



**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

**2020/21**

**THIRD QUARTERLY REPORT**

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

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

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## BUSINESS REVIEW AND PROSPECTS

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 is principally engaged in providing corporate finance advisory services, mainly in Hong Kong, and through its subsidiaries in Hong Kong and Beijing.

The corporate finance advisory business carried on by Somerley Capital Limited (“Somerley Capital”) 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.

Environmental Investment Services Asia Limited (“EISAL”) carries on the Group’s asset management business. Currently, EISAL manages The Climate Impact Asia Fund (“CIAF”), a sub-fund of Milltrust International Managed Investments ICAV focused on low carbon listed equity investments in the Asian region. On 30 December 2020, the Company received notice from Milltrust International Managed Investments ICAV (the “ICAV”) that, by decision of the directors of the ICAV, CIAF will be closed on or before 21 February 2021. The Group is actively considering new projects for EISAL.

During the nine months ended 31 December 2020 (the “Period”), the Group recorded a profit before tax of approximately HK\$6.1 million, showing a sharp improvement over the profit before tax for the corresponding period of 2019 of approximately HK\$1.7 million.

#### For the nine months ended 31 December

	2020			2019		
	CF HK\$'000	AM HK\$'000	Total HK\$'000	CF HK\$'000	AM HK\$'000	Total HK\$'000
Segment revenue	54,924	395	55,319	59,186	112	59,298
Segment profit (loss)	4,757	(7,335)*	(2,578)	6,048	(2,166)	3,882
Fair value gain on the investment in CIAF			10,668			—
Corporate and other unallocated expenses, net			(1,980)			(2,168)
Profit before tax			6,110			1,714

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

The corporate finance advisory business segment recorded revenue of approximately HK\$54.9 million (2019: approximately HK\$59.2 million) and a segment profit before tax of approximately HK\$4.8 million (2019: approximately HK\$6.0 million). The decrease in profit was mainly due to the combined effects of: (i) the decrease in revenue set out above; (ii) the reduction in employee benefits costs as a result of the government grant during the Period; and (iii) the general decrease in operating expenses.

The asset management business segment recorded revenue of approximately HK\$0.4 million (2019: approximately HK\$0.1 million) and a segment loss before tax of approximately HK\$7.3 million (2019: approximately HK\$2.2 million). The segment loss reflects a decision to impair the entire balance of goodwill of approximately HK\$1.1 million and impair the intangible asset of HK\$6.0 million by HK\$4.5 million in view of the imminent closure of CIAF. Despite the efforts spent by the management and the operation team on developing the business, the economic uncertainties have adversely impacted on the size of CIAF, resulting in the impairment losses being recognised for the Period.



During the year ended 31 March 2020, approximately HK\$4.0 million decrease in the fair value of the Group's investment in CIAF was recognised, reflecting adverse stock market conditions. The global stock market has recovered quite strongly during the Period. Because of this and the Group's request for full redemption of its shares in CIAF, it recognised a fair value gain of approximately HK\$2.9 million in respect of 8,864.94 units redeemed during the Period. As at 31 December 2020, the fair value of the remaining units amounted to approximately HK\$19.8 million and the corresponding unrealised fair value gain amounted to approximately HK\$7.8 million during the Period, leading to the fair value gain of approximately HK\$10.7 million shown in the Group's condensed consolidated statement of profit or loss and other comprehensive income. The final fair value gains or losses to be recorded by the Group for the year ending 31 March 2021 will be subject to market fluctuation in the final quarter and to audit.

The increase in profit during the Period was mainly due to the combined effects of (i) the decrease in revenue generated from corporate finance advisory services; (ii) the net decrease in total operating expenses; (iii) the realised and unrealised fair value gains on the investment in the shares in CIAF; and (iv) the impairment losses recognised in respect of goodwill and intangible asset.

The Group's corporate finance segment recorded a profit of approximately HK\$4.8 million during the Period as a result of the continuous dedicated work of the Group's teams in a difficult operating environment and the Group's active participation in transactions favoured by the market like privatisations. The Group's Beijing team has been playing a more active role in handling corporate finance transactions as travel between China and Hong Kong is still restricted.

The closure of CIAF due in February 2021 is a disappointment. Despite its strong performance in the Period, CIAF has not been able to attract sufficient investor interest to reach a size which is economic for EISAL to manage. The Group is actively considering new projects for EISAL.

In the final quarter, the fair value gains in respect of CIAF and the write off and provision in respect of EISAL are not likely to be significant factors, so results for the full year ending 31 March 2021 will depend principally on activities in the corporate finance segment. The pipeline of transactions is similar to last year, although the market remains highly competitive. On the basis, the Directors are cautiously optimistic for the outcome of the year as a whole.

## FINANCIAL REVIEW

### Revenue

The Group's total revenue decreased by approximately 6.7% to approximately HK\$55.3 million for the Period from approximately HK\$59.3 million for the nine months ended 31 December 2019 primarily due to the absence of revenue generated from acting as sponsor (2019: approximately HK\$4.3 million).

Revenue generated from acting as financial adviser ("FA") and as independent financial adviser ("IFA") for the Period amounted to approximately HK\$41.8 million (2019: approximately HK\$41.9 million), accounting for approximately 75.6% of the Group's total revenue (2019: approximately 70.7%). FA and IFA activities are expected to remain the major source of the Group's revenue in the immediate future.

Revenue generated from acting as compliance adviser ("CA") for the Period amounted to approximately HK\$13.1 million (2019: approximately HK\$13.0 million), accounting for approximately 23.7% of the Group's total revenue (2019: approximately 21.9%). CA activities continue to provide a stable source of income to the Group, complementing the more fluctuating corporate finance advisory income.

The rest of the Group's revenue for the Period was contributed by the provision of the asset management services.

### Other Income

Other income mainly represented bank interest income, management service fee income from Somerley Group Limited ("SGL"), rental income and reimbursement of other premise expenses from SGL. Other income decreased to approximately HK\$1.1 million for the Period from approximately HK\$1.4 million for the nine months ended 31 December 2019, primarily due to (i) the decrease in interest income from bank deposits; and (ii) the discretionary management fee income receivable by EISAL from SGL and Mr. SABINE Martin Nevil, the controlling shareholder of the Group, in respect of fair value gains from their investment in shares of CIAF.



### Employee Benefits Costs

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

	<b>For the nine months ended</b>	
	<b>31 December</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Fees, salaries, allowances and other benefits	<b>34,170</b>	36,257
Discretionary bonus	<b>3,814</b>	3,144
Share-based payments	—	381
Contributions to the retirement benefits scheme	<b>647</b>	804
	<b>38,631</b>	40,586
Analysed as:		
— corporate holding	<b>540</b>	921
— corporate finance advisory (Hong Kong)	<b>34,579</b>	36,163
— corporate finance advisory (Beijing)	<b>1,768</b>	1,952
— asset management	<b>1,744</b>	1,550
	<b>38,631</b>	40,586

Employee benefits costs decreased by approximately 4.9% to approximately HK\$38.6 million for the Period from approximately HK\$40.6 million for the nine months ended 31 December 2019, primarily due to the receipts of the government grant of approximately HK\$2.5 million from the Employment Support Scheme under the Anti-Epidemic Fund.

### Depreciation and Other Operating Expenses

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

Other operating expenses were mainly rental expenses, recurring GEM listing expenses, travelling expenses, professional fees and other expenses, including utility expenses, building management fees, telecommunication expenses, information technology related expenses, data intelligence service subscription fees and insurance expenses.

	<b>For the nine months ended</b>	
	<b>31 December</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Depreciation of property and equipment	<b>779</b>	782
Depreciation of right-of-use asset	<b>7,608</b>	6,734
	<b>8,387</b>	7,516
Rental expenses and other premises expenses	<b>1,547</b>	2,340
Travelling expenses	<b>211</b>	246
Impairment loss recognised in respect of trade receivables	<b>727</b>	651
Recurring GEM listing expenses (excluding remuneration of independent non-executive directors)	<b>1,300</b>	1,845
Others	<b>3,954</b>	4,922
	<b>16,126</b>	17,520
Analysed as:		
— corporate holding	<b>1,997</b>	2,540
— corporate finance advisory (Hong Kong)	<b>12,427</b>	12,548
— corporate finance advisory (Beijing)	<b>1,011</b>	1,699
— asset management	<b>691</b>	733
	<b>16,126</b>	17,520



The Group's depreciation and other operating expenses decreased by approximately 8.0% to approximately HK\$16.1 million for the Period from approximately HK\$17.5 million for the nine months ended 31 December 2019. The decrease was mainly due to the absence of one-off agency cost incurred for new hires and the general decrease in other operating expenses.

### **Income tax credit**

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

### **Profit for the Period**

For the Period, the Group recorded a profit before tax of approximately HK\$6.1 million (2019: approximately HK\$1.7 million). Owing to the income tax credit mentioned above, after-tax profit was approximately HK\$6.7 million (2019: approximately HK\$1.3 million). The increase in profit was primarily due to the combined effects of: (i) a decrease in revenue; (ii) a net decrease in operating expenses; (iii) the fair value gain on the investment in CIAF and (iv) the impairment losses recognised in respect of goodwill and intangible asset.

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

The Group had no capital commitments as at 31 December 2020 (31 March 2020: approximately HK\$0.3 million). Save for the business plan disclosed in the prospectus of the Company dated 15 March 2017 (the "Prospectus"), the announcement of, among others, change in use of proceeds published on 22 June 2018 or as otherwise disclosed in this report, the Group did not have plans for making material investments or acquiring capital assets as at 31 December 2020.

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

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

### Significant Investments

On 27 December 2019, the Group subscribed for and was allotted 28,000 units of Class A shares of CIAF at a consideration of US\$2.8 million, equivalent to approximately HK\$21.8 million. The subscription was settled by the internal resources of the Group in December 2019. Details of the subscription were set out in the Company's announcement dated 27 December 2019. Except for investments in subsidiaries and the subscription of shares in CIAF, the Group did not hold any significant investments during the Period (2019: nil).

Despite the satisfactory performance of CIAF's portfolio during the Period, it has not achieved a sufficient size to justify EISAL devoting its resources indefinitely to its management. Given EISAL's resignation as CIAF's investment manager, there is no longer a strategic reason for the Company's investment in the CIAF. The Directors consider that the redemption represented a good opportunity to realise the Group's fair value gain on the CIAF.

In December 2020, the Company made a request to redeem its entire interest in CIAF. The directors of the ICAV exercised their discretion to reduce the Company's redemption pro rata so that the total requests for redemption on the dealing day of 1 December 2020 would not exceed 10% of CIAF's net asset value. The Company has also received a notice that CIAF will be closed on or before 21 February 2021 and unfulfilled redemption requests (if any) will be fulfilled on or before 21 February 2021 as appropriate.

During the Period, 8,864.94 units were redeemed with the corresponding fair value gain of approximately HK\$2.9 million. As at 31 December 2020, the Group held 19,135.06 units of CIAF (31 March 2020: 28,000 units), the fair value of which amounted to approximately HK\$19.8 million (31 March 2020: approximately HK\$17.7 million), representing approximately 16.7% of the Group's total assets (31 March 2020: approximately 14.7%).

A further redemption of 7,978.45 units was confirmed after the end of the reporting period and the remaining 11,156.61 units will be redeemed on or before 21 February 2021.

Details of the redemptions were set out in the Company's announcements dated 1 December 2020, 6 January 2021 and 14 January 2021.

### Interim Dividend

The board of Directors (the "Board") does not recommend the payment of any interim dividend for the Period (2019: nil).

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

For the nine months ended 31 December 2020

The Board presents the unaudited condensed consolidated results of the Group for the three months and nine months ended 31 December 2020, together with the unaudited comparative figures for the three months and nine months ended 31 December 2019, as follows:

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2020 HK\$' 000 (Unaudited)	2019 HK\$' 000 (Unaudited)	2020 HK\$' 000 (Unaudited)	2019 HK\$' 000 (Unaudited)
Revenue	3	19,223	24,630	55,319	59,298
Other income	4	570	435	1,094	1,397
		19,793	25,065	56,413	60,695
Employee benefit costs		(13,987)	(15,863)	(38,631)	(40,586)
Fair value gain on financial asset at fair value through profit or loss		5,025	—	10,668	—
Depreciation expenses		(2,803)	(2,503)	(8,387)	(7,516)
Introduction expenses		(126)	(122)	(375)	(576)
Finance cost		(58)	(85)	(216)	(299)
Impairment loss recognised in respect of intangible asset		(4,500)	—	(4,500)	—
Impairment loss recognised in respect of goodwill		(1,123)	—	(1,123)	—
Other operating expenses		(2,685)	(3,136)	(7,739)	(10,004)
(Loss) profit before tax	5	(464)	3,356	6,110	1,714
Income tax credit (expenses)	6	666	(511)	562	(461)
Profit for the period		202	2,845	6,672	1,253
<i>Other comprehensive income (expense)</i>					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of financial statements of foreign operations		29	1	52	(8)
Total comprehensive income for the period		231	2,846	6,724	1,245

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

*For the nine months ended 31 December 2020*

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Profit (loss) for the period attributable to:					
Owners of the Company		1,102	3,067	7,773	1,800
Non-controlling interests		(900)	(222)	(1,101)	(547)
		<b>202</b>	2,845	<b>6,672</b>	1,253
Total comprehensive income (expense) for the period attributable to:					
Owners of the Company		1,131	3,068	7,825	1,792
Non-controlling interests		(900)	(222)	(1,101)	(547)
		<b>231</b>	2,846	<b>6,724</b>	1,245
Earnings per share					
— basic (HK cents)	8	0.78	2.18	5.49	1.28
— diluted (HK cents)	8	0.75	2.17	5.31	1.27

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2020

	Attributable to the owners of the Company							Non-controlling interests		
	Share capital	Share premium	Retained earnings	Shareholder contribution reserve	Share option reserve	Translation reserve	Other reserve (note)	Total	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2020 (Audited)	1,413	57,975	23,132	4,179	2,307	(40)	9,900	98,866	1,647	100,513
Profit (loss) for the period	—	—	7,773	—	—	—	—	7,773	(1,101)	6,672
Other comprehensive income:										
Exchange differences arising from translation of foreign operation	—	—	—	—	—	52	—	52	—	52
<b>Total comprehensive income (expense) for the Period</b>	—	—	7,773	—	—	52	—	7,825	(1,101)	6,724
Issues of shares upon exercise of share options	5	319	—	—	(181)	—	—	143	—	143
Dividends recognised as distribution	—	(3,546)	—	—	—	—	—	(3,546)	—	(3,546)
Change in ownership interest in a subsidiary that does not result in change of control	—	—	50	—	—	—	—	50	(50)	—
At 31 December 2020 (Unaudited)	1,418	54,748	30,955	4,179	2,126	12	9,900	103,338	496	103,834
At 31 March 2019 (Audited)	1,410	64,847	29,118	4,179	2,029	4	9,900	111,487	3,020	114,507
Impact of adopting HKFRS 16	—	—	(170)	—	—	—	—	(170)	—	(170)
At 1 April 2019 (Unaudited)	1,410	64,847	28,948	4,179	2,029	4	9,900	111,317	3,020	114,337
Profit (loss) for the period	—	—	1,800	—	—	—	—	1,800	(547)	1,253
Other comprehensive expense:										
Exchange differences arising from translation of foreign operation	—	—	—	—	—	(8)	—	(8)	—	(8)
<b>Total comprehensive income (expense) for the Period</b>	—	—	1,800	—	—	(8)	—	1,792	(547)	1,245
Issues of shares upon exercise of share options	3	173	—	—	(92)	—	—	84	—	84
Dividends recognised as distribution	—	(7,064)	—	—	—	—	—	(7,064)	—	(7,064)
Recognition of share-based payments	—	—	—	—	381	—	—	381	—	381
At 31 December 2019 (Unaudited)	1,413	57,956	30,748	4,179	2,318	(4)	9,900	106,510	2,473	108,983

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the nine months ended 31 December 2020*

## 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. Its parent is SGL, a company incorporated in Hong Kong with limited liabilities. The addresses of the registered office and the principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and 20th Floor, China Building, 29 Queen's Road Central, Central, Hong Kong, respectively.

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

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

## 2. BASIS OF PRESENTATION

The unaudited condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules. The unaudited condensed consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The principal accounting policies used in the unaudited condensed consolidated financial statements for the nine months ended 31 December 2020 are the same as those followed in the preparation of the Group's annual report for the year ended 31 March 2020, except for the new and revised HKFRSs issued by the HKICPA that are adopted for the first time for the current accounting period of the Group. The adoption of these new and revised HKFRSs has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2020



## 3. REVENUE

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

	<b>Nine months ended 31 December</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Corporate finance advisory fee income		
— from acting as financial adviser	<b>13,301</b>	11,056
— from acting as independent financial adviser	<b>28,533</b>	30,852
— from acting as compliance adviser	<b>13,090</b>	12,964
— from acting as sponsor and underwriter	—	4,314
	<b>54,924</b>	59,186
Asset management fee income	<b>395</b>	112
	<b>55,319</b>	59,298

## 4. OTHER INCOME

	<b>Nine months ended 31 December</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Bank interest income	<b>112</b>	798
Management fee income from ultimate holding company and controlling shareholder	<b>458</b>	78
Office sharing income and reimbursement of other premises expenses from ultimate holding company	<b>523</b>	521
Other	<b>1</b>	—
	<b>1,094</b>	1,397

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2020

## 5. PROFIT BEFORE TAX

	<b>Nine months ended</b>	
	<b>31 December</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Directors' emoluments		
Fees	<b>540</b>	540
Other emoluments	<b>7,722</b>	7,722
Share-based payments	—	160
Contributions to the retirement benefits scheme	<b>27</b>	27
	<b>8,289</b>	8,449
Other staff costs (note)	<b>29,722</b>	31,168
Reversal of provision for long service payment	—	(29)
Share-based payments	—	221
Contributions to the retirement benefits scheme	<b>620</b>	777
Total employee benefits costs	<b>38,631</b>	40,586
Auditor's remuneration	<b>436</b>	521
Exchange loss, net	<b>17</b>	65
Impairment loss recognised in respect of trade receivables	<b>727</b>	651

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2020



## 6. INCOME TAX (CREDIT) EXPENSES

	Nine months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong	340	459
People's Republic of China	—	214
Over provision in prior years:		
Hong Kong	—	(45)
Deferred taxation	(902)	(167)
	<b>(562)</b>	461

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 nine months ended 31 December 2019 and 2018, 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%.

## 7. DIVIDENDS

The Board does not recommend the payment of any dividend for the Period (2019: nil).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2020

## 8. EARNINGS PER SHARE

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

	Nine months ended	
	31 December	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	<b>7,773</b>	1,800
	Number of shares	
	31 December	
	2020	2019
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation ('000)	<b>141,682</b>	141,128
Effect of dilutive potential ordinary shares — share options ('000)	<b>4,807</b>	514
Weighted average number of ordinary shares in issue during the period, used in the diluted earnings per share calculation ('000)	<b>146,489</b>	141,642



## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive of the Company should be separate and should not be performed by the same individual. During the Period, the role of the chairman of the Company (the "Chairman") was performed by Mr. SABINE Martin Nevil ("Mr. Sabine"). The office of the chief executive of the Company was not filled; Mr. CHOW Wai Hung Kenneth performed the role of managing director of the Company's operating subsidiary in Hong Kong, Somerley Capital Limited, and the chairman of the Company's operating subsidiary in China, Somerley Capital (Beijing) Limited; Mr. CHEUNG Tei Sing Jamie ("Mr. Cheung") performed the role of vice president of the Somerley Capital Limited, and the Director of the Company's another operating subsidiary in Hong Kong, EISAL. Within the Company, decisions are made collectively by the executive Directors and are discussed with senior management from time to time. The Board believes that this arrangement enables the Company to make decisions and implement follow up actions quickly and helps achieve the Company's objectives efficiently and effectively in response to the changing environment. The Board also believes that the Company has a strong corporate governance structure in place to ensure effective oversight of management. The Board will review the current structure of the Board from time to time.

## DIRECTORS' SECURITIES TRANSACTIONS

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

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

## COMPETING INTERESTS

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed shares of the Company (the "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 31 December 2020, the Directors and Chief Executive and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules:

### *Long position in ordinary shares of the Company*

Name of Directors	Capacity/ Nature of interests	Number of ordinary share(s) held	Number of underlying shares held pursuant to share options	Approximate percentage of the total number of issued shares of the Company
SABINE Martin Nevil	Interest of a controlled corporation	94,227,350 (Note 1)	—	66.44%
	A concert party to an agreement to buy shares described in s317(1)(a)	2,233,440 (Note 2)	—	1.57%
		—	645,717 (Notes 2 & 3)	0.46%
CHEUNG Tei Sing Jamie ("Mr. Cheung")	Beneficial owner	2,233,440	—	1.57%
		—	645,717 (Note 3)	0.46%
	A concert party to an agreement to buy shares described in s317(1)(a)	94,227,350 (Notes 1&2)	—	66.44%
CHOW Wai Hung Kenneth	Beneficial owner	3,754,170	—	2.65%
		—	1,877,083 (Note 3)	1.32%



## Notes:

1. SGL is directly interested in 94,227,350 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 share option scheme approved and adopted by the Company on 11 May 2016. The Shares comprised in the options shall vest unto the grantees and become exercisable during the period commencing on (i) the date on which the listing 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(s). The original exercise price of the options is HK\$0.28 per Share. As set out in Appendix IV to the Prospectus, in the event of substantial capital distribution, exercise price of share options was adjusted from HK\$0.28 to HK\$0.21 during the Period.

*Long position in the ordinary shares of the associated corporations*

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

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

Save as disclosed above, as at 31 December 2020, 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 31 December 2020, 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:

### *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	94,227,350 (Note 1)	—	66.44%
SABINE Maureen Alice ("Dr. Sabine")	Interest of a spouse	96,460,790 (Note 2)	— 645,717 (Note 2)	68.01% 0.46%
FLETCHER John Wilfred Sword	A concert party to an agreement to buy shares described in s317(1)(a)	96,460,790 (Note 1)	— 645,717 (Note 1)	68.01% 0.46%
FLETCHER Jacqueline ("Mrs. Fletcher")	Interest of a spouse	96,460,790 (Note 3)	— 645,717 (Note 3)	68.01% 0.46%
CHOI Helen Oi Yan ("Mrs. Cheung")	Interest of a spouse	96,460,790 (Note 4)	— 645,717 (Note 4)	68.01% 0.46%

*Notes:*

1. SGL is directly interested in 94,227,350 Shares and SGL is wholly-owned by Mr. Sabine, Mr. Fletcher, Mr. Cheung and Ms. FONG Sau Man Cecilia. Mr. Sabine, Mr. Fletcher and Mr. Cheung are acting in concert in respect of their interests in the Company and therefore each of Mr. Sabine, Mr. Fletcher and Mr. Cheung is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.
2. Dr. Sabine is the spouse of Mr. Sabine. By virtue of the SFO, Dr. Sabine is deemed to be interested in the Shares held by Mr. Sabine.
3. Mrs. Fletcher is the spouse of Mr. Fletcher. By virtue of the SFO, Mrs. Fletcher is deemed to be interested in the Shares held by Mr. Fletcher.
4. Mrs. Cheung is the spouse of Mr. Cheung. By virtue of the SFO, Mrs. Cheung is deemed to be interested in the Shares held by Mr. Cheung.

Save as disclosed above, the Directors and Chief Executive are not aware that there is any party who, as at 31 December 2020, 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.

## 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 Audit Committee currently consists of three independent non-executive Directors, namely Mr. CHENG Yuk Wo, Mr. YUEN Kam Tim Francis and Mr. LAW Cheuk Kin Stephen. Mr. CHENG Yuk Wo is the chairman of the Audit Committee. The primary duties of the Audit Committee are 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 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.



## EVENTS AFTER THE REPORTING PERIOD

Save as disclosed under the section headed “Significant Investments” above, no material subsequent event has occurred in relation to the Company or the Group after 31 December 2020 and up to the date of approval of this report.

## SUFFICIENCY OF PUBLIC FLOAT

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

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

Hong Kong, 8 February 2021

*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. YUEN Kam Tim Francis and Mr. LAW Cheuk Kin Stephen.*