and segment liability is presented as the chief operating decision maker no longer regularly reviews such information for the purpose of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

## Other segment information

For the year ended 31 March 2023	Corporate finance advisory service <i>HK\$'000</i>	Asset management service <i>HK\$'000</i>	Corporate <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment profit or loss:				
Depreciation of property and equipment	707	5	11	723
Depreciation of right-of-use assets	6,518	211	436	7,165
Impairment loss recognised in respect of trade receivables	539	—	—	539
Impairment loss recognised in respect of intangible asset	—	200	—	200
Interest income	175	—	487	662
Finance costs on lease liabilities	314	9	19	342

For the year ended 31 March 2022	Corporate finance advisory service <i>HK\$'000</i>	Asset management service <i>HK\$'000</i>	Corporate <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment profit or loss:				
Depreciation of property and equipment	917	—	87	1,004
Depreciation of right-of-use assets	7,221	331	625	8,177
Impairment loss recognised in respect of trade receivables	445	—	—	445
Interest income	109	—	108	217
Finance costs on lease liabilities	330	4	28	362

## Geographical information

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

## Information about major customers

No customer accounted for 10% or more of the Group's revenue for the years ended 31 March 2023 and 2022.

#### 4. REVENUE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Corporate finance advisory fee income</b>		
— from acting as financial adviser	14,337	19,930
— from acting as independent financial adviser	19,217	21,274
— from acting as compliance adviser	27,175	26,471
— others	274	500
	<u>61,003</u>	<u>68,175</u>

The Group derived all revenue from corporate finance advisory fee income over time.

#### Transaction price allocated to the remaining performance obligations

As at 31 March 2023, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately HK\$23,543,000 (2022: HK\$27,332,000). The amount represents revenue expected to be recognised in the future from corporate finance advisory services as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Remaining performance obligations expected to be satisfied:</b>		
from 1 April 2022 to 31 March 2023	—	24,507
from 1 April 2023 to 31 March 2024	21,661	2,825
from 1 April 2024 to 31 March 2025	1,882	—
	<u>23,543</u>	<u>27,332</u>

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

**5. INVESTMENT INCOME AND OTHER INCOME AND GAIN, NET**

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Investment income</b>		
Interest income	662	217
Dividends from financial assets at fair value through profit or loss	223	—
Fair value gain of financial assets at fair value through profit or loss	184	298
	<u>1,069</u>	<u>515</u>
	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Other income and gain, net</b>		
Management fee income from ultimate holding company	180	174
Office sharing income and reimbursement of other premises expenses from ultimate holding company	773	750
Exchange (loss) gain, net	(728)	466
Other	41	1
	<u>266</u>	<u>1,391</u>

## 6. LOSS BEFORE TAX

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss before tax has been arrived at after charging:		
Directors' emoluments	10,724	11,082
Other employee's emoluments		
Salaries, allowances and benefits in kind ( <i>note</i> )	37,201	37,468
Discretionary bonuses	963	2,985
Contributions to retirement benefits scheme	1,082	1,054
Provision for long service payment	37	100
	<u>50,007</u>	<u>52,689</u>
Total employee benefits costs		
Auditor's remuneration	451	435
Depreciation for property and equipment	723	1,004
Depreciation for right-of-use assets	7,165	8,177
Impairment loss recognised in respect of trade receivables	539	445
Impairment loss recognised in respect of intangible asset	200	—
	<u>200</u>	<u>—</u>

*Note:* Wage subsidies of approximately HK\$1,032,000 (2022: nil) granted from the Employment Support Scheme under the Anti-Epidemic Fund for the use of paying wages of employees had been recognised during the year ended 31 March 2023. The amounts had been offset with the employee benefits costs.

## 7. INCOME TAX EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current income tax:		
Hong Kong	47	71
People's Republic of China	5	—
Under (over) provision in prior years:		
Hong Kong	54	72
People's Republic of China	(4)	(68)
Deferred taxation	<u>(12)</u>	<u>23</u>
	<u>90</u>	<u>98</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. For the years ended 31 March 2023 and 2022, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

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

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

	<b>2023</b> <i>HK\$’000</i>	2022 <i>HK\$’000</i>
Loss before tax	<u><b>(6,863)</b></u>	<u>(3,758)</u>
Tax at domestic income tax rate of 16.5% (2022: 16.5%)	<b>(1,132)</b>	(620)
Tax effect of expenses not deductible	<b>175</b>	38
Tax effect of income not taxable for tax purpose	<b>(327)</b>	(162)
Under provision in respect of prior years	<b>50</b>	4
Tax effect of tax loss not recognised	<b>1,344</b>	928
Tax effect of deductible temporary difference not recognised	<b>26</b>	—
Utilisation of tax losses previously not recognised	—	(19)
Tax effect of different tax rates of a subsidiary operating in other jurisdiction	—	(1)
Tax effect of two tier profits tax rates regime	<u><b>(46)</b></u>	<u>(70)</u>
Income tax expense	<u><b>90</b></u>	<u>98</u>

At the end of the reporting period, the Group has estimated tax losses of approximately HK\$32,911,000 (2022: HK\$24,781,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax asset has not been recognised due to the unpredictability of future profit streams. As at 31 March 2023, the unrecognised tax losses of approximately HK\$225,000 (2022: HK\$243,000) will expire within five years and the remaining tax losses may be carried forward indefinitely.

## 8. DIVIDENDS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
— 2022 Final — HK2.5 cents (2022: 2021 final dividend — HK3.8 cents) per share	<u>3,558</u>	<u>5,395</u>

Subsequent to the end of the reporting period, a final dividend of HK2.5 cents (2022: HK2.5 cents) per share in respect of the year ended 31 March 2023 has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

## 9. LOSS PER SHARE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss		
Loss attributable to owners of the Company, used in the basic and diluted loss per share calculation:	<u>(6,821)</u>	<u>(3,637)</u>
	<b>Number of shares</b>	
	2023	2022
Shares		
Weighted average number of ordinary shares during the year used in the basic and diluted loss per share calculation ('000)	<u>142,497</u>	<u>142,002</u>

*Note:* For the years ended 31 March 2023 and 2022, diluted loss per share is same as basic loss per share. The computation of diluted loss per share does not assume the exercise of the Company's outstanding share options since their assumed exercise would result in a decrease in loss per share.

## 10. LEASES

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Land and buildings	<u>10,043</u>	<u>14,860</u>

The Group has lease arrangements for land and buildings. The lease terms are three years (2022: generally ranged from two to three years). The payment terms of lease are fixed with no extension option.

Additions to the right-of-use assets for the year ended 31 March 2023 amounted to approximately HK\$2,173,000 (2022: HK\$19,322,000), due to renewal of existing leases of land and buildings.

### (ii) Lease liabilities

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Analysed as:		
— non-current	3,164	8,366
— current	<u>7,219</u>	<u>6,917</u>
	<u>10,383</u>	<u>15,283</u>

Amounts payable under lease liabilities:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within one year	7,219	6,917
After one year but within two years	2,555	6,552
After two years but within five years	<u>609</u>	<u>1,814</u>
	10,383	15,283
Less: Amount due for settlement within 12 months	<u>(7,219)</u>	<u>(6,917)</u>
Amount due for settlement after 12 months	<u>3,164</u>	<u>8,366</u>

The incremental borrowing rates used for determination of the present value of the remaining lease payments were ranged from 2.30% to 10.97% per annum.

(iii) Amounts recognised in profit or loss

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Depreciation expense on right-of-use assets	7,165	8,177
Interest expenses on lease liabilities	<u>342</u>	<u>362</u>

(iv) Others

During the year ended 31 March 2023, the total cash outflow for leases including interest paid on lease liabilities and payment of lease liabilities amounted to approximately HK\$7,472,000 (2022: HK\$8,184,000).

11. GOODWILL

	<i>HK\$'000</i>
<b>COST</b>	
At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023	<u>1,123</u>
<b>IMPAIRMENT</b>	
At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023	<u>1,123</u>
<b>CARRYING VALUE</b>	
At 31 March 2023	<u>—</u>
At 31 March 2022	<u>—</u>

For the purposes of impairment testing, goodwill set out above has been allocated to the CGU, relating to the asset management segment.

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

## 12. INTANGIBLE ASSET

HK\$'000

### COST

At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023 9,000

### IMPAIRMENT

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

Impairment loss recognised during the year 200

At 31 March 2023 7,700

### CARRYING VALUE

At 31 March 2023 1,300

At 31 March 2022 1,500

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

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

As at 31 March 2023 and 2022, the management of the Group conducted an impairment assessment on intangible asset which has been allocated to the CGUs, relating to the asset management service segment. An independent valuer, Fairdex Valuation Advisory Limited was engaged by the management of the Group to assess the recoverable amount of intangible asset with reference to the fair value less cost of disposal based on Level 3 hierarchy using replacement cost approach with key assumptions in relation to labour expense. Such estimation is based on the unit’s past experience and management’s expectations for the market and regulatory development. As at 31 March 2023, the carrying amounts of the intangible asset have been reduced to their recoverable amounts and impairment losses of HK\$200,000 (2022: nil) was recognised during the year with reference to the fair value less cost of disposal. The carrying amounts of intangible asset after impairment amounted to HK\$1,300,000 (2022: HK\$1,500,000).

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables ( <i>note</i> )	13,112	6,168
Less: Impairment allowance ( <i>note</i> )	<u>(1,070)</u>	<u>(531)</u>
	<b><u>12,042</u></b>	<b><u>5,637</u></b>

As at 1 April 2022, the gross amount of trade receivables arising from contracts with customers amounted to approximately HK\$8,152,000.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Prepayments, deposits and other receivables: Analysed as:		
— non-current assets (rental deposits)	2,305	2,071
— current assets	<u>6,555</u>	<u>8,480</u>
	<b><u>8,860</u></b>	<b><u>10,551</u></b>

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Deposits and other receivables	2,530	2,398
Prepayments	1,327	1,475
Receivables from brokers	<u>5,003</u>	<u>6,678</u>
	<b><u>8,860</u></b>	<b><u>10,551</u></b>

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

*Note:*

The trade receivables are, in general, due upon the issuance of invoices. The Group does not hold any collateral over these balances. The following is an ageing analysis of trade receivables net of allowance for impairment of trade receivables presented based on the invoice date.

	<b>2023</b>	2022
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within 90 days	<b>9,855</b>	5,027
91–180 days	<b>1,862</b>	388
Over 180 days	<b>325</b>	222
	<hr/>	<hr/>
Total	<b>12,042</b>	5,637
	<hr/> <hr/>	<hr/> <hr/>

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

**At 31 March 2023**

	<b>Weighted average expected loss rate %</b>	<b>Gross carrying amount <i>HK\$'000</i></b>	<b>Loss allowance <i>HK\$'000</i></b>
Less than 90 days past due	<b>1.03</b>	<b>9,958</b>	<b>103</b>
91–180 days past due	<b>6.21</b>	<b>1,985</b>	<b>123</b>
181–270 days past due	<b>42.85</b>	<b>565</b>	<b>242</b>
271–365 days past due	<b>86.43</b>	<b>15</b>	<b>13</b>
More than 365 days past due	<b>100.00</b>	<b>589</b>	<b>589</b>
		<hr/>	<hr/>
		<b>13,112</b>	<b>1,070</b>
		<hr/> <hr/>	<hr/> <hr/>

**At 31 March 2022**

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

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

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
At the beginning of the year	<b>531</b>	666
Impairment losses recognised on trade receivables	<b>539</b>	445
Amount written-off as uncollectible	—	(580)
At the end of the year	<u><b>1,070</b></u>	<u>531</u>

During the year ended 31 March 2022, trade receivables of approximately HK\$580,000 were written off. The Group writes off trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. None of the trade receivables that have been written off is subject to enforcement activities.

**14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Financial assets mandatorily measured at fair value through profit or loss		
— Listed equity securities, Hong Kong	<b>1,705</b>	3,817
— Investment in unlisted convertible note	—	1,566
	<u><b>1,705</b></u>	<u>5,383</u>

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Analysed as:		
— non-current assets	—	1,566
— current assets	<u>1,705</u>	<u>3,817</u>
	<u><u>1,705</u></u>	<u><u>5,383</u></u>

In July 2021, the Company subscribed convertible note bearing 5% coupon rate with principal amount of US\$200,000 (equivalent to approximately HK\$1,554,000) issued by an independent third party, Aspen Digital Limited, a private company engaged in digital assets management platform, maturing in January 2023. The fair value of the convertible note approximated to US\$200,000 (equivalent to approximately HK\$1,566,000) as at 31 March 2022, which was measured by an independent valuer. The convertible note was fully redeemed in January 2023.

## 15. SHARE CAPITAL

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

	<b>Number of shares '000</b>	<b>Amount <i>HK\$'000</i></b>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023	<u>200,000</u>	<u>2,000</u>
Issued and fully paid:		
At 1 April 2021	141,859	1,419
Exercise of share options ( <i>note i</i> )	<u>496</u>	<u>5</u>
At 31 March 2022 and 1 April 2022	142,355	1,424
Exercise of share options ( <i>note ii</i> )	<u>1,051</u>	<u>10</u>
At 31 March 2023	<u><u>143,406</u></u>	<u><u>1,434</u></u>

Details of the treasury shares of the Company are as follows:

	<b>Number of shares repurchased '000</b>	<b>Amount HK\$'000</b>
At 1 April 2021, 31 March 2022 and 1 April 2022	—	—
Shares repurchased but not yet cancelled ( <i>note iii</i> )	<u>94</u>	<u>1</u>
At 31 March 2023	<u><u>94</u></u>	<u><u>1</u></u>

*Notes:*

- (i) During the year ended 31 March 2022, share options were exercised at subscription price of approximately HK\$0.21 per ordinary share, resulting in the issue of 495,883 ordinary shares for proceeds of approximately HK\$105,000. An amount of approximately HK\$169,000 was transferred from share option reserve to the share premium account upon exercise of the share options.
- (ii) During the year ended 31 March 2023, share options were exercised at subscription price of approximately HK\$0.16 per ordinary share, resulting in the issue of 1,051,201 ordinary shares for proceeds of approximately HK\$171,000. An amount of approximately HK\$391,000 was transferred from share option reserve to the share premium account upon exercise of the share options.
- (iii) In accordance with a shareholders' resolution passed by the shareholders of the Company at the annual general meeting held on 23 August 2022, the directors of the Company were granted a general mandate to repurchase shares not exceeding 10% of its issued shares as at the date of passing that resolution. A total of 94,000 shares were repurchased by the Company at a total consideration of approximately HK\$73,000 during the year ended 31 March 2023. All 94,000 repurchased shares were subsequently cancelled in May 2023.

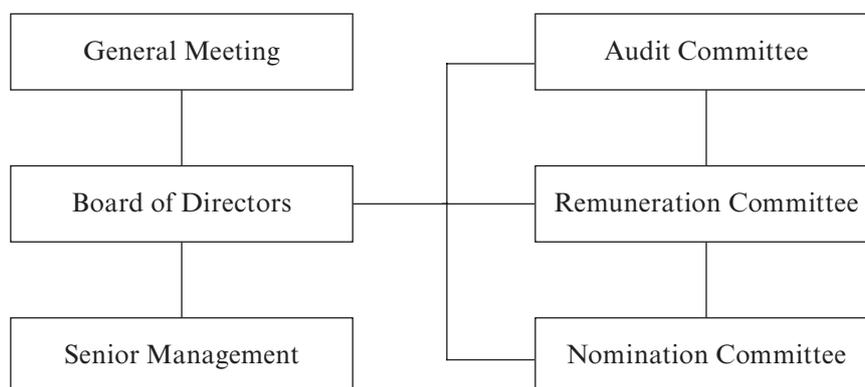
## CORPORATE GOVERNANCE PRACTICES

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

During the Year, the Company has applied the principles and code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules as the basis of the Company's corporate governance practices. The Board is of the view that the Company has complied with the principles and code provision set out in the CG Code during the Year and up to the date of this announcement.

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

The Corporate Governance Structure of the Company during the Year and up to the date of this announcement is as follows:



## AUDIT COMMITTEE

The Company has established the Audit Committee with specific written terms of reference formulated in accordance with the requirements of rules 5.28 to 5.29 of the GEM Listing Rules. The written terms of reference of the Audit Committee was adopted in compliance with the code provisions D.3.3 and D.3.7 of the CG Code. A copy of the terms of reference of the Audit Committee has been posted on the Company's website at [www.somerleycapital.com](http://www.somerleycapital.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). The Audit Committee is comprised of three independent non-executive Directors. During the Year and up to the date of this announcement, the members of the Audit Committee have been and are:

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

Mr. YUEN Kam Tim Francis

Mr. LAW Cheuk Kin Stephen

The primary duties of the Audit Committee are reviewing the annual reports and accounts, half-year reports and quarterly reports of the Group, making recommendations to the Board on the appointment and dismissal of external auditors, providing advice in respect of financial reporting, supervising risk management and internal control systems of the Group, reviewing the effectiveness of the internal audit function and monitoring any continuing connected transaction.

During the Year, the Audit Committee held four meetings. The Audit Committee reviewed, assessed and commented on the audited consolidated financial statements for the year ended 31 March 2022, the unaudited consolidated financial statements for the three months ended 30 June 2022, six months ended 30 September 2022 and nine months ended 31 December 2022, respectively. It has also reviewed the effectiveness of the risk management and internal control systems and internal audit functions of the Group and the continuing connected transactions and the new policies and practices adopted by the Group. The Group's unaudited consolidated quarterly, interim results and audited consolidated annual results for the Year have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

There is no material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditor.

The Audit Committee has reviewed the remuneration of the Company's auditor for the Year, and has recommended to the Board the re-appointment of Crowe (HK) CPA Limited as the auditor of the Company for the Year, subject to approval by the shareholders of the Company at the forthcoming annual general meeting, which is to be held on 15 September 2023.

Full minutes of the Audit Committee meetings are kept by the Company Secretary and are open for inspection by any committee members. Draft and final versions of minutes were sent to all members of the Audit Committee for their comments and records respectively within a reasonable time after the meeting.

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

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

## **DIRECTORS' SECURITIES TRANSACTIONS**

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

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

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

The Company repurchased a total of 94,000 Shares on the Stock Exchange at an aggregate consideration of approximately HK\$73,000 during the Year (2022: nil) at price ranging from HK\$0.71 to HK\$0.89. The repurchase of the Company's shares by the Directors during the Year was made pursuant to the mandate granted by shareholders at the last annual general meeting of the Company held on 23 August 2022, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company. The share repurchase was financed by the Company with its existing available cash. The particulars of the share repurchase are as follows:

<b>Date</b>	<b>Number of shares repurchased</b>	<b>Highest purchase price per share (HK\$)</b>	<b>Lowest purchase price per share (HK\$)</b>	<b>Aggregated amount of purchase price (HK\$)</b>
8 March 2023	2,000	0.84	0.84	1,680
10 March 2023	2,000	0.86	0.86	1,720
14 March 2023	46,000	0.89	0.71	35,340
20 March 2023	42,000	0.82	0.74	32,180
21 March 2023	2,000	0.80	0.80	1,600
Total	<u>94,000</u>			<u>72,520</u>

As at 31 March 2023, 94,000 Shares were repurchased but not yet cancelled. In April 2023, additional 2,000 Shares were repurchased at a consideration of HK\$1,780 but not yet cancelled. An aggregate of 96,000 Shares were subsequently cancelled in May 2023.

Saved as disclosed above, during the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

## **EVENTS AFTER THE REPORTING PERIOD**

There is no material subsequent event undertaken by the Company or by the Group after 31 March 2023 and up to the date of this announcement.

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

This announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.somerleycapital.com](http://www.somerleycapital.com)). The annual report of the Company for the Year 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, 21 June 2023

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

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