



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

First Quarterly Report

2017

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

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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 (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 the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to 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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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2017

The Board of Directors (the “Board”) of the Company is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 30 June 2017 (the “Period”), together with the unaudited comparative figures for the corresponding period in 2016, as follows:

	Note	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue	3	16,055	14,472
Other income	3	71	878
		16,126	15,350
Employee benefits costs		(11,995)	(14,847)
Depreciation for property and equipment		(126)	(57)
Introduction expenses		(68)	(24)
Other operating expenses		(2,878)	(5,871)
Profit (loss) before tax	4	1,059	(5,449)
Income tax expense	5	(317)	(439)
Profit (loss) and total comprehensive income (expense) for the period attributable to the owners of the Company		742	(5,888)
Earnings (loss) per share			
— basic (HK cents)	7	0.55	(5.89)
— diluted (HK cents)	7	0.54	(5.89)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2017

	Attributable to the owners of the Company						Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Retained profits HK\$'000	Shareholder contribution reserve HK\$'000	Share option reserve HK\$'000	Other reserve (note) HK\$'000	
At 1 April 2016 (audited)	10,000	—	16,425	—	—	—	26,425
Loss and total comprehensive expense for the period	—	—	(5,888)	—	—	—	(5,888)
Issues of shares to ultimate holding company	100	—	—	—	—	—	100
Recognition of equity-settled share-based payments	—	—	—	—	269	—	269
Contribution from shareholder	—	—	—	4,179	—	—	4,179
At 30 June 2016 (unaudited)	<u>10,100</u>	<u>—</u>	<u>10,537</u>	<u>4,179</u>	<u>269</u>	<u>—</u>	<u>25,085</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>9,900</u>	<u>96,455</u>
Profit and total comprehensive income for the period	—	—	742	—	—	—	742
Effect of share options — share issue	32	1,830	—	—	(971)	—	891
Recognition of equity-settled share-based payments	—	—	—	—	196	—	196
At 30 June 2017 (unaudited)	<u>1,382</u>	<u>67,010</u>	<u>14,360</u>	<u>4,179</u>	<u>1,453</u>	<u>9,900</u>	<u>98,284</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 three months ended 30 June 2017

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 the GEM of the Stock Exchange. Its parent is Somerley Group Limited (“SGL”) and its ultimate beneficial owners during the reporting period are Mr. SABINE Martin Nevil, Mr. CHEUNG Tei Sing Jamie, Mr. FLETCHER John Wilfred Sword and Ms. FONG Sau Man Cecilia. 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 only operating subsidiary is mainly engaged in the provision of corporate finance advisory services.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”) which is same as the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated.

2. GROUP REORGANISATION AND BASIS OF PREPARATION

(i) Group Reorganisation

Pursuant to the group reorganisation (the “Reorganisation”) of the Company, as described in the section headed “History and Development – Reorganisation” in the prospectus of the Company dated 15 March 2017 (the “Prospectus”), the Company became the holding company of the companies now comprising the Group after the completion of the Reorganisation on 9 March 2017. The Group, comprising the Company and its subsidiaries, resulting from the Reorganisation was directly and/or beneficially owned by the same beneficial owners before and after the Reorganisation. Amongst the ultimate beneficial owners, Mr. SABINE Martin Nevil, Mr. CHEUNG Tei Sing Jamie and Mr. FLETCHER John Wilfred Sword are regarded as Controlling Shareholders of the Group. As such, the Reorganisation effectively superimposed a holding company over the subsidiaries and there was a continuation of risks and benefits to the ultimate beneficial owners. Accordingly, the comparative figures in the unaudited condensed consolidated financial statements have been prepared on a consolidated basis as if the Company had always been the holding company of the Group by applying the principles of merger accounting with reference to Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as if the Reorganisation had been completed at the beginning of the period as set out in the accounting policy of the Company under “Merger accounting for business combination involving entities under common control”.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2017

2. GROUP REORGANISATION AND BASIS OF PREPARATION (Continued)

(i) Group Reorganisation (Continued)

The unaudited consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity includes the results of the companies now comprising the Group as if the current group structure had been in existence throughout the three months period ended 30 June 2016.

(ii) Basis of Preparation

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 three months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual report for the year ended 31 March 2017, 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. The Group has not early adopted any new HKFRSs that have been issued but are not yet effective.

The unaudited condensed consolidated financial statements for the three months ended 30 June 2017 have not been audited by the Company's independent auditors, but have been reviewed by the Company's Audit Committee.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2017

3. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

	Three months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue		
Fee income from acting as financial adviser	5,590	3,570
Fee income from acting as independent financial adviser	7,715	8,269
Fee income from acting as compliance adviser	1,688	2,591
Fee income from acting as sponsor	1,000	—
Others	62	42
	16,055	14,472
Other Income		
Management fee income from a fellow subsidiary	—	877
Management fee income from ultimate holding company	35	—
Others	36	1
	71	878

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2017

4. PROFIT (LOSS) BEFORE TAX

	Three months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit (loss) for the Period has been arrived at after charging (crediting):		
Directors' emoluments		
Fees	180	—
Other emoluments	2,484	2,194
Share-based payments	69	2,240
Contributions to retirement benefits scheme	9	9
	2,742	4,443
Other staff costs	8,989	8,093
Share-based payments	127	2,208
Contributions to retirement benefits scheme	137	103
Total employee benefits costs	11,995	14,847
Auditor's remuneration	92	60
Exchange (gain) loss, net	(15)	1
Listing expenses	—	3,160
Operating lease rental payments for rented premises	1,276	1,351

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2017

5. INCOME TAX EXPENSES

	Three months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong	—	395
Deferred taxation	<u>317</u>	<u>44</u>
	<u>317</u>	<u>439</u>

No Hong Kong Profits Tax has been provided as the Group did not have any assessable profits for the three months ended 30 June 2017. Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the three months ended 30 June 2016.

Pursuant to the laws and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands or the BVI.

6. DIVIDENDS

	Three months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interim dividend (note)	<u>—</u>	<u>—</u>

Note: An interim dividend in respect of the year ended 31 March 2016 of HK\$8,000,000 was paid by Somerley Capital on 11 May 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2017

7. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share attributable to the owners of the Company is based on the following data:

	Three months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings (Loss)		
Profit (loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	742	(5,888)
	Number of shares	
	2017	2016
	(unaudited)	(unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation ('000)	135,926	100,000
Effect of dilutive potential ordinary shares ('000)	1,862	—
Weighted average number of ordinary shares in issue during the period, used in the diluted earnings per share calculation ('000)	137,788	100,000

Note: The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has taken into account the capitalisation issue pursuant to the Reorganisation as stated in note 2.

BUSINESS REVIEW AND PROSPECTS

The Group is principally engaged in providing corporate finance advisory services in Hong Kong. The 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 Codes"), 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; and (iii) acting as compliance adviser, mostly for newly listed companies in Hong Kong. In addition, the Group also acts as sponsor to initial public offering and listings of shares of companies on the Stock Exchange in Hong Kong ("IPO") and has managed and underwritten secondary equity issues in Hong Kong.

During the Period, financial advisory and independent financial advisory engagements have continued to generate a substantial majority of the Group's revenue.

Developing greater equity capital markets business is one of the Group's objectives. During the Period, revenue from acting as sponsor was HK\$1.0 million (2016: nil).

FINANCIAL REVIEW

Revenue

The Group's revenue was primarily derived from (i) advising on transactions or compliance matters under the Listing Rules, the GEM Listing Rules and/or the Takeovers Codes in the capacity of financial advisers; and (ii) giving opinions or recommendations to the independent board committees and/or the independent shareholders of listed companies in the capacity of independent financial advisers.

Total revenue of the Group grew by approximately 11.0% to approximately HK\$16.1 million for the Period from approximately HK\$14.5 million for the three months ended 30 June 2016.

Revenue generated from acting as financial adviser and as independent financial adviser for the Period amounted to approximately HK\$13.3 million (2016: approximately HK\$11.9 million), accounting for approximately 82.6% of the Group's total revenue (2016: approximately 82.1%). These activities are expected to remain the major sources of the Group's revenue in the immediate future.

Revenue generated from acting as compliance adviser for the Period amounted to approximately HK\$1.7 million (2016: approximately HK\$2.6 million), accounting for approximately 10.6% of the Group's total revenue (2016: approximately 17.9%). The decline in this source of income was due to the expiry of a number of compliance advisory mandates after the annual reports of the relevant companies for the year of 2016 were published.

Revenue generated from acting as sponsor for the Period amounted to HK\$1.0 million (2016: nil), accounting for approximately 6.2% of the Group's total revenue (2016: nil).

Other Income

Other income mainly represented the management service fee income from SGL and exchange differences for the Period and the management service fee income from Somerley International Limited ("SIL"), a fellow subsidiary of the Company, for the three months ended 30 June 2016. The significant decrease in other income was mainly due to the cessation of business of SIL in December 2016.

Employee Benefits Costs

The Group's employee benefits costs primarily consist of salaries, bonus, share-based payments and allowances as well as contributions to the mandatory provident fund for the Directors and employees of the Group. Employee benefits costs decreased to approximately HK\$12.0 million for the Period from approximately HK\$14.8 million for the three months ended 30 June 2016 primarily due to the combined effects of (i) decrease in share-based payments to approximately HK\$0.2 million for the Period from approximately HK\$4.4 million for the three months ended 30 June 2016; (ii) an increment in basic salary for the Period; and (iii) the additional remuneration for independent non-executive Directors, no such Directors having served during the comparable period of the previous year.

Other Operating Expenses

The Group's other operating expenses decreased to approximately HK\$2.9 million for the Period from approximately HK\$5.9 million for the three months ended 30 June 2016. Other operating expenses were mainly rental expenses, travelling expenses, professional fees and other expenses, including utility expenses, building management fees, telecommunication expenses and insurance expenses. The decrease was mainly due to the combined effects of (i) the absence of the one-off listing expenses for the Period (2016: approximately HK\$3.2 million); and (ii) the increase in professional fees, such as printing fees, compliance advisory fees and company secretarial fees, incurred after the Group's listing on GEM of the Stock Exchange on 28 March 2017.

Income Tax Expenses

The Group's income tax expenses were at a similar level for the three months ended 30 June 2016 and 2017.

Profit (loss) for the Period

The Group made a profit before tax for the Period of approximately HK\$1.1 million, compared to a loss of approximately HK\$5.4 million for the corresponding period of the previous year. The return to profit is welcome and was expected, as the previous losses were principally due to one-off costs associated with the Company's listing in March 2017.

For the Period, profit attributable to owners of the Company was approximately HK\$0.7 million, as compared to approximately HK\$5.9 million loss attributable to owners of the Company for the three months ended 30 June 2016. The improvement was primarily due to the combined effects of (i) approximately HK\$1.6 million increase in revenue; (ii) approximately HK\$2.8 million decrease in employee benefits costs; and (iii) absence of one-off listing expenses of approximately HK\$3.2 million, but was offset to a degree by the absence of other income from SIL.

INTERIM DIVIDEND

The Board is not declaring the payment of an interim dividend for the Period (2016: Nil).

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 of 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. The office of the chief executive officer of the Company was not filled; Mr. Chow performed the role of Managing Director of the Company's only operating subsidiary, Somerley Capital. Within the Company, decisions are made collectively by the executive Directors and are discussed with management from time to time. The Board believes that this arrangement enables the Company to make decisions and implement follow up actions quickly. This arrangement can help achieve the Company's objectives efficiently and effectively in response to the changing environment. The Board also believes that the Company already has a strong corporate governance structure in place to ensure effective oversight of management. The Board will keep reviewing the current structure of the Board from time to time and may make further appointments should candidates with suitable knowledge, skill and experience be identified.

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 Dealing").

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 of any competing business that they themselves are currently conducting or is being conducted by their connected or related parties 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 30 June 2017, the Directors and chief executive of the Company (the "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 were as follows:

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	Total	Approximate percentage of the total issued shares of the Company
Mr. SABINE Martin Nevil ("Mr. Sabine")	Interest of a controlled corporation	90,449,350 (Note 1)	—	90,449,350	65.46%
	A concert party to an agreement to buy shares described in s317(1)(a)	1,291,440	645,717 (Notes 2 & 3)	1,937,157	1.40%
Mr. CHEUNG Tei Sing Jamie ("Mr. Cheung")	Beneficial owner	1,291,440	645,717 (Note 3)	1,937,157	1.40%
	A concert party to an agreement to buy shares described in s317(1)(a)	90,449,350 (Note 1)	—	90,449,350	65.46%
Mr. CHOW Wai Hung ("Mr. Chow")	Beneficial owner	3,754,170	1,877,083 (Note 3)	5,631,253	4.08%

Notes:

1. SGL is directly interested in 90,449,350 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 shares represent the share options granted by the Company on 19 May 2016 under the share option scheme approved and adopted by the Company on 11 May 2016 (the "Pre-IPO Share Option Scheme"). 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.

Interest in 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 issued shares of the Company
Mr. SABINE Martin Nevil	Somerley China Associates Limited (Note 1)	Interest of a controlled corporation	2	100%
	Somerley Group Limited (Note 1)	Beneficial interest; A concert party to an agreement to buy shares described in s317(1)(a)	9,500,000	90.48%
	Somerley International Limited (Notes 1 & 2)	Interest of a controlled corporation	12,000,000	100%
Mr. CHEUNG Tei Sing Jamie	Somerley China Associates Limited (Note 1)	Interest of a controlled corporation	2	100%
	Somerley Group Limited (Note 1)	Beneficial interest; A concert party to an agreement to buy shares described in s317(1)(a)	9,500,000	90.48%
	Somerley International Limited (Notes 1 & 2)	Interest of a controlled corporation	12,000,000	100%

Notes:

1. 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 and SIL so Somerley China Associates Limited and SIL are also associated corporations 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, Somerley China Associates Limited and SIL by virtue of the SFO.
2. SIL was sold to an independent third party on 17 July 2017 and no longer an associated corporation of the Company thereafter.

Save as disclosed above, as at 30 June 2017, 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 30 June 2017, 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	Capacity/Nature of interests	Approximate percentage of the total issued shares of the Company	
		Total	
Somerley Group Limited	Beneficial owner	90,449,350 (Note 1)	65.46%
SABINE Maureen Alice ("Mrs. Sabine")	Interest of a spouse	92,386,507 (Note 2)	66.86%
FLETCHER John Wilfred Sword	A concert party to an agreement to buy shares described in s317(1)(a)	92,386,507 (Note 1)	66.86%
FLETCHER Jacqueline ("Mrs. Fletcher")	Interest of a spouse	92,386,507 (Note 3)	66.86%
CHOI Helen Oi Yan ("Mrs. Cheung")	Interest of a spouse	92,386,507 (Note 4)	66.86%

Notes:

1. SGL is directly interested in 90,449,350 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. Mrs. Sabine is the spouse of Mr. Sabine. By virtue of the SFO, Mrs. 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 30 June 2017, 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

As notified by Somerley Capital, the Company's joint compliance adviser, its directors or employees or close associates had the following interests as at 30 June 2017:

Position	Capacity/Nature of interests	Number of ordinary share(s) held	Number of underlying shares held pursuant to share options	Total	Approximate percentage of the total issued shares of the Company
Director	Interest of a controlled corporation	90,449,350 (Note 1)	—	90,449,350	65.46%
Director	A concert party to an agreement to buy shares described in s317(1)(a)	1,291,440 (Note 2)	645,717 (Note 2)	1,937,157	1.40%
Directors	Beneficial owner	8,337,210	4,159,497	12,496,707	9.04%
Employee	A concert party to an agreement to buy shares described in s317(1)(a)	90,449,350 (Note 1)	—	90,449,350	65.46%
Employees	Beneficial owner	4,143,153 (Note 2)	5,000,052 (Note 2)	9,143,205	6.62%

Notes:

1. SGL is directly interested in 90,449,350 Shares and SGL is wholly-owned by Mr. Sabine, Mr. Fletcher, Mr. Cheung and Ms. Fong Sau Man Cecilia, among which 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. Included in the amount there are 1,291,440 Shares and 645,717 share options held by Mr. Cheung, among which Mr. Sabine and Mr. Cheung are acting in concert in respect of their interests in the Company and therefore each of Mr. Sabine and Mr. Cheung is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.

Save as disclosed above, neither Somerley Capital, Halcyon Capital Limited nor any of their 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) as at 30 June 2017.

Pursuant to the agreement dated 31 May 2016 entered between Halcyon Capital Limited and the Company and the agreement dated 9 March 2017 entered between Somerley Capital and the Company, both Halcyon Capital Limited and Somerley Capital received and will receive fees for acting as the Company's compliance adviser.

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 all the three independent non-executive Directors, namely Mr. CHENG Yuk Wo, Mr. HIGGS Jeremy James 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 three months ended 30 June 2017 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.

Sufficiency of Public Float

Based on the information that is publicly available and within the knowledge of the Directors, the Company has maintained sufficient public float of not less than 25% of the issued Shares worth not less than HK\$30 million pursuant to rule 11.23 of the GEM Listing Rules as at the latest practicable date prior to the issue of this report.

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

Hong Kong, 10 August 2017

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. HIGGS Jeremy James and Mr. YUEN Kam Tim Francis.