



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)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 30 JUNE 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.

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

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

FIRST QUARTERLY FINANCIAL HIGHLIGHTS

- Revenue from corporate finance activities increased to approximately HK\$16.7 million for the three months ended 30 June 2018 (the “Period”) from approximately HK\$16.1 million for the three months ended 30 June 2017.
- Revenue generated from acting as financial adviser and as independent financial adviser for the Period amounted to approximately HK\$13.7 million (2017: approximately HK\$13.3 million), accounting for approximately 82.0% of the Group’s total revenue (2017: approximately 82.6%).
- Revenue generated from compliance advisory business for the Period amounted to approximately HK\$1.9 million (2017: approximately HK\$1.7 million), accounting for approximately 11.4% of the Group’s total revenue (2017: approximately 10.6%).
- Revenue from acting as sponsor for the Period amounted to approximately HK\$1.0 million (2017: approximately HK\$1.0 million), accounting for approximately 6.0% of the Group’s total revenue (2017: approximately 6.2%).
- For the Period, the Group made a profit before tax of approximately HK\$0.5 million (2017: approximately HK\$1.1 million) and profit attributable to owners of the Company was approximately HK\$0.3 million (2017: approximately HK\$0.7 million). The net decrease was primarily due to the combination of positive and negative effects of (i) approximately HK\$0.6 million increase in revenue; (ii) approximately HK\$0.7 million decrease in employee benefits costs; (iii) approximately HK\$0.1 million increase in introduction expense paid for business referrals; and (iv) the increase in other operating expenses and the fair value loss on financial asset at fair value through profit or loss.

THE FINANCIAL STATEMENTS

FIRST QUARTERLY RESULTS

The board of Directors (the “Board”) of the Company is pleased to present the unaudited condensed consolidated results of the Group for the Period, together with the unaudited comparative figures for the corresponding period in 2017, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2018

	Notes	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue	3	16,730	16,055
Other income	4	136	71
		<u>16,866</u>	<u>16,126</u>
Employee benefits costs		(11,271)	(11,995)
Fair value loss on financial asset at fair value through profit or loss		(762)	—
Depreciation for property and equipment		(215)	(126)
Introduction expenses		(190)	(68)
Other operating expenses		<u>(3,908)</u>	<u>(2,878)</u>
Profit before tax	5	520	1,059
Income tax expenses	6	<u>(232)</u>	<u>(317)</u>
Profit and total comprehensive income for the period attributable to the owners of the Company		<u>288</u>	<u>742</u>
Earnings per share			
— basic (HK cents)	8	<u>0.21</u>	<u>0.55</u>
— diluted (HK cents)	8	<u>0.21</u>	<u>0.54</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2018

	Attributable to the owners of the Company						Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Retained earnings HK\$'000	Shareholder contribution reserve HK\$'000	Share option reserve HK\$'000	Other reserve (note) HK\$'000	
At 1 April 2017 (audited)	1,350	65,180	13,618	4,179	2,228	9,900	96,455
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>
At 1 April 2018 (audited)	1,386	67,270	19,506	4,179	1,837	9,900	104,078
Profit and total comprehensive income for the period	—	—	288	—	—	—	288
Effect of share options — share issue	8	484	—	—	(257)	—	235
Recognition of equity-settled share-based payments	—	—	—	—	188	—	188
At 30 June 2018 (unaudited)	<u>1,394</u>	<u>67,754</u>	<u>19,794</u>	<u>4,179</u>	<u>1,768</u>	<u>9,900</u>	<u>104,789</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 completed on 9 March 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 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 and ultimate holding company 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, 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. 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 2018 are the same as those followed in the preparation of the Group’s annual report for the year ended 31 March 2018, 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 2018 have not been audited by the Company's independent auditors, but have been reviewed by the Company's audit committee (the "Audit Committee").

3. REVENUE

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

	Three months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Fee income from acting as financial adviser	6,237	5,590
Fee income from acting as independent financial adviser	7,477	7,715
Fee income from acting as compliance adviser	1,917	1,688
Fee income from acting as sponsor	1,000	1,000
Others	99	62
	<u>16,730</u>	<u>16,055</u>

4. OTHER INCOME

	Three months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Bank interest income	114	—
Management fee income from ultimate holding company	22	35
Others	—	36
	<u>136</u>	<u>71</u>

5. PROFIT BEFORE TAX

	Three months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Directors' emoluments		
Fees	180	180
Other emoluments	2,484	2,484
Share-based payments	69	69
Contributions to retirement benefits scheme	9	9
	<hr/>	<hr/>
	2,742	2,742
Other staff costs	8,244	8,989
Share-based payments	119	127
Contributions to retirement benefits scheme	166	137
	<hr/>	<hr/>
Total employee benefits costs	11,271	11,995
Auditor's remuneration	100	92
Exchange loss (gain), net	3	(15)
Operating lease rental payments for rented premises	1,821	1,276
	<hr/> <hr/>	<hr/> <hr/>

6. INCOME TAX EXPENSES

	Three months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong	192	—
Deferred taxation	40	317
	<hr/>	<hr/>
	232	317
	<hr/> <hr/>	<hr/> <hr/>

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. 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.

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.

7. DIVIDENDS

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

8. EARNINGS PER SHARE

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

	Three months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	<u>288</u>	<u>742</u>
Number of shares		
	2018	2017
	(unaudited)	(unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation ('000)	138,927	135,926
Effect of dilutive potential ordinary shares ('000)	<u>946</u>	<u>1,862</u>
Weighted average number of ordinary shares in issue during the period, used in the diluted earnings per share calculation ('000)	<u>139,873</u>	<u>137,788</u>

Note:

The computation of diluted earnings per share assumed the exercise of the Company's outstanding options to subscribe for additional shares since their exercise price is lower than the average market price during the period, and with adjustment for the share options lapsed or exercised during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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.

Total revenue of the Group amounted to approximately HK\$16.7 million for the Period (2017: approximately HK\$16.1 million).

With the Group’s strong and experienced corporate finance teams, financial advisory work has continued to be the Group’s major revenue stream, generating approximately 82.0% (2017: approximately 82.6%) of the Group’s total revenue.

Building on the successful completion of 2 sponsorship engagements last financial year, the Group is committed to participate actively in the IPO market in Hong Kong and had 2 work-in-progress sponsorship engagements as at 30 June 2018.

During the Period, the activation of the new subsidiary in Beijing, Somerley Capital (Beijing) Limited continued and should be completed in September 2018. Negotiations also progressed for the entry into the asset management business through investment in Environmental Investment Service Asia Limited (“EISAL”), as announced on 10 July 2018.

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 Code in the capacity of financial advisers; (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; (iii) managing and coordinating the execution of IPO engagements in the capacity of sponsors; and (iv) underwriting securities and identifying subscribers.

Total revenue of the Group grew by approximately 3.7% to approximately HK\$16.7 million for the Period from approximately HK\$16.1 million for the three months ended 30 June 2017.

Revenue generated from acting as financial adviser and as independent financial adviser for the Period amounted to approximately HK\$13.7 million (2017: approximately HK\$13.3 million), accounting for approximately 82.0% of the Group's total revenue (2017: approximately 82.6%). 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\$1.9 million (2017: approximately HK\$1.7 million), accounting for approximately 11.4% of the Group's total revenue (2017: approximately 10.6%).

Revenue generated from acting as sponsor for the Period amounted to approximately HK\$1.0 million (2017: approximately HK\$1.0 million), accounting for approximately 6.0% of the Group's total revenue (2017: approximately 6.2%).

Other Income

Other income mainly represented the bank interest income, the management service fee income from SGL and exchange differences.

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. Employee benefits costs decreased to approximately HK\$11.3 million for the Period from approximately HK\$12.0 million for the three months ended 30 June 2017 primarily due to the combined effects of (i) an increment in basic salary for the Period; and (ii) absence of accrued bonus (2017: approximately HK\$1.8 million).

Other Operating Expenses

The Group's other operating expenses increased to approximately HK\$3.9 million for the Period from approximately HK\$2.9 million for the three months ended 30 June 2017. 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 increase was mainly due to the (i) the increase in rental expenses as a result of office expansion; (ii) recognition of business continuity expenses; and (iii) increase in professional expenses due to specific needs of certain advisory engagements.

Income Tax Expenses

The Group's income tax expenses were at a similar level for the three months ended 30 June 2017 and 2018.

Profit for the Period

For the Period, the Group made a profit before tax of approximately HK\$0.5 million (2017: approximately HK\$1.1 million) and profit attributable to owners of the Company was approximately HK\$0.3 million (2017: approximately HK\$0.7 million). The net decrease was primarily due to the combination of positive and negative effects of (i) approximately HK\$0.6 million increase in revenue; (ii) approximately HK\$0.7 million decrease in employee benefits costs; (iii) approximately HK\$0.1 million increase in introduction expenses paid for business referrals; and (iv) the increase in other operating expenses and the fair value loss on financial asset at fair value through profit or loss.

INTERIM DIVIDEND

The Board is not declaring the payment of an interim dividend for the Period (2017: Nil).

SIGNIFICANT INVESTMENTS HELD

Except for investments in subsidiaries, the Group did not hold any significant investments during the Period (2017: nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

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

Audit Committee

The Company has established the Audit Committee with specific written terms of reference formulated in accordance with the requirements of rules 5.28 to 5.29 of the GEM Listing Rules. The Audit Committee currently consists of 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 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 transaction.

The Audit Committee has reviewed the unaudited consolidated results of the Group for the three months ended 30 June 2018 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 reporting period

On 10 July 2018, the Company entered into agreements with EISAL that the Company intends to acquire, in aggregate, approximately 74.78% interest in EISAL through two subscriptions of new shares in EISAL and offers to acquire existing shares of EISAL from certain shareholders (the "Agreements"). Immediately prior to the entering into of the Agreements, EISAL was held as to approximately 32.7% by Mr. HIGGS Jeremy James, an independent non-executive Director. Part of the consideration payable under the Agreements is to be satisfied by the issue of new Shares. The transactions contemplated under the Agreements constitute share and connected transactions pursuant to Chapters 19 and 20 of the GEM Listing Rules. The Company completed the first subscription of approximately 9.97% of the enlarged share capital in EISAL at a total consideration of US\$144,000 on 10 July 2018. The completion of second subscription of the Agreements is subject inter alia to the consent of the Hong Kong Securities and Futures Commission in relation to the change of substantial shareholder of EISAL. For details, please refer to the Company's announcement dated 10 July 2018.

PUBLICATION OF FIRST QUARTERLY RESULTS AND FIRST QUARTERLY REPORT

This results announcement is published on the websites of the Stock Exchange (www.hkgem.com) and the Company (www.somerleycapital.com). The first quarterly report of the Company for the three months ended 30 June 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, 8 August 2018

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

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and will also be published on the Company's website at www.somerleycapital.com.