

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

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

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

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

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BUSINESS REVIEW AND PROSPECTS

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 nine months ended 31 December 2019 (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 6-7 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
	40,586	44,723
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
	40,586	44,723

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 HK\$'000	2018 HK\$'000
Depreciation of property and equipment	782	1,126
Depreciation of right-of-use asset	6,734	—
	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	4,922	3,625
	17,520	14,884
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	733	85
	17,520	14,884

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

Significant Investments

On 27 December 2019, the Group subscribed for and was allotted 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).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months ended 31 December 2019

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:

	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
		25,065	28,031	60,695	74,130
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		(3,136)	(4,720)	(10,004)	(13,758)
Profit before tax	5	3,356	4,149	1,714	13,247
Income tax expenses	6	(511)	(857)	(461)	(2,320)
Profit for the period		2,845	3,292	1,253	10,927
Profit (loss) for the period attributable to:					
Owners of the Company		3,067	3,334	1,800	10,969
Non-controlling interests		(222)	(42)	(547)	(42)
		2,845	3,292	1,253	10,927

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		1	(8)	(8)	(8)
Other comprehensive income (expense) for the period		1	(264)	(8)	(264)
Total comprehensive income for the period		2,846	3,028	1,245	10,663
Total comprehensive income (expense) for the period attributable to:					
Owners of the Company		3,068	3,070	1,792	10,705
Non-controlling interests		(222)	(42)	(547)	(42)
		2,846	3,028	1,245	10,663
Earnings per share					
— basic (HK cents)	8	2.18	2.36	1.28	7.84
— diluted (HK cents)	8	2.17	2.35	1.27	7.81



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2019

	Attributable to the owners of the Company			
	Share capital HK\$'000	Share premium HK\$'000	Retained earnings HK\$'000	Shareholder contribution reserve HK\$'000
At 31 March 2019 (Audited)	1,410	64,847	29,118	4,179
Impact of adopting HKFRS 16	—	—	(170)	—
At 1 April 2019 (Unaudited)	1,410	64,847	28,948	4,179
Profit (loss) for the period	—	—	1,800	—
Other comprehensive expenses:				
Exchange differences arising from translation of foreign operation	—	—	—	—
Total comprehensive income (expenses) for the Period	—	—	1,800	—
Issues of shares upon exercise of share options	3	173	—	—
Dividends recognised as distribution	—	(7,064)	—	—
Recognition of share-based payments	—	—	—	—
At 31 December 2019 (Unaudited)	1,413	57,956	30,748	4,179
At 31 March 2018 (Audited)	1,386	67,270	19,506	4,179
Impact of adopting HKFRS 9	—	—	(41)	—
At 1 April 2018 (Audited)	1,386	67,270	19,465	4,179
Profit (loss) for the period	—	—	10,969	—
Other comprehensive expenses:				
Exchange differences arising from translation of foreign operation	—	—	—	—
Fair value loss on financial asset at fair value through other comprehensive income	—	—	—	—
Total comprehensive income (expenses) for the Period	—	—	10,969	—
Issues of shares upon exercise of share options	8	488	—	—
Deemed disposal of financial asset at fair value through other comprehensive income	—	—	(256)	—
Acquisition of a subsidiary	16	1,971	—	—
Dividends recognised as distribution	—	(4,882)	—	—
Recognition of share-based payments	—	—	—	—
Lapse of share options	—	—	37	—
At 31 December 2018 (Unaudited)	1,410	64,847	30,215	4,179

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.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2019

Attributable to the owners of the Company				Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
Share option reserve HK\$'000	Translation reserve HK\$'000	Investment revaluation reserve HK\$'000	Other reserve (note) HK\$'000			
2,029	4	—	9,900	111,487	3,020	114,507
—	—	—	—	(170)	—	(170)
2,029	4	—	9,900	111,317	3,020	114,337
—	—	—	—	1,800	(547)	1,253
—	(8)	—	—	(8)	—	(8)
—	(8)	—	—	1,792	(547)	1,245
(92)	—	—	—	84	—	84
—	—	—	—	(7,064)	—	(7,064)
381	—	—	—	381	—	381
2,318	(4)	—	9,900	106,510	2,473	108,983
1,837	—	—	9,900	104,078	—	104,078
—	—	—	—	(41)	—	(41)
1,837	—	—	9,900	104,037	—	104,037
—	—	—	—	10,969	(42)	10,927
—	(8)	—	—	(8)	—	(8)
—	—	(256)	—	(256)	—	(256)
—	(8)	(256)	—	10,705	(42)	10,663
(261)	—	—	—	235	—	235
—	—	256	—	—	—	—
—	—	—	—	1,987	2,717	4,704
—	—	—	—	(4,882)	—	(4,882)
325	—	—	—	325	—	325
(37)	—	—	—	—	—	—
1,864	(8)	—	9,900	112,407	2,675	115,082

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2019

3. REVENUE

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

	Nine months ended 31 December	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (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
	59,298	73,011

4. OTHER INCOME

	Nine months ended 31 December	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (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
	1,397	1,119

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2019

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2019

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)
	461	2,320

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).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2019

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	1,800	10,927
Number of shares		
	2019	2018
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)	514	619
Weighted average number of ordinary shares in issue during the period, used in the diluted earnings per share calculation ('000)	141,642	139,911

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

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

COMPETING INTERESTS

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed shares of the Company (the "Shares") during the Period.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 2019, the Directors and Chief Executive and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules:

Long position in ordinary shares of the Company

Name of Directors	Capacity/Nature of interests	Number of ordinary share(s) held	Number of underlying shares held pursuant to share options	Approximate percentage of the total number of issued shares of the Company
SABINE Martin Nevil	Interest of a controlled corporation	93,907,350 (Note 1)	—	66.46%
	A concert party to an agreement to buy shares described in s317(1)(a)	2,233,440 (Note 2)	—	1.58%
		—	645,717 (Notes 2 & 3)	0.46%
CHEUNG Tei Sing Jamie ("Mr. Cheung")	Beneficial owner	2,233,440	—	1.58%
		—	645,717 (Note 3)	0.46%
	A concert party to an agreement to buy shares described in s317(1)(a)	93,907,350 (Notes 1&2)	—	66.46%
CHOW Wai Hung Kenneth	Beneficial owner	3,754,170	—	2.66%
		—	1,877,083 (Note 3)	1.33%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

1. SGL is directly interested in 93,907,350 Shares. SGL is wholly-owned by Mr. Sabine, Mr. FLETCHER John Wilfred Sword ("Mr. Fletcher"), Mr. Cheung and Ms. FONG Sau Man Cecilia.
2. Mr. Sabine, Mr. Fletcher and Mr. Cheung are acting in concert in respect of their interests in the Company and therefore each of Mr. Sabine, Mr. Fletcher and Mr. Cheung is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.
3. These share options were granted by the Company on 19 May 2016 under the share option scheme approved and adopted by the Company on 11 May 2016. The Shares comprised in the options shall vest unto the grantees and become exercisable during the period commencing on (i) the date on which the listing of the Shares is transferred to the Main Board; or (ii) 1 January 2020, whichever is earlier, and ending on the expiry of the option period(s). The exercise price of the options is HK\$0.28 per Share.

Long position in the ordinary shares of the associated corporations

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

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

Save as disclosed above, as at 31 December 2019, none of the Directors or Chief Executive and/or any of their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

Save as disclosed above, at no time during the Period had the Directors and the Chief Executive (including their spouses and children under 18 years of age) any interest in, or been granted or exercised, any rights to subscribe for the shares (or warrants or debentures, as applicable) of the Company or any of its associated corporations (within the meaning of the SFO).

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2019, substantial shareholders (not being the Directors or Chief Executive) had interests or short positions in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, as follows:

Long position in ordinary shares of the Company

Name of substantial shareholders	Capacity/Nature of interests	Number of ordinary share(s) held	Number of underlying shares held pursuant to share options	Approximate percentage of the total number of issued shares of the Company
Somerley Group Limited	Beneficial owner	93,907,350 (Note 1)	—	66.46%
SABINE Maureen Alice ("Dr. Sabine")	Interest of a spouse	96,140,790 (Note 2)	—	68.05%
		—	645,717 (Note 2)	0.46%
FLETCHER John Wilfred Sword	A concert party to an agreement to buy shares described in s317(1)(a)	96,140,790 (Note 1)	—	68.05%
		—	645,717 (Note 1)	0.46%
FLETCHER Jacqueline ("Mrs. Fletcher")	Interest of a spouse	96,140,790 (Note 3)	—	68.05%
		—	645,717 (Note 3)	0.46%
CHOI Helen Oi Yan ("Mrs. Cheung")	Interest of a spouse	96,140,790 (Note 4)	—	68.05%
		—	645,717 (Note 4)	0.46%

Notes:

1. SGL is directly interested in 93,907,350 Shares and SGL is wholly-owned by Mr. Sabine, Mr. Fletcher, Mr. Cheung and Ms. FONG Sau Man Cecilia. Mr. Sabine, Mr. Fletcher and Mr. Cheung are acting in concert in respect of their interests in the Company and therefore each of Mr. Sabine, Mr. Fletcher and Mr. Cheung is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.
2. Dr. Sabine is the spouse of Mr. Sabine. By virtue of the SFO, Dr. Sabine is deemed to be interested in the Shares held by Mr. Sabine.
3. Mrs. Fletcher is the spouse of Mr. Fletcher. By virtue of the SFO, Mrs. Fletcher is deemed to be interested in the Shares held by Mr. Fletcher.
4. Mrs. Cheung is the spouse of Mr. Cheung. By virtue of the SFO, Mrs. Cheung is deemed to be interested in the Shares held by Mr. Cheung.

Save as disclosed above, the Directors and Chief Executive are not aware that there is any party who, as at 31 December 2019, had an interest or short position in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

COMPLIANCE ADVISER'S INTERESTS

Halcyon Capital Limited acted as the compliance adviser of the Company until 28 June 2019 for which service they received fees. Neither Halcyon Capital Limited nor any of its directors or employees or close associates had any interest in the shares of the Company or any member of the Group (including options or rights to subscribe for such securities) during the service period.

After the completion of the engagement of Halcyon Capital Limited as the compliance adviser of the Company in compliance with rule 6A.19 of the GEM Listing Rules, the Company no longer has an external compliance adviser.

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 report.

SUFFICIENCY OF PUBLIC FLOAT

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

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

Hong Kong, 13 February 2020

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