



**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 2018**

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

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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

## FINANCIAL HIGHLIGHTS

- The Board is pleased to report that for the nine months ended 31 December 2018 (the “Period”), the Group recorded increases of approximately 35.9% in revenue and approximately 153.5% in after-tax profit as compared to the revenue of approximately HK\$53.7 million and after-tax profit of approximately HK\$4.3 million for the corresponding period in 2017, in line with the profit alert announcement published on 9 January 2019.
- The Group recorded the total revenue of approximately HK\$73.0 million for the Period, representing an increase of approximately 35.9% as compared to the total revenue of approximately HK\$53.7 million for the nine months ended 31 December 2017.
- Revenue generated from acting as financial adviser and as independent financial adviser for the Period amounted to approximately HK\$58.5 million (2017: approximately HK\$41.7 million), accounting for approximately 80.1% of the Group’s total revenue (2017: approximately 77.7%).
- Revenue generated from acting as compliance adviser for the Period amounted to approximately HK\$7.6 million (2017: approximately HK\$5.3 million), accounting for approximately 10.4% of the Group’s total revenue (2017: approximately 9.9%).
- Revenue generated from acting as sponsor and underwriter for the Period amounted to approximately HK\$4.2 million (2017: approximately HK\$6.5 million), accounting for approximately 5.8% of the Group’s total revenue (2017: approximately 12.1%).
- Other revenue, mainly arising from the provision of litigation support services, pitch support services and merger & acquisition advisory services during the Period, amounted to approximately HK\$2.7 million (2017: approximately HK\$0.2 million).
- For the Period, the Group made a profit before tax of approximately HK\$13.2 million (2017: approximately HK\$5.1 million) and after-tax profit was approximately HK\$10.9 million (2017: approximately HK\$4.3 million). The net increase was primarily due to the combination of positive and negative effects of (i) approximately HK\$19.3 million increase in revenue; (ii) approximately HK\$7.8 million increase in employee benefits costs; (iii) the increase in other operating expenses; and (iv) the recognition of fair value loss on financial asset at fair value through profit or loss.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND PROSPECTS

The Group is principally engaged in providing corporate finance services in Hong Kong and through its recently-opened subsidiary in Beijing and asset management services in Hong Kong through a newly acquired subsidiary, as detailed below.

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 “Listing Rules”), the GEM Listing Rules and/or the Codes on Takeovers and Mergers and Share Buy-backs (the “Takeovers Code”), including acting as arranger in connection with the introduction of investors to listed companies in Hong Kong and/or their major shareholders in a takeover transaction; (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 offering and listings of shares of companies on the Stock Exchange in Hong Kong (the “IPO”) and managing and underwriting equity issues in Hong Kong.

In addition, the acquisition of a 74.8% equity interest in Environmental Investment Services Asia Limited (“EISAL”) was completed in December 2018. EISAL is a licensed corporation 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. Following this acquisition, Mr. HIGGS Jeremy James resigned as an independent non-executive Director, as he was no longer eligible to serve this capacity since he is an executive director of EISAL. The acquisition of EISAL will generate a new revenue stream for the Group and complement the Group’s progress in participating in initial public offerings and developing an equity capital markets capability.

During the third quarter ended 31 December 2018, the Group’s activities included one substantial financial advisory transaction with revenue of approximately HK\$7.5 million. Together with the completion of one marquee financial advisory transaction in August 2018 and a solid performance from the rest of corporate finance advisory business, the Group recorded total revenue of approximately HK\$73.0 million for the Period (2017: approximately HK\$53.7 million), representing an increase of approximately 35.9% as compared with the corresponding period of last year.

As a result of the increments in salaries and bonuses, the implementation of future plans and accordingly, increase in office area and the number of staff, including staff in our new Beijing subsidiary, operating expenses (excluding a fair value loss on a financial asset through profit or loss of approximately HK\$0.8 million) increased to approximately HK\$60.1 million (2017: approximately HK\$49.3 million), representing an increase of approximately 21.9% as compared with the corresponding period of last year.

The profit for the Period increased to approximately HK\$10.9 million from approximately HK\$4.3 million for the nine months ended 31 December 2017, primarily due to the increase in revenue and an improvement in operating margins.

### **Looking forward**

Work-on-hand for the final quarter of our financial year ending 31 March 2019 looks somewhat less buoyant than our experience in the first nine months of the financial year. It is too early at the moment to say whether this will affect the results for the full year ending 31 March 2019.

## **FINANCIAL REVIEW**

### **Revenue**

The Group's total revenue increased by approximately 35.9% to approximately HK\$73.0 million for the Period from approximately HK\$53.7 million for the nine months ended 31 December 2017.

Revenue generated from acting as financial adviser and as independent financial adviser for the Period amounted to approximately HK\$58.5 million (2017: approximately HK\$41.7 million), accounting for approximately 80.1% of the Group's total revenue (2017: approximately 77.7%). The increase was largely due to the completion of one marquee financial advisory transaction with revenue of approximately HK\$9.2 million and one substantial financial advisory transaction with revenue of approximately HK\$7.5 million during the Period. These cornerstone activities are expected to remain the major source of the Group's revenue in the immediate future.

Revenue generated from acting as compliance adviser for the Period amounted to approximately HK\$7.6 million (2017: approximately HK\$5.3 million), accounting for approximately 10.4% of the Group's total revenue (2017: approximately 9.9%). Based on Report on Initial Public Offering Applications, Delisting and Suspensions as at 31 December 2018 published by Hong Kong Exchanges and Clearing Limited, the number of newly listed companies in Hong Kong (excluding transfer from GEM to Main Board) was 224 in 2018 (2017: 184). The Group has been successful in securing additional compliance advisory mandates which led to the increase in revenue from acting as compliance advisor for the Period.

Revenue generated from acting as sponsor and underwriter for the Period amounted to approximately HK\$4.2 million (2017: approximately HK\$6.5 million), accounting for approximately 5.8% of the Group's total revenue (2017: approximately 12.1%). As at 31 December 2018, the Group had 3 work-in-progress sponsorship engagements (2017: 1).

Other revenue, mainly arising from the provision of litigation support services, pitch support services and merger & acquisition advisory services during the Period, amounted to approximately HK\$2.7 million (2017: approximately HK\$0.2 million).

### Other Income

Other income mainly represented bank interest income, reimbursement of out-of-pocket expenses from customers, management service fee income from Somerley Group Limited ("SGL"), rental income and reimbursement of other premise expenses from SGL.

### Employee Benefits Costs

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

	<b>For the nine months ended</b>	
	<b>31 December</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Salaries, allowances and other benefits	<b>34,048</b>	30,423
Discretionary bonuses	<b>9,800</b>	5,400
Share-based payments	<b>325</b>	552
Retirement benefits scheme contributions	<b>550</b>	483
	<u><b>44,723</b></u>	<u>36,858</u>

Employee benefits costs increased by approximately 21.1% to approximately HK\$44.7 million for the Period from approximately HK\$36.9 million for the nine months ended 31 December 2017, primarily due to the combined effects of (i) the increments in basic salaries and additional executives hired during the Period; (ii) an increase in bonuses; and (iii) establishment of a new subsidiary in Beijing.

## Other Operating Expenses

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	
	2018	2017
	HK\$'000	HK\$'000
Rental expenses and other premises expenses	7,714	5,951
Travelling expenses	626	545
Bad debt in respect of trade receivables	—	180
Impairment loss recognised in respect of trade receivables	43	—
Recurring GEM listing expenses (excluding remuneration of independent non-executive directors)	1,750	1,632
Others	3,625	2,826
	<u>13,758</u>	<u>11,134</u>

The Group's other operating expenses increased by approximately 24.3% to approximately HK\$13.8 million for the Period from approximately HK\$11.1 million for the nine months ended 31 December 2017. The increase was mainly due to (i) the increase in rental expenses as a result of (a) the office expansion and the execution of new lease in Hong Kong and (b) a new office in Beijing; (ii) the recognition of business continuity plan expenses; (iii) the increase in legal and professional expenses due to specific needs of certain advisory engagements; and (iv) the increase in general operating expenses as a result of establishment of a new subsidiary in Beijing.

## Income Tax Expenses

The Group's income tax expenses primarily included provision for Hong Kong current and deferred income tax expenses. The effective tax rate for the Period was approximately 17.4% (2017: approximately 15.7%) and was higher than the Hong Kong profits tax rate of 16.5% because the fair value loss on financial asset at fair value at profit or loss is not deductible for tax purpose in Hong Kong.

## **Profit for the Period**

For the Period, the Group made a profit before tax of approximately HK\$13.2 million (2017: approximately HK\$5.1 million) and after-tax profit was approximately HK\$10.9 million (2017: approximately HK\$4.3 million). The net increase was primarily due to the combination of positive and negative effects of (i) approximately HK\$19.3 million increase in revenue; (ii) approximately HK\$7.8 million increase in employee benefits costs; (iii) the increase in other operating expenses; and (iv) the recognition of fair value loss on financial asset at fair value through profit or loss.

## **INTERIM DIVIDEND**

The board of Directors (the “Board”) does not recommend the payment of an interim dividend for the Period (2017: nil).

## **SIGNIFICANT INVESTMENTS HELD**

During the Period, the Company and EISAL have agreed the terms and conditions (the “Agreements”) for the Company to become the majority shareholder in EISAL. EISAL is a Hong Kong-based investment management company specialising in the Asian low carbon environmental sector and manages the Green Dragon Fund which invests in companies with significant exposure to that sector operating within the Asia Pacific region. EISAL is a licensed corporation under 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.

The Agreements are structured through:

- (i) the cash subscriptions of 1,140,000 new ordinary shares in EISAL (“EISAL Shares”) at an issue price of US\$0.60 per EISAL Share; and
- (ii) the acquisitions of 1,333,334 existing EISAL Shares from certain existing shareholders at a consideration of US\$0.60 per EISAL Share which were settled in US\$0.30 cash and 1.14 new shares issued by the Company.

On 10 July 2018, the first subscription of 240,000 new EISAL Shares was completed. On 14 December 2018, the second subscription of 900,000 new EISAL Shares and the acquisition of 1,333,334 existing EISAL Shares were completed. Following the completion, the Company holds 2,473,334 EISAL Shares, representing 74.8% of the share capital of EISAL as enlarged by the completion of the first subscription and the second subscription.

For details of the transaction, please refer to the Company's announcements dated 10 July 2018 and 14 December 2018.

Except for investments in subsidiaries and the investment in EISAL as stated above, the Group did not hold any significant investments during the Period (2017: nil).

#### **EVENTS AFTER THE REPORTING PERIOD**

No significant events occurred subsequent to 31 December 2018 and up to the date of this results announcement.

## THE FINANCIAL STATEMENTS

### THIRD QUARTERLY RESULTS

The Board is pleased to present the unaudited condensed financial information of the Group for the three months and nine months ended 31 December 2018 (the “Period”), together with the unaudited comparative figures for the three months and nine months ended 31 December 2017, as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the nine months ended 31 December 2018*

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue	5	27,618	18,946	73,011	53,733
Other income	6	413	90	1,119	292
		<b>28,031</b>	19,036	<b>74,130</b>	54,025
Employee benefit costs		(18,502)	(12,460)	(44,723)	(36,858)
Fair value (loss) gain on financial asset at fair value through profit or loss		(1)	—	(791)	319
Depreciation for property and equipment		(479)	(200)	(1,126)	(521)
Introduction expenses		(180)	(440)	(485)	(776)
Other operating expenses		(4,720)	(4,201)	(13,758)	(11,134)
Profit before tax	7	4,149	1,735	13,247	5,055
Income tax expenses	8	(857)	(269)	(2,320)	(771)
Profit for the period		<b>3,292</b>	1,466	<b>10,927</b>	4,284
Profit (loss) for the period attributable to:					
Owners of the Company		3,334	1,466	10,969	4,284
Non-controlling interests		(42)	—	(42)	—
		<b>3,292</b>	1,466	<b>10,927</b>	4,284
Earnings per share					
— basic (HK cents)	10	<b>2.36</b>	1.06	<b>7.84</b>	3.11
— diluted (HK cents)	10	<b>2.35</b>	1.05	<b>7.81</b>	3.06

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

*For the nine months ended 31 December 2018*

	Three months ended		Nine months ended	
	31 December		31 December	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit for the period	<b>3,292</b>	1,466	<b>10,927</b>	4,284
<b>Other comprehensive expense</b>				
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	(8)	—	(8)	—
Other comprehensive expense for the period	(264)	—	(264)	—
Total comprehensive income for the period	<b>3,028</b>	1,466	<b>10,663</b>	4,284
Total comprehensive income (expense) for the period attributable to:				
Owners of the Company	<b>3,070</b>	1,466	<b>10,705</b>	4,284
Non-controlling interests	(42)	—	(42)	—
	<b>3,028</b>	1,466	<b>10,663</b>	4,284

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the nine months ended 31 December 2018*

	Attributable to the owners of the Company										
	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	Non- controlling interests HK\$'000	Total HK\$'000
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	1,386	67,270	19,465	4,179	1,837	—	—	9,900	104,037	—	104,037
Profit 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)
<b>Total comprehensive income (expenses) for the Period</b>	<b>—</b>	<b>—</b>	<b>10,969</b>	<b>—</b>	<b>—</b>	<b>(8)</b>	<b>(256)</b>	<b>—</b>	<b>10,705</b>	<b>(42)</b>	<b>10,663</b>
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)	<u>1,410</u>	<u>64,847</u>	<u>30,215</u>	<u>4,179</u>	<u>1,864</u>	<u>(8)</u>	<u>—</u>	<u>9,900</u>	<u>112,407</u>	<u>2,675</u>	<u>115,082</u>
At 1 April 2017 (Audited)	<u>1,350</u>	<u>65,180</u>	<u>13,618</u>	<u>4,179</u>	<u>2,228</u>	<u>—</u>	<u>—</u>	<u>9,900</u>	<u>96,455</u>	<u>—</u>	<u>96,455</u>
Profit and total comprehensive income for the period	—	—	4,284	—	—	—	—	—	4,284	—	4,284
Issue of shares upon exercise of share options	36	2,090	—	—	(1,110)	—	—	—	1,016	—	1,016
Recognition of equity-settled share-based payments	—	—	—	—	552	—	—	—	552	—	552
At 31 December 2017 (Unaudited)	<u>1,386</u>	<u>67,270</u>	<u>17,902</u>	<u>4,179</u>	<u>1,670</u>	<u>—</u>	<u>—</u>	<u>9,900</u>	<u>102,307</u>	<u>—</u>	<u>102,307</u>

*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 2018*

### **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 Somerley Group Limited (“SGL”), a company incorporated in Hong Kong with limited liabilities. The addresses of the registered office and the principal place of business of the Company are Cricket Square, Hustchison 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 unaudited condensed consolidated financial statements for the nine months ended 31 December 2018 have not been audited by the Company’s independent auditors, but have been reviewed by the Company’s Audit Committee.

### 3. CHANGE IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and related Amendments
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKAS 28 HK(IFRIC)-Int 22	As part of Annual Improvements to HKFRSs 2014 - 2016 Cycle Foreign Currency Transactions and Advance Consideration

The impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers have been summarised below. The application of other new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and on the disclosures set out in these unaudited condensed consolidated financial statements.

#### **HKFRS 9 Financial Instruments**

HKFRS 9 Financial Instruments replaces HKAS 39 Financial Instruments: Recognition and Measurement and brings together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Group has applied HKFRS 9 on 1 April 2018 in accordance with the transition requirements. The Group has not restated comparative information for financial instruments in the scope of HKFRS 9. Therefore, the comparative information was reported under HKAS 39 and was not comparable to the information presented as at 31 December 2018 and for the nine-month period then ended. Differences arising from the adoption of HKFRS 9 have been recognised directly in retained earnings as of 1 April 2018.

## **HKFRS 15 Revenue from Contracts with Customers**

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 April 2018. In accordance with the transition provisions in HKFRS 15, the Group has adopted the modified retrospective approach for the new rules.

Further details of the nature and effect of the changes on previous accounting policies are set out in the section headed “Change in Accounting Policies” of the Interim Report 2018 published on 13 November 2018.

#### **4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of unaudited condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these unaudited condensed consolidated financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group’s annual report for the year ended 31 March 2018.

## 5. REVENUE

Revenue represented revenue arising on provision of corporate finance advisory services during the Period.

	Nine months ended	
	31 December	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Fee income from acting as financial adviser	29,692	16,347
Fee income from acting as independent financial adviser	28,854	25,365
Fee income from acting as compliance adviser	7,553	5,290
Fee income from acting as sponsor and underwriter	4,200	6,532
Others	2,712	199
	<u>73,011</u>	<u>53,733</u>

## 6. OTHER INCOME

	Nine months ended	
	31 December	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Exchange gain, net	—	64
Bank interest income	415	137
Management fee income from ultimate holding company	73	91
Office sharing income and reimbursement of other premises expenses from ultimate holding company	345	—
Reimbursement of out-of-pocket expenses from customers	286	—
	<u>1,119</u>	<u>292</u>

## 7. PROFIT BEFORE TAX

	<b>Nine months ended</b>	
	<b>31 December</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Directors' emoluments		
Fees	<b>528</b>	540
Other emoluments	<b>7,542</b>	7,452
Share-based payments	<b>208</b>	208
Contributions to retirement benefits scheme	<b>27</b>	27
	<b>8,305</b>	8,227
Other staff costs	<b>35,768</b>	27,863
Provision (reversal of provision) for long service payment	<b>10</b>	(32)
Share-based payments	<b>117</b>	344
Contributions to retirement benefits scheme	<b>523</b>	456
Total staff costs	<b>44,723</b>	36,858
Auditor's remuneration	<b>438</b>	418
Exchange loss, net	<b>45</b>	—
Bad debt expenses in respect of trade receivables	—	180
Impairment loss recognised in respect of trade receivables	<b>43</b>	—
Operating lease rental payments for rented premises	<b>6,385</b>	4,736

## 8. INCOME TAX EXPENSES

	Nine months ended 31 December	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong	2,353	486
Over provision in prior years:		
Hong Kong	(22)	(19)
Deferred taxation	<u>(11)</u>	<u>304</u>
	<u><u>2,320</u></u>	<u><u>771</u></u>

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Period (2017: 16.5%).

## 9. DIVIDENDS

The Directors do not recommend the payment of interim dividend for the Period (2017: nil).

## 10. 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:

	<b>Nine months ended</b>	
	<b>31 December</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<b>10,927</b>	4,284
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation ('000)	<b>139,292</b>	137,720
Effect of dilutive potential ordinary shares ('000)	<b>619</b>	2,324
Weighted average number of ordinary shares in issue during the period, used in the diluted earnings per share calculation ('000)	<b>139,911</b>	140,044

## **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 an audit committee (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 two independent non-executive Directors, namely Mr. CHENG Yuk Wo and Mr. YUEN Kam Tim Francis. 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.

### **PUBLICATION OF THIRD QUARTERLY RESULTS AND THIRD QUARTERLY REPORT**

This results announcement is published on the websites of the Stock Exchange ([www.hkgem.com](http://www.hkgem.com)) and the Company ([www.somerleycapital.com](http://www.somerleycapital.com)). The third quarterly report of the Company for the nine months ended 31 December 2018 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, 14 February 2019

*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 and Mr. YUEN Kam Tim Francis.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://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](http://www.somerleycapital.com).*