



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 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.

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 (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 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

- Total revenue of the Company and its subsidiaries (the “Group”) grew by approximately 11.0% to approximately HK\$16.1 million for the three months ended 30 June 2017 (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%).
- 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%).
- 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).
- 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. This 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, and was offset to a degree by the absence of other income from Somerley International Limited (“SIL”).

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 2016, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2017

	2017 HK\$'000 (unaudited)	2016 <i>HK\$'000</i> <i>(unaudited)</i>
Revenue	16,055	14,472
Other income	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	1,059	(5,449)
Income tax expense	(317)	(439)
Profit (loss) and total comprehensive income (expense) for the period attributable to the owners of the Company	<u>742</u>	<u>(5,888)</u>
Earnings (loss) per share		
— basic (HK cents)	<u>0.55</u>	<u>(5.89)</u>
— diluted (HK cents)	<u>0.54</u>	<u>(5.89)</u>

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	Share premium	Retained profits	Shareholder contribution reserve	Share option reserve	Other reserve (note)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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)	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>

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.

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 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 Somerley Group Limited and exchange differences for the Period and the management service fee income from 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).

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

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

Audit Committee

The Company has established an audit committee (the "Audit Committee") with specific written terms of reference formulated in accordance with the requirements of rules 5.28 to 5.29 of the GEM Listing Rules. The Audit Committee currently consists of 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.

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 2017 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, 10 August 2017

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.