



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 2020

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

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

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

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

FIRST QUARTERLY FINANCIAL HIGHLIGHTS

- The Group's total revenue decreased by approximately 6.5% to approximately HK\$14.4 million for the three months ended 30 June 2020 (the "Period") from approximately HK\$15.4 million for the three months ended 30 June 2019.
- Revenue generated from acting as financial adviser and as independent financial adviser for the Period amounted to approximately HK\$10.3 million (2019: approximately HK\$10.7 million), accounting for approximately 71.5% of the Group's total revenue (2019: approximately 69.5%).
- Revenue generated from acting as compliance adviser for the Period amounted to approximately HK\$3.9 million (2019: approximately HK\$4.2 million), accounting for approximately 27.1% of the Group's total revenue (2019: approximately 27.3%).
- The rest of the Group's revenue were contributed by acting as sponsor and the provision of the asset management service.
- For the Period, the Group recorded a loss before tax of approximately HK\$0.2 million (2019: approximately HK\$2.6 million), and after-tax loss was approximately HK\$0.1 million (2019: approximately HK\$2.6 million). The decrease in loss was primarily due to due to the combined effects of (i) a decrease in revenue due to a slow down in deal flow and delays in project completion during the Period due to the continuing difficult operating environment; (ii) the net decrease in total operating expenses; and (iii) the fair value gain on the investment in The Climate Impact Asia Fund.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

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

The corporate finance advisory business operated by Somerley Capital Limited (“Somerley Capital”) and Somerley Capital (Beijing) Limited is the Group’s core business segment. The Group’s corporate finance advisory services 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; (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; and (v) acting as advisor to the cross-border mergers and acquisitions.

The acquisition of Environmental Investment Services Asia Limited (“EISAL”) in 2018 extended the Group’s activities to the segment of asset management business. 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 and is a founding member of the Hong Kong Green Finance Association, an initiative to position Hong Kong as a leading international green finance hub. During the year ended 31 March 2020, 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\$21.8 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.

During the Period, the Group recorded a loss after tax of approximately HK\$0.1 million, showing some improvement over the loss for the corresponding period of 2019 of approximately HK\$2.6 million. The decrease in loss was mainly due to the combined effects of (i) a small decrease in revenue of the corporate finance advisory business; (ii) a net decrease in total operating expenses; and (iii) a fair value gain in the investment in the shares in CIAF.

The corporate finance advisory business recorded revenue of approximately HK\$14.3 million (2019: approximately HK\$15.4 million) and segment loss before tax of approximately HK\$1.9 million (2019: approximately HK\$1.1 million). The small increase in loss was mainly due to the continuing difficult operating environment.

The asset management business recorded revenue of approximately HK\$0.1 million (2019: approximately HK\$0.1 million) and a segment loss before tax of approximately HK\$0.4 million (2019: approximately HK\$0.6 million), as EISAL is at the early stage of launching CIAF in unhelpful market conditions.

During the year ended 31 March 2020, there was an approximately HK\$4.0 million decrease in the fair value of the Group's investment in CIAF, reflecting adverse stock market conditions. During the Period, the stock market conditions have gradually improved and the Group recorded a fair value gain of approximately HK\$2.8 million on the investment in CIAF.

In the second quarter of the Group's financial year, conditions have continued to be challenging. However, as noted in the Chairman's Statement in the 2019/20 Annual Report, the Group sees some early pickup in the level of corporate finance work although the levels remain under pressure from keen competition in the market. The Group is cautiously optimistic that the trend is broadly positive.

FINANCIAL REVIEW

Revenue

The Group's total revenue decreased by approximately 6.5% to approximately HK\$14.4 million for the Period from approximately HK\$15.4 million for the three months ended 30 June 2019.

Revenue generated from acting as financial adviser ("FA") and as independent financial adviser ("IFA") for the Period amounted to approximately HK\$10.3 million (2019: approximately HK\$10.7 million), accounting for approximately 71.5% of the Group's total revenue (2019: approximately 69.5%). The decrease was largely due to a slow down in deal flow and delays in project completion during the Period. FA and IFA activities are expected to remain the major source of the Group's revenue in the immediate future.

Revenue generated from acting as compliance adviser (“CA”) for the Period amounted to approximately HK\$3.9 million (2019: approximately HK\$4.2 million), accounting for approximately 27.1% of the Group’s total revenue (2019: approximately 27.3%). CA activities continues to provide a stable source of income to the Group and the Group will endeavor to secure more CA mandates to complement the more fluctuating corporate finance advisory income.

The rest of the Group’s revenue were contributed by acting as sponsor and the provision of the asset management service.

Other Income

Other income mainly represented bank interest income, government subsidy, management service fee income from Somerley Group Limited (“SGL”), rental income and reimbursement of other premise expenses from SGL.

Employee Benefits Costs

The Group’s employee benefits costs primarily consist of fees, salaries, share-based payments and allowances as well as contributions to the retirement benefits scheme for the Directors and employees of the Group.

	For the three months ended	
	30 June	
	2020	2019
	<i>HK\$’000</i>	<i>HK\$’000</i>
Fees, salaries, allowances and other benefits	12,189	11,870
Share-based payments	—	127
Contributions to the retirement benefits scheme	205	267
	<u>12,394</u>	<u>12,264</u>
Analysed as:		
— corporate holding	180	307
— corporate finance advisory (Hong Kong)	11,298	10,948
— corporate finance advisory (Beijing)	479	543
— asset management	437	466
	<u>12,394</u>	<u>12,264</u>

Employee benefits costs increased by approximately 0.8% to approximately HK\$12.4 million for the Period from approximately HK\$12.3 million for the three months ended 30 June 2019, primarily due to the combined effects of (i) the increase in headcount during the Period; and (ii) absence of amortisation of share-based payments.

Depreciation Expenses and Other Operating Expenses

	For the three months ended	
	30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation expenses of property and equipment	258	272
Depreciation expenses of right-of-use assets	2,531	2,246
	2,789	2,518
Rental expenses and other premises expenses	510	782
Travelling expenses	65	102
Impairment loss recognised in respect of trade receivables	270	83
Recurring GEM listing expenses (excluding remuneration of independent non-executive directors)	420	716
Others	1,230	1,663
	5,284	5,864
Analysed as:		
— corporate holding	653	1,092
— corporate finance advisory (Hong Kong)	4,132	3,972
— corporate finance advisory (Beijing)	267	575
— asset management	232	225
	5,284	5,864

The Group 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 expenses of right-of-use assets under HKFRS 16.

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.

The Group's depreciation expenses and other operating expenses decreased by approximately 10.2% to approximately HK\$5.3 million for the Period from approximately HK\$5.9 million for the three months ended 30 June 2019. The decrease was mainly due to the absence of one-off agency cost incurred for new hire and the general decrease in expenses.

Loss for the Period

For the Period, the Group recorded a loss before tax of approximately HK\$0.2 million (2019: approximately HK\$2.6 million), and after-tax loss was approximately HK\$0.1 million (2019: approximately HK\$2.6 million). The decrease in loss was primarily due to the combined effects of (i) a decrease in revenue due to a slow down in deal flow and delays in project completion during the Period due to the continuing difficult operating environment; (ii) the net decrease in total operating expenses; and (iii) the fair value gain on the investment in CIAF.

Future Plans for Material Investments or Capital Assets

The Group had no capital commitments as at 30 June 2020 (31 March 2020: approximately HK\$0.3 million). Save for the business plan disclosed in the prospectus of the Company dated 15 March 2017 (the "Prospectus"), the announcement of, among others, change in use of proceeds published on 22 June 2018 or as otherwise disclosed in this announcement, the Group did not have plans for making material investments or acquiring capital assets as at 30 June 2020.

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

Save as disclosed in this announcement, there were no material acquisitions or disposals of subsidiaries, associates or joint ventures by the Group during the Period.

Significant Investments

On 27 December 2019, the Group subscribed for and was allotted Class A shares of CIAF at a consideration of US\$2.8 million, approximately HK\$21.8 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 (2019: nil).

As at 30 June 2020, the Group held 28,000 units of CIAF (31 March 2020: 28,000 units), representing 26.6% interest in CIAF (31 March 2020: 26.6%) and the fair value amounted to approximately HK\$20.5 million (31 March 2020: approximately HK\$17.7 million), representing approximately 17.5% of the Group's total assets (31 March 2020: approximately 14.7%). Unrealised fair value gain of approximately HK\$2.8 million was recognised for the Period.

The Group committed these funds as part of the launch capital for CIAF for its long term development. CIAF is an open-end fund with no fixed maturity. The timing of the launch was not ideal as CIAF invested the capital shortly before the January high of the Hong Kong stock market. The Group is confident that in the longer term this investment will yield a satisfactory return in itself and also serve its purpose in underpinning the development of CIAF.

Interim Dividend

The board of Directors (the “Board”) does not recommend the payment of interim dividend for the Period (2019: nil).

THE FINANCIAL STATEMENTS

FIRST QUARTERLY RESULTS

The Board presents the unaudited condensed consolidated results of the Group for the Period, together with the unaudited comparative figures for the three months ended 30 June 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 June 2020

		Three months ended	
		30 June	
	Notes	2020	2019
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3	14,396	15,446
Other income	4	402	471
		<u>14,798</u>	<u>15,917</u>
Employee benefits costs		(12,394)	(12,264)
Fair value gain on financial asset at fair value through profit or loss		2,792	—
Depreciation		(2,789)	(2,518)
Introduction expenses		—	(320)
Finance cost		(86)	(111)
Other operating expenses		<u>(2,495)</u>	<u>(3,346)</u>
Loss before tax	5	(174)	(2,642)
Income tax credit	6	34	11
		<u>(140)</u>	<u>(2,631)</u>
Loss for the period		(140)	(2,631)
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		3	(5)
		<u>3</u>	<u>(5)</u>
Total comprehensive expense for the period		<u>(137)</u>	<u>(2,636)</u>

		Three months ended	
		30 June	
		2020	2019
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Loss for the period attributable to:			
Owners of the Company		(32)	(2,479)
Non-controlling interests		<u>(108)</u>	<u>(152)</u>
		<u>(140)</u>	<u>(2,631)</u>
 Total comprehensive expense for the period attributable to:			
Owners of the Company		(29)	(2,484)
Non-controlling interests		<u>(108)</u>	<u>(152)</u>
		<u>(137)</u>	<u>(2,636)</u>
 Loss per share — basic and diluted (HK cents)	<i>8</i>	<u>(0.02)</u>	<u>(1.76)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the three months ended 30 June 2020

	Attributable to the owners of the Company							Total	Non-controlling interests	Total
	Share capital	Share premium	Retained earnings	Shareholder contribution	Share option reserve	Translation reserve	Other reserve (Note)			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 March 2019 (audited)	1,410	64,847	29,118	4,179	2,029	4	9,900	111,487	3,020	114,507
Impact of adopting HKFRS 16	—	—	(170)	—	—	—	—	(170)	—	(170)
At 1 April 2019 (audited)	1,410	64,847	28,948	4,179	2,029	4	9,900	111,317	3,020	114,337
Loss for the period	—	—	(2,479)	—	—	—	—	(2,479)	(152)	(2,631)
Other comprehensive expense:										
Exchange differences arising from translation of foreign operation	—	—	—	—	—	(5)	—	(5)	—	(5)
Total comprehensive expense for the period	—	—	(2,479)	—	—	(5)	—	(2,484)	(152)	(2,636)
Recognition of equity-settled share-based payments	—	—	—	—	127	—	—	127	—	127
At 30 June 2019 (unaudited)	<u>1,410</u>	<u>64,847</u>	<u>26,469</u>	<u>4,179</u>	<u>2,156</u>	<u>(1)</u>	<u>9,900</u>	<u>108,960</u>	<u>2,868</u>	<u>111,828</u>
At 1 April 2020 (audited)	1,413	57,975	23,132	4,179	2,307	(40)	9,900	98,866	1,647	100,513
Loss for the period	—	—	(32)	—	—	—	—	(32)	(108)	(140)
Other comprehensive income:										
Exchange differences arising from translation of foreign operation	—	—	—	—	—	3	—	3	—	3
Total comprehensive (expense) income for the period	—	—	(32)	—	—	3	—	(29)	(108)	(137)
Issue of shares upon exercise of share options	5	319	—	—	(181)	—	—	143	—	143
At 30 June 2020 (unaudited)	<u>1,418</u>	<u>58,294</u>	<u>23,100</u>	<u>4,179</u>	<u>2,126</u>	<u>(37)</u>	<u>9,900</u>	<u>98,980</u>	<u>1,539</u>	<u>100,519</u>

Note: Other reserve represented the difference between the nominal amount of the share capital of Somerley Capital Limited and the nominal amount of the share capital issued by the Company pursuant to a group reorganisation undergone for the initial public offering of the shares of the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2020

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. Its parent and ultimate holding company is Somerley Group Limited (“SGL”), a company incorporated in Hong Kong with limited liability. 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.

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 2020 are the same as those followed in the preparation of the Group’s annual report for the year ended 31 March 2020, 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.

3. REVENUE

	Three months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Corporate finance advisory fee income		
— from acting as financial adviser	2,636	3,564
— from acting as independent financial adviser	7,707	7,158
— from acting as compliance adviser	3,938	4,239
— from acting as sponsor and underwriter	—	400
	<hr/>	<hr/>
	14,281	15,361
Asset management fee income	115	85
	<hr/>	<hr/>
	14,396	15,446
	<hr/> <hr/>	<hr/> <hr/>

4. OTHER INCOME

	Three months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Bank interest income	58	297
Management fee income from ultimate holding company	39	—
Office sharing income and reimbursement of other premises expenses from ultimate holding company	174	174
Others	131	—
	<hr/>	<hr/>
	402	471
	<hr/> <hr/>	<hr/> <hr/>

5. LOSS BEFORE TAX

	Three months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging:		
Directors' emoluments		
Fees	180	180
Other emoluments	2,574	2,574
Share-based payments	—	53
Contributions to retirement benefits scheme	9	9
	<u>2,763</u>	<u>2,816</u>
Other staff costs	9,435	9,116
Share-based payments	—	74
Contributions to retirement benefits scheme	196	258
	<u>12,394</u>	<u>12,264</u>
Total employee benefits costs	12,394	12,264
Auditor's remuneration	118	125
Depreciation for property and equipment	258	272
Depreciation for right-of-use assets	2,531	2,246
Impairment loss recognised in respect of trade receivables	270	83
Exchange loss, net	2	58
	<u>2</u>	<u>58</u>

6. INCOME TAX CREDIT

	Three months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Current tax:		
Hong Kong	22	—
Deferred taxation	(56)	(11)
	<u>(34)</u>	<u>(11)</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Period. No Hong Kong Profits Tax has been provided as the Group did not have any assessable profits for the period ended 30 June 2019.

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 (the "Shares") 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. 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 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 2020 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

No material subsequent event has occurred in relation to the Company or the Group after 30 June 2020 and up to the date of this announcement.

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 2020 containing all the information required by the GEM Listing Rules will be dispatched to the Company's shareholders and published on the above websites in due course.

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

Hong Kong, 14 August 2020

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

This announcement will remain on the “Latest Listed Company Information” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and will also be published on the Company’s website at www.somerleycapital.com.