



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 2019**

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.

FINANCIAL HIGHLIGHTS

- The Group's total revenue decreased by approximately 18.8% to approximately HK\$59.3 million for the nine months ended 31 December 2019 (the "Period") from approximately HK\$73.0 million for the nine months ended 31 December 2018.
- Revenue generated from acting as financial adviser and as independent financial adviser for the Period amounted to approximately HK\$38.5 million (2018: approximately HK\$58.5 million), accounting for approximately 64.9% of the Group's total revenue (2018: approximately 80.1%).
- Revenue generated from acting as compliance adviser for the Period increased significantly to approximately HK\$13.0 million (2018: approximately HK\$7.6 million), accounting for approximately 21.9% of the Group's total revenue (2018: approximately 10.4%).
- Revenue generated from acting as sponsor and underwriter for the Period amounted to approximately HK\$4.3 million (2018: approximately HK\$4.2 million), accounting for approximately 7.3% of the Group's total revenue (2018: approximately 5.8%).
- Other revenue, mainly arising from the provision of asset management services, litigation support services, pitch support services and merger & acquisition advisory services during the Period, amounted to approximately HK\$3.5 million (2018: approximately HK\$2.7 million).
- For the Period, the Group recorded a profit before tax of approximately HK\$1.7 million (2018: profit before tax of approximately HK\$13.2 million), and an after-tax profit was approximately HK\$1.3 million (2018: profit after tax of approximately HK\$10.9 million). The decrease in profit was primarily due to (i) a decrease in revenue due to the absence of any marquee financial advisory transaction during the Period; and (ii) an increase in operating expenses as a result of the Group's expansion.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

The Group is principally engaged in providing (i) corporate finance advisory services in Hong Kong through its subsidiaries in Hong Kong and Beijing; and (ii) asset management services through its subsidiary in Hong Kong.

The corporate finance advisory services of the Group mainly include (i) acting as financial adviser to Hong Kong public listed companies, major shareholders and investors of these companies and parties seeking to control or invest in listed companies in Hong Kong, mostly in transactions which involve the Rules Governing the Listing of Securities on the Stock Exchange, the 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, mostly for newly listed companies in Hong Kong; and (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.

Environmental Investment Services Asia Limited (“EISAL”) became a subsidiary of the Group in December 2018. EISAL is a corporation licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities. EISAL is a founding member of the Hong Kong Green Finance Association, an initiative to position Hong Kong as a leading international green finance hub. The acquisition of EISAL has extended the Group’s activities and should complement its efforts in participating in initial public offerings and developing an equity capital markets capability.

During the Period, EISAL, Milltrust International LLP, a global investment firm providing investment management and advisory services, and WWF Hong Kong, the renowned independent conservation organisation, finalised preparation for the launch of The Climate Impact Asia Fund (“CIAF”), an innovative climate impact fund focused on low carbon listed equity investments in the Asian region. On 28 November 2019, EISAL was appointed as the investment manager of CIAF. On 27 December 2019, the Group subscribed for and was allotted Class A shares of CIAF at a consideration of US\$2.8 million, equivalent to approximately HK\$21.9 million. Details of the Group’s subscription of shares in CIAF were set out in the announcement dated 27 December 2019. CIAF was formally launched successfully on 3 January 2020.

The interim results of the Group for the six months ended 30 September 2019 showed a loss of approximately HK\$1.6 million. This loss was due to the results in the first quarter, as the second quarter showed a profit of approximately HK\$1.0 million. The third quarter of the financial year has shown a further improvement with a profit of approximately HK\$2.8 million, although that was slightly below the result for the corresponding period of the previous financial year.

During the Period, the Group recorded a profit after tax of approximately HK\$1.3 million (2018: profit after tax of approximately HK\$10.9 million). Total revenue was approximately HK\$59.3 million for the Period, representing a decrease of approximately 18.8% as compared with the corresponding period of last year. As noted in the Company's profit warning announcement dated 24 January 2020, this was primarily due to the absence of a marquee financial advisory transaction with revenue of approximately HK\$9.2 million which was completed during the nine months ended 31 December 2018. In respect of expenses, there was a decrease in total operating expenses (excluding the fair value change on a financial asset through profit or loss) for the Period to approximately HK\$59.0 million, representing a decrease of approximately 1.8% as compared with the corresponding period of last year. This was due mainly to the combined effects of (i) the net decrease in employee benefits costs; and (ii) the increase in other operating expenses as a result of the inclusion of EISAL since December 2018 and the establishment of the Group's Beijing subsidiary in September 2018. The significant increase in "depreciation of right-of-use asset" and the significant decrease in "rental expenses and other premise expenses" noted on pages 7-8 below, which are largely off-setting, are due to the adoption of Hong Kong Financial Reporting Standards 16 Leases ("HKFRS 16") and not because of any changes in the Group's lease agreements or method of operating.

Because of the outbreak of the COVID-19 and based on the present deal flow, the Group's performance for the final quarter of the financial year ending 31 March 2020 hinges on completion risk of a number of current projects and the range of potential outcomes is wide.

FINANCIAL REVIEW

Revenue

The Group's total revenue decreased by approximately 18.8% to approximately HK\$59.3 million for the Period from approximately HK\$73.0 million for the nine months ended 31 December 2018.

Revenue generated from acting as financial adviser ("FA") and as independent financial adviser ("IFA") for the Period amounted to approximately HK\$38.5 million (2018: approximately HK\$58.5 million), accounting for approximately 64.9% of the Group's total revenue (2018: approximately 80.1%). The decrease is mainly attributable to the absence of a marquee financial advisory transaction with revenue of approximately HK\$9.2 million which was completed in the nine months ended 31 December 2018. FA and IFA activities are expected to remain the major source of the Group's revenue in the immediate future.

There was a relatively significant increase in revenue generated from acting as compliance adviser for the Period to approximately HK\$13.0 million (2018: approximately HK\$7.6 million), accounting for approximately 21.9% of the Group's total revenue (2018: approximately 10.4%). The Group has been successful in securing additional compliance advisory mandates which led to the increase in this source of revenue for the Period.

Revenue generated from acting as sponsor and underwriter for the Period amounted to approximately HK\$4.3 million (2018: approximately HK\$4.2 million), accounting for approximately 7.3% of the Group's total revenue (2018: approximately 5.8%).

Other revenue, mainly arising from the provision of asset management services, litigation support services, pitch support services and merger & acquisition advisory services during the Period, amounted to approximately HK\$3.5 million (2018: approximately HK\$2.7 million).

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 increased to approximately HK\$1.4 million for the Period from approximately HK\$1.1 million for the nine months ended 31 December 2018, primarily due to (i) increase in interest income from bank deposits; and (ii) office sharing income and reimbursement of other premises expenses from SGL starting from 1 July 2018.

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	
	2019	2018
	HK\$’000	HK\$’000
Fees, salaries, allowances and other benefits	36,257	34,048
Discretionary bonus	3,144	9,800
Share-based payments	381	325
Contributions to the retirement benefits scheme	804	550
	<u>40,586</u>	<u>44,723</u>
Analysed as:		
— corporate holding	921	853
— corporate finance advisory (Hong Kong)	36,163	43,107
— corporate finance advisory (Beijing)	1,952	608
— asset management	1,550	155
	<u>40,586</u>	<u>44,723</u>

Employee benefits costs decreased by approximately 9.2% to approximately HK\$40.6 million for the Period from approximately HK\$44.7 million for the nine months ended 31 December 2018, primarily due to the combined effects of (i) the increments in basic salaries during the Period; (ii) the increase in headcount as a result of the Group’s expansion; and (iii) the decrease in accrued bonus.

Depreciation and Other Operating Expenses

During the Period, the Group has 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.

	For the nine months ended	
	31 December	
	2019	2018
	HK\$'000	HK\$'000
Depreciation of property and equipment	782	1,126
Depreciation of right-of-use asset	<u>6,734</u>	<u>—</u>
	7,516	1,126
Rental expenses and other premises expenses	2,340	7,714
Travelling expenses	246	626
Impairment loss recognised in respect of trade receivables	651	43
Recurring GEM listing expenses (excluding remuneration of independent non-executive directors)	1,845	1,750
Others	<u>4,922</u>	<u>3,625</u>
	<u>17,520</u>	<u>14,884</u>
Analysed as:		
— corporate holding	2,540	2,625
— corporate finance advisory (Hong Kong)	12,548	11,568
— corporate finance advisory (Beijing)	1,699	606
— asset management	<u>733</u>	<u>85</u>
	<u>17,520</u>	<u>14,884</u>

The Group's depreciation and other operating expenses increased by approximately 17.4% to approximately HK\$17.5 million for the Period from approximately HK\$14.9 million for the nine months ended 31 December 2018. The increase was mainly due to an increase in rental and other operating expenses as a result of the Group's expansion.

Profit for the Period

For the Period, the Group recorded a profit before tax of approximately HK\$1.7 million (2018: approximately HK\$13.2 million), and an after-tax profit was approximately HK\$1.3 million (2018: approximately HK\$10.9 million). The decrease in profit was primarily due to (i) a decrease in revenue due to the absence of any marquee financial advisory transaction during the Period; and (ii) an increase in operating expenses as a result of the Group's expansion.

Future Plans for Material Investments or Capital Assets

The Group had no capital commitments as at 31 December 2019 (31 March 2019: approximately HK\$0.2 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 2019.

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 Class A shares of CIAF at a consideration of US\$2.8 million, approximately HK\$21.9 million. The subscription was settled by the internal resources of the Group in December 2019. Details of the subscription were set out in the 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 (2018: nil).

Dividend

The board of Directors (the "Board") does not recommend the payment of any dividend for the Period (2018: nil).

THE FINANCIAL STATEMENTS

THIRD QUARTERLY RESULTS

The Board presents the unaudited condensed consolidated results of the Group for the three months and nine months ended 31 December 2019, together with the unaudited comparative figures for the three months and nine months ended 31 December 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months ended 31 December 2019

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	3	24,630	27,618	59,298	73,011
Other income	4	435	413	1,397	1,119
		<u>25,065</u>	<u>28,031</u>	<u>60,695</u>	<u>74,130</u>
Employee benefit costs		(15,863)	(18,502)	(40,586)	(44,723)
Fair value loss on financial asset at fair value through profit or loss		—	(1)	—	(791)
Depreciation expenses		(2,503)	(479)	(7,516)	(1,126)
Introduction expenses		(122)	(180)	(576)	(485)
Finance cost		(85)	—	(299)	—
Other operating expenses		<u>(3,136)</u>	<u>(4,720)</u>	<u>(10,004)</u>	<u>(13,758)</u>
Profit before tax	5	3,356	4,149	1,714	13,247
Income tax expenses	6	<u>(511)</u>	<u>(857)</u>	<u>(461)</u>	<u>(2,320)</u>
Profit for the period		<u>2,845</u>	<u>3,292</u>	<u>1,253</u>	<u>10,927</u>
Profit (loss) for the period attributable to:					
Owners of the Company		3,067	3,334	1,800	10,969
Non-controlling interests		<u>(222)</u>	<u>(42)</u>	<u>(547)</u>	<u>(42)</u>
		<u>2,845</u>	<u>3,292</u>	<u>1,253</u>	<u>10,927</u>

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

For the nine months ended 31 December 2019

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Profit for the period		2,845	3,292	1,253	10,927
<i>Other comprehensive income (expense)</i>					
Item that will not be reclassified subsequently to profit or loss:					
Fair value loss on financial asset at fair value through other comprehensive income		—	(256)	—	(256)
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of financial statements of foreign operations		<u>1</u>	(8)	<u>(8)</u>	(8)
Other comprehensive income (expense) for the period		<u>1</u>	(264)	<u>(8)</u>	(264)
Total comprehensive income for the period		<u>2,846</u>	<u>3,028</u>	<u>1,245</u>	<u>10,663</u>
Total comprehensive income (expense) for the period attributable to:					
Owners of the Company		<u>3,068</u>	3,070	<u>1,792</u>	10,705
Non-controlling interests		<u>(222)</u>	(42)	<u>(547)</u>	(42)
		<u>2,846</u>	<u>3,028</u>	<u>1,245</u>	<u>10,663</u>
Earnings per share					
— basic (HK cents)	8	<u>2.18</u>	<u>2.36</u>	<u>1.28</u>	<u>7.84</u>
— diluted (HK cents)	8	<u>2.17</u>	<u>2.35</u>	<u>1.27</u>	<u>7.81</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2019

	Attributable to the owners of the Company									Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Retained earnings HK\$'000	Shareholder contribution reserve HK\$'000	Share option reserve HK\$'000	Translation reserve HK\$'000	Investment revaluation reserve HK\$'000	Other reserve (note) HK\$'000	Total HK\$'000		
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 expenses:											
Exchange differences arising from translation of foreign operation	—	—	—	—	—	(8)	—	—	(8)	—	(8)
Total comprehensive income (expenses) for the Period	—	—	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
At 31 March 2018 (Audited)	1,386	67,270	19,506	4,179	1,837	—	—	9,900	104,078	—	104,078
Impact of adopting HKFRS 9	—	—	(41)	—	—	—	—	—	(41)	—	(41)
At 1 April 2018 (Audited)	1,386	67,270	19,465	4,179	1,837	—	—	9,900	104,037	—	104,037
Profit (loss) for the period	—	—	10,969	—	—	—	—	—	10,969	(42)	10,927
Other comprehensive expenses:											
Exchange differences arising from translation of foreign operation	—	—	—	—	—	(8)	—	—	(8)	—	(8)
Fair value loss on financial asset at fair value through other comprehensive income	—	—	—	—	—	—	(256)	—	(256)	—	(256)
Total comprehensive income (expenses) for the Period	—	—	10,969	—	—	(8)	(256)	—	10,705	(42)	10,663
Issues of shares upon exercise of share options	8	488	—	—	(261)	—	—	—	235	—	235
Deemed disposal of financial asset at fair value through other comprehensive income	—	—	(256)	—	—	—	256	—	—	—	—
Acquisition of a subsidiary	16	1,971	—	—	—	—	—	—	1,987	2,717	4,704
Dividends recognised as distribution	—	(4,882)	—	—	—	—	—	—	(4,882)	—	(4,882)
Recognition of share-based payments	—	—	—	—	325	—	—	—	325	—	325
Lapse of share options	—	—	37	—	(37)	—	—	—	—	—	—
At 31 December 2018 (Unaudited)	1,410	64,847	30,215	4,179	1,864	(8)	—	9,900	112,407	2,675	115,082

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 2019

1. GENERAL

The Company was incorporated on 21 April 2016 in the Cayman Islands as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and the shares of the Company are listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its parent 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 2019 are the same as those followed in the preparation of the Group’s annual report for the year ended 31 March 2019, 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 except for the adoption of new or revised HKFRSs as set out in the section headed “Change in Accounting Policies” of the Interim Report 2019 published on 8 November 2019.

3. REVENUE

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

	Nine months ended	
	31 December	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Fee income from acting as financial adviser	7,645	29,692
Fee income from acting as independent financial adviser	30,852	28,854
Fee income from acting as compliance adviser	12,964	7,553
Fee income from acting as sponsor and underwriter	4,314	4,200
Others	3,523	2,712
	<u>59,298</u>	<u>73,011</u>

4. OTHER INCOME

	Nine months ended	
	31 December	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	798	415
Management fee income from ultimate holding company	78	73
Office sharing income and reimbursement of other premises expenses from ultimate holding company	521	345
Other	—	286
	<u>1,397</u>	<u>1,119</u>

5. PROFIT BEFORE TAX

	Nine months ended	
	31 December	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Directors' emoluments		
Fees	540	528
Other emoluments	7,722	7,542
Share-based payments	160	208
Contributions to the retirement benefits scheme	27	27
	8,449	8,305
Other staff costs	31,168	35,768
(Reversal of) provision for long service payment	(29)	10
Share-based payments	221	117
Contributions to the retirement benefits scheme	777	523
Total staff costs	40,586	44,723
Auditor's remuneration	521	438
Exchange loss, net	65	45
Impairment loss recognised in respect of trade receivables	651	43
Finance cost on lease liability	299	—
Operating lease rental payments for rented premises (note)	883	6,385

Note: Operating lease rental payment for rented premises for the nine months ended 31 December 2018 represented payments made and amounted for under HKAS 17. The Group has initially applied HKFRS 16 as at 1 April 2019 using the modified retrospective approach.

6. INCOME TAX EXPENSES

	Nine months ended	
	31 December	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong	459	2,353
People's Republic of China	214	—
Over provision in prior years:		
Hong Kong	(45)	(22)
Deferred taxation	(167)	(11)
	<u>461</u>	<u>2,320</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 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 (2018: 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	
	2019	2018
	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	<u>1,800</u>	<u>10,927</u>
Shares		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation ('000)	141,128	139,292
Effect of dilutive potential ordinary shares — share options ('000)	<u>514</u>	<u>619</u>
Weighted average number of ordinary shares in issue during the period, used in the diluted earnings per share calculation ('000)	<u>141,642</u>	<u>139,911</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 during the Period.

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

29,919 share options were exercised after the Period. An aggregate of 29,919 new Shares at the exercise price of HK\$0.28 have been issued after the Period.

Save as disclosed above, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2019 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 2019 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, 13 February 2020

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.