



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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2021

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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.

THIRD QUARTERLY FINANCIAL HIGHLIGHTS

- The Group’s total revenue decreased by approximately 1.4% to approximately HK\$54.5 million for the nine months ended 31 December 2021 (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%).
- 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%).

For the nine months ended 31 December

	2021	2020
	HK\$’000	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
	<u>197</u>	<u>885</u>
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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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	2020
	HK\$'000	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
	<u> </u>	<u> </u>
Adjusted profit after tax	<u>197</u>	<u>885</u>

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 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 FA and as 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 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
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees, salaries, allowances and other benefits	36,579	34,170
Discretionary bonus	1,800	3,814
Contributions to the retirement benefits scheme	813	647
	<u>39,192</u>	<u>38,631</u>
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
	<u>39,192</u>	<u>38,631</u>

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	<u>6,372</u>	<u>7,608</u>
	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	<u>4,526</u>	<u>3,954</u>
	<u>14,847</u>	<u>16,126</u>
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	<u>594</u>	<u>691</u>
	<u>14,847</u>	<u>16,126</u>

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 announcement, 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 announcement, 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:

		Three months ended		Nine months ended	
		31 December		31 December	
		2021	2020	2021	2020
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)	(Unaudited)	(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

	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)
<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					
		<u>3</u>	<u>29</u>	<u>10</u>	<u>52</u>
Total comprehensive income for the period					
		<u>34</u>	<u>231</u>	<u>206</u>	<u>6,724</u>
Profit (loss) for the period attributable to:					
Owners of the Company					
		62	1,102	383	7,773
Non-controlling interests					
		<u>(31)</u>	<u>(900)</u>	<u>(187)</u>	<u>(1,101)</u>
		<u>31</u>	<u>202</u>	<u>196</u>	<u>6,672</u>
Total comprehensive income (expense) for the period attributable to:					
Owners of the Company					
		65	1,131	393	7,825
Non-controlling interests					
		<u>(31)</u>	<u>(900)</u>	<u>(187)</u>	<u>(1,101)</u>
		<u>34</u>	<u>231</u>	<u>206</u>	<u>6,724</u>
Earnings per share					
— basic (HK cents)					
	8	<u>0.04</u>	<u>0.78</u>	<u>0.27</u>	<u>5.49</u>
— diluted (HK cents)					
	8	<u>0.04</u>	<u>0.75</u>	<u>0.26</u>	<u>5.31</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the nine months ended 31 December 2021

	Attributable to the owners of the Company							Total	Non-controlling interests	Total
	Share capital	Share premium	Retained earnings	Shareholder contribution reserve	Share option reserve	Translation reserve	Other reserve (note)			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2021 (Audited)	<u>1,419</u>	<u>54,765</u>	<u>31,722</u>	<u>4,179</u>	<u>2,115</u>	<u>38</u>	<u>9,900</u>	<u>104,138</u>	<u>405</u>	<u>104,543</u>
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	<u>—</u>	<u>—</u>	<u>383</u>	<u>—</u>	<u>—</u>	<u>10</u>	<u>—</u>	<u>393</u>	<u>(187)</u>	<u>206</u>
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)	<u>1,420</u>	<u>49,437</u>	<u>32,034</u>	<u>4,179</u>	<u>2,072</u>	<u>48</u>	<u>9,900</u>	<u>99,090</u>	<u>289</u>	<u>99,379</u>
At 1 April 2020 (Audited)	<u>1,413</u>	<u>57,975</u>	<u>23,132</u>	<u>4,179</u>	<u>2,307</u>	<u>(40)</u>	<u>9,900</u>	<u>98,866</u>	<u>1,647</u>	<u>100,513</u>
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	<u>—</u>	<u>—</u>	<u>7,773</u>	<u>—</u>	<u>—</u>	<u>52</u>	<u>—</u>	<u>7,825</u>	<u>(1,101)</u>	<u>6,724</u>
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)	<u>1,418</u>	<u>54,748</u>	<u>30,955</u>	<u>4,179</u>	<u>2,126</u>	<u>12</u>	<u>9,900</u>	<u>103,338</u>	<u>496</u>	<u>103,834</u>

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.

3. REVENUE

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

	Nine months ended 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(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	—
	<u>54,466</u>	<u>54,924</u>
Asset management fee income	—	395
	<u>54,466</u>	<u>55,319</u>

4. OTHER INCOME

	Nine months ended 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(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
	<u>1,243</u>	<u>1,094</u>

5. PROFIT BEFORE TAX

	Nine months ended	
	31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(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 (<i>note</i>)	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.

6. INCOME TAX EXPENSES (CREDIT)

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

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.

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 announcement.

PUBLICATION OF THIRD QUARTERLY RESULTS AND THIRD QUARTERLY REPORT

This results announcement is published on the websites of the Stock Exchange (www.hkgem.com) and the Company (www.somerleycapital.com). The third quarterly report of the Company for the nine months ended 31 December 2021 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, 11 February 2022

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

This announcement will remain on the "Latest Listed Company Information" page of the GEM website at www.hkgem.com 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.