



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

2021/22
THIRD
QUARTERLY
REPORT

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 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

Analysis of Principal Businesses

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 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 cross-border mergers and acquisitions.

In 2021, corporate finance activities in Hong Kong were broadly stable, with some pick-up in the third quarter of calendar year 2021. The Group recorded a modest profit in the fourth quarter of calendar year 2021, due to unsettled conditions for corporate finance advisory services and a competitive fee environment.

During the nine months ended 31 December 2021 (the “Period”), the corporate finance advisory business segment recorded revenue of approximately HK\$54.5 million (2020: approximately HK\$54.9 million) and a segment profit before tax of approximately HK\$3.2 million (2020: approximately HK\$4.8 million). There was no active project undertaken by the asset management business segment during the Period and a segment loss before tax of approximately HK\$1.1 million (2020: approximately HK\$7.3 million) was recorded.

For the nine months ended 31 December

	2021 HK\$'000	2020 HK\$'000
Profit after tax	196	6,672
Adjusted:		
Fair value change on financial asset at fair value through profit or loss	1	(10,668)
Impairment loss recognised in respect of intangible asset, net of tax	—	3,758
Impairment loss recognised in respect of goodwill	—	1,123
Adjusted profit after tax	197	885

During the Period, the Group recorded a profit after tax of approximately HK\$0.2 million (2020: approximately HK\$6.7 million). The decrease in profit was mainly due to the combined effects of the decrease in revenue of approximately HK\$0.8 million and the absence of non-recurring items recognised for the nine months ended 31 December 2020, including (i) fair value gain on investment in The Climate Impact Asia Fund (“CIAF”) of approximately HK\$10.7 million and (ii) total impairment losses of approximately HK\$5.6 million. Consequently, as shown above, the adjusted profit after tax was approximately HK\$0.2 million compared to approximately HK\$0.9 million for the corresponding previous period.

Prospects

Conditions for corporate finance advisory services remain unsettled and are likely to remain so during the final quarter of the Group's financial year ending 31 March 2022. A number of projects for which the Group was mandated and would have expected to be active in this period have been cancelled or postponed. As announced on 17 December 2021, the Group has committed resources to establishing a joint venture in the security token offering space, which is now in progress. The Group has also made an initial investment in a one-stop digital finance service company, which is progressing well. As regards Environment Investment Services Asia Limited (“EISAL”), the Group's fund management subsidiary, in view of current market conditions, the Group is proceeding cautiously. Though it will require some positive developments, the Group's corporate finance advisory segment should maintain profitable operations in the fourth quarter and the Group aims to make a dividend payment in respect of the year ending 31 March 2022.



FINANCIAL REVIEW

Revenue

The Group's total revenue decreased by approximately 1.4% to approximately HK\$54.5 million for the Period from approximately HK\$55.3 million for the nine months ended 31 December 2020.

Revenue generated from acting as financial adviser ("FA") and as independent financial adviser ("IFA") for the Period amounted to approximately HK\$35.5 million (2020: approximately HK\$41.8 million), accounting for approximately 65.1% of the Group's total revenue (2020: approximately 75.6%). FA and IFA activities together 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\$18.7 million (2020: approximately HK\$13.1 million), accounting for approximately 34.3% of the Group's total revenue (2020: approximately 23.7%). CA activities continue to provide a stable source of income to the Group, complementing the more fluctuating corporate finance advisory income.

Other Income

Other income and gain mainly represented bank interest income, management service fee income from Somerley Group Limited ("SGL") and reimbursement of other premise expenses from SGL. Other income and gain increased to approximately HK\$1.2 million for the Period from approximately HK\$1.1 million for the nine months ended 31 December 2020, primarily due to the combined effects of: (i) the net exchange gain recognised upon transaction of RMB denominated assets; (ii) the increase in bank interest income; and (iii) absence of the discretionary management fee received by the Group from SGL and Mr. SABINE Martin Nevil, the controlling shareholder of the Group, in respect of fair value gains from investments 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.

	For the nine months ended	
	31 December	
	2021	2020
	HK\$'000	HK\$'000
Fees, salaries, allowances and other benefits	36,579	34,170
Discretionary bonus	1,800	3,814
Contributions to the retirement benefits scheme	813	647
	39,192	38,631
Analysed as:		
— corporate holding	540	540
— corporate finance advisory (Hong Kong)	36,200	34,579
— corporate finance advisory (Beijing)	1,909	1,768
— asset management	543	1,744
	39,192	38,631

Employee benefits costs increased by approximately 1.6% to approximately HK\$39.2 million for the Period from approximately HK\$38.6 million for the nine months ended 31 December 2020. This is primarily due to combined effects of (i) the recognition of the government grant of approximately HK\$2.5 million from the Employment Support Scheme under the Anti-Epidemic Fund during the nine months ended 31 December 2020; and (ii) the decrease in discretionary bonus.



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 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.

	For the nine months ended	
	31 December	
	2021	2020
	HK\$'000	HK\$'000
Depreciation of property and equipment	733	779
Depreciation of right-of-use asset	6,372	7,608
	7,105	8,387
Other premises expenses	1,530	1,547
Travelling expenses	155	211
Impairment loss recognised in respect of trade receivables	319	727
Recurring GEM listing expenses (excluding remuneration of independent non-executive directors)	1,212	1,300
Others	4,526	3,954
	14,847	16,126
Analysed as:		
— corporate holding	1,810	1,997
— corporate finance advisory (Hong Kong)	11,174	12,427
— corporate finance advisory (Beijing)	1,269	1,011
— asset management	594	691
	14,847	16,126

The Group's depreciation and other operating expenses decreased by approximately 8.1% to approximately HK\$14.8 million for the Period from approximately HK\$16.1 million for the nine months ended 31 December 2020. The net decrease was mainly due to the decrease in depreciation of right-of-use assets due to lower renewed rental.

Income tax expenses (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 nine months ended 31 December 2020, 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 after tax of approximately HK\$0.2 million (2020: approximately HK\$6.7 million). The decrease in profit was mainly due to the combined effects of the decrease in revenue of approximately HK\$0.8 million and the absence of non-recurring items recognised for the nine months ended 31 December 2020, including (i) fair value gain on investment in CIAF of approximately HK\$10.7 million and (ii) total impairment loss of approximately HK\$5.6 million.

Future Plans for Material Investments or Capital Assets

As at 31 December 2021, the Group had capital commitments of approximately HK\$0.8 million as disclosed in the announcement dated 17 December 2021 in relation to the investment in a joint venture (31 March 2021: 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 2021.

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.

CIAF was managed by EISAL which carries on the Group's asset management business. Despite the satisfactory performance of CIAF's portfolio during the year ended 31 March 2021, 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 was no longer a strategic reason for the Company's investment in CIAF. The Directors consider that the redemption of the units in CIAF 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 Company has also received a notice that CIAF would be closed on or before 21 February 2021.

During the year ended 31 March 2021, the entire interest in CIAF was fully redeemed with the corresponding fair value gain of approximately HK\$11.2 million.

Details of the redemptions were set out in the Company's announcements dated 1 December 2020, 6 January 2021, 14 January 2021, 17 February 2021 and 26 February 2021.

Except for investments in subsidiaries, the Group did not hold any significant investments during the Period.

Interim Dividend

The board of Directors (the "Board") does not recommend the payment of any interim dividend for the Period (2020: nil).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 31 December 2021

The Board presents the unaudited condensed consolidated results of the Group for the three months and nine months ended 31 December 2021, together with the unaudited comparative figures for the three months and nine months ended 31 December 2020, as follows:

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2021 HK\$' 000 (Unaudited)	2020 HK\$' 000 (Unaudited)	2021 HK\$' 000 (Unaudited)	2020 HK\$' 000 (Unaudited)
Revenue	3	18,701	19,223	54,466	55,319
Other income	4	503	570	1,243	1,094
		19,204	19,793	55,709	56,413
Employee benefit costs		(14,363)	(13,987)	(39,192)	(38,631)
Fair value gain (loss) on financial asset at fair value through profit or loss		—	5,025	(1)	10,668
Depreciation expenses		(2,138)	(2,803)	(7,105)	(8,387)
Introduction expenses		(238)	(126)	(1,019)	(375)
Finance cost		(112)	(58)	(262)	(216)
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		(2,185)	(2,685)	(7,742)	(7,739)
Profit (loss) before tax	5	168	(464)	388	6,110
Income tax (expenses) credit	6	(137)	666	(192)	562
Profit for the period		31	202	196	6,672
<i>Other comprehensive income</i>					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of financial statements of foreign operations		3	29	10	52
Total comprehensive income for the period		34	231	206	6,724

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 31 December 2021

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Profit (loss) for the period attributable to:					
Owners of the Company		62	1,102	383	7,773
Non-controlling interests		(31)	(900)	(187)	(1,101)
		31	202	196	6,672
Total comprehensive income (expense) for the period attributable to:					
Owners of the Company		65	1,131	393	7,825
Non-controlling interests		(31)	(900)	(187)	(1,101)
		34	231	206	6,724
Earnings per share					
— basic (HK cents)	8	0.04	0.78	0.27	5.49
— diluted (HK cents)	8	0.04	0.75	0.26	5.31

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2021

	Attributable to the owners of the Company									
	Share capital	Share premium	Retained earnings	Shareholder contribution reserve	Share option reserve	Translation reserve	Other reserve (note)	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2021 (Audited)	1,419	54,765	31,722	4,179	2,115	38	9,900	104,138	405	104,543
Profit (loss) for the period	—	—	383	—	—	—	—	383	(187)	196
Other comprehensive income:										
Exchange differences arising from translation of foreign operation	—	—	—	—	—	10	—	10	—	10
Total comprehensive income (expense) for the period	—	—	383	—	—	10	—	393	(187)	206
Issues of shares upon exercise of share options	1	67	—	—	(43)	—	—	25	—	25
Dividends recognised as distribution	—	(5,395)	—	—	—	—	—	(5,395)	—	(5,395)
Change in ownership interest in a subsidiary that does not result in change of control	—	—	(71)	—	—	—	—	(71)	71	—
At 31 December 2021 (Unaudited)	1,420	49,437	32,034	4,179	2,072	48	9,900	99,090	289	99,379
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
Total comprehensive income (expense) for the period	—	—	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

Note: Other reserve represented the difference between the nominal amount of the share capital of Somerley Capital Limited 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 2021



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 2021 are the same as those followed in the preparation of the Group's annual report for the year ended 31 March 2021, 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 2021

3. REVENUE

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

	Nine months ended 31 December	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Corporate finance advisory fee income		
— from acting as financial adviser	16,680	13,301
— from acting as independent financial adviser	18,839	28,533
— from acting as compliance adviser	18,697	13,090
— others	250	—
	54,466	54,924
Asset management fee income	—	395
	54,466	55,319

4. OTHER INCOME

	Nine months ended 31 December	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Bank interest income	193	112
Management fee income from ultimate holding company and controlling shareholder	129	458
Office sharing income and reimbursement of other premises expenses from ultimate holding company	557	523
Other	364	1
	1,243	1,094

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2021



5. PROFIT BEFORE TAX

	Nine months ended 31 December	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Directors' emoluments		
Fees	540	540
Other emoluments	7,722	7,722
Contributions to the retirement benefits scheme	27	27
	8,289	8,289
Other staff costs (note)	30,097	29,722
Provision for long service payment	20	—
Contributions to the retirement benefits scheme	786	620
Total employee benefits costs	39,192	38,631
Auditor's remuneration	367	436
Exchange (gain) loss, net	(363)	17
Impairment loss recognised in respect of trade receivables	319	727

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 nine months ended 31 December 2020. The amounts had been offset with the employee benefits costs.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2021

6. INCOME TAX EXPENSES (CREDIT)

	Nine months ended 31 December	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Current tax:		
Hong Kong	207	340
Under (over) provision in prior years:		
Hong Kong	72	—
People's Republic of China	(68)	—
Deferred taxation	(19)	(902)
	192	(562)

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 2021 and 2020, 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 (2020: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2021



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	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	383	7,773
	Number of shares	
	31 December	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation ('000)	141,943	141,682
Effect of dilutive potential ordinary shares — share options ('000)	4,752	4,807
Weighted average number of ordinary shares in issue during the period, used in the diluted earnings per share calculation ('000)	146,695	146,489

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 2021, 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	94,407,350 (Note 1)	—	66.49%
	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)	0.45%
CHEUNG Tei Sing Jamie ("Mr. Cheung")	Beneficial owner	2,233,440	—	1.57%
		—	645,717 (Note 3)	0.45%
	A concert party to an agreement to buy shares described in s317(1)(a)	94,407,350 (Notes 1 & 2)	—	66.49%
CHOW Wai Hung Kenneth	Beneficial owner	3,754,170	—	2.64%
		—	1,877,083 (Note 3)	1.32%

Notes:

1. SGL is directly interested in 94,407,350 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 year ended 31 March 2021.

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 2021, 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 2021, 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	94,407,350 (Note 1)	—	66.49%
SABINE Maureen Alice ("Dr. Sabine")	Interest of a spouse	96,640,790 (Note 2)	— 645,717 (Note 2)	68.07% 0.45%
FLETCHER John Wilfred Sword	A concert party to an agreement to buy shares described in s317(1)(a)	96,640,790 (Note 1)	— 645,717 (Note 1)	68.07% 0.45%
FLETCHER Jacqueline ("Mrs. Fletcher")	Interest of a spouse	96,640,790 (Note 3)	— 645,717 (Note 3)	68.07% 0.45%
CHOI Helen Oi Yan ("Mrs. Cheung")	Interest of a spouse	96,640,790 (Note 4)	— 645,717 (Note 4)	68.07% 0.45%

Notes:

1. SGL is directly interested in 94,407,350 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 2021, 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 ("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

375,750 share options were exercised after 31 December 2021. An aggregate of 375,750 new Shares at the exercise price of HK\$0.21 have been issued after 31 December 2021.

Save as disclosed above, no material subsequent event has occurred in relation to the Company or the Group after 31 December 2021 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, 11 February 2022

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.