



**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

Third 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 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 and its subsidiaries (together, the “Group”). The directors of the Company (the “Directors”), having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 31 December 2017

The Board of Directors (the "Board") is pleased to present the unaudited condensed financial information of the Group for the three months and nine months ended 31 December 2017 (the "Period"), together with the unaudited comparative figures for the three months and nine months ended 31 December 2016, as follows:

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	5	<b>18,946</b>	16,139	<b>53,733</b>	46,166
Other income	6	<b>90</b>	448	<b>292</b>	1,979
		<b>19,036</b>	16,587	<b>54,025</b>	48,145
Employee benefit costs		<b>(12,460)</b>	(11,083)	<b>(36,858)</b>	(36,903)
Fair value gains on financial asset at fair value through profit or loss		—	—	<b>319</b>	—
Depreciation for property and equipment		<b>(200)</b>	(67)	<b>(521)</b>	(190)
Introduction expenses		<b>(440)</b>	(219)	<b>(776)</b>	(827)
Other operating expenses		<b>(4,201)</b>	(3,320)	<b>(11,134)</b>	(13,082)
Profit (loss) before tax	7	<b>1,735</b>	1,898	<b>5,055</b>	(2,857)
Income tax expense	8	<b>(269)</b>	(498)	<b>(771)</b>	(1,456)
Profit (loss) and total comprehensive income (expense) for the period attributable to the owners of the Company		<b>1,466</b>	1,400	<b>4,284</b>	(4,313)
Earnings (loss) per share					
— basic (HK cents)	10	<b>1.06</b>	1.40	<b>3.11</b>	(4.31)
— diluted (HK cents)	10	<b>1.05</b>	1.40	<b>3.06</b>	(4.31)

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2017

	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	—	—	4,284	—	—	—	4,284
Issue of shares upon exercise of share options	36	2,090	—	—	(1,110)	—	1,016
Recognition of equity-settled share-based payments	—	—	—	—	552	—	552
At 31 December 2017 (Unaudited)	1,386	67,270	17,902	4,179	1,670	9,900	102,307
At 1 April 2016 (Audited)	10,000	—	16,425	—	—	—	26,425
Loss and total comprehensive expense for the period	—	—	(4,313)	—	—	—	(4,313)
Issues of shares to ultimate holding company	100	—	—	—	—	—	100
Recognition of equity-settled share-based payments	—	—	—	—	1,446	—	1,446
Contribution from shareholder	—	—	—	4,179	—	—	4,179
At 31 December 2016 (Unaudited)	10,100	—	12,112	4,179	1,446	—	27,837

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 nine months ended 31 December 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, Hutchison 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.

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

## 2. BASIS OF PRESENTATION

The unaudited condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The unaudited condensed consolidated financial statements for the nine months ended 31 December 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 nine months ended 31 December 2017

## 3. CHANGE IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

Amendments to HKFRSs	Annual improvements to HKFRSs 2014-2016 Cycles: amendments to HKFRS 12
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The application of the above revised HKFRSs in the current accounting period has had no material effect on the Group's financial performance and positions for the current and prior accounting periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of unaudited condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these unaudited condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual report for the year ended 31 March 2017, except as described below.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2017

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Revenue recognition

#### **Services contracts**

Where the outcome of a service contract can be estimated reliably and it is probable that the contract will be profitable, service revenue is recognised over the period of the contract by reference to the stage of completion of service contract activity at the end of the reporting period.

When the outcome of a service contract cannot be estimated reliably, service revenue is recognised only to the extent of service costs incurred that are likely to be recoverable.

The Group uses the stage of completion method to determine the appropriate amount of revenue and costs to be recognised in a given period, when the underlying services have been rendered or the underlying transactions have been completed, in accordance with the terms of the service agreement.

The Group presents as an asset the gross amounts due from customers on service contracts for all service contracts in progress for which service costs incurred plus recognised profits exceed progress billings. Progress billings not yet paid by customers are included within trade receivables.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2017

## 5. REVENUE

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

	<b>Nine months ended 31 December</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Fee income from acting as financial adviser	<b>16,347</b>	10,960
Fee income from acting as independent financial adviser	<b>25,365</b>	26,673
Fee income from acting as compliance adviser	<b>5,290</b>	7,837
Fee income from acting as sponsor and underwriter	<b>6,532</b>	500
Others	<b>199</b>	196
	<b>53,733</b>	46,166

## 6. OTHER INCOME

	<b>Nine months ended 31 December</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Exchange gain, net	<b>64</b>	—
Bank interest income	<b>137</b>	—
Management fee income from a fellow subsidiary	—	1,978
Management fee income from ultimate holding company	<b>91</b>	—
Others	—	1
	<b>292</b>	1,979

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2017

## 7. PROFIT (LOSS) BEFORE TAX

	<b>Nine months ended 31 December</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Profit (loss) for the period has been arrived at after charging (crediting):		
Directors' emoluments		
Fees	<b>540</b>	—
Other emoluments	<b>7,452</b>	7,308
Share-based payments	<b>208</b>	2,380
Contributions to retirement benefits scheme	<b>27</b>	27
	<b>8,227</b>	9,715
Other staff costs	<b>27,863</b>	23,533
(Reversal of provision) provision for long service payment	<b>(32)</b>	30
Share-based payments	<b>344</b>	3,245
Contributions to retirement benefits scheme	<b>456</b>	380
Total staff costs	<b>36,858</b>	36,903
Auditor's remuneration	<b>418</b>	173
Exchange loss, net	—	4
Bad debt expenses in respect of trade receivables	<b>180</b>	—
Listing expenses	—	4,875
Operating lease rental payments for rented premises	<b>4,736</b>	4,134

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2017

## 8. INCOME TAX EXPENSES

	Nine months ended 31 December	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong	486	1,423
Over provision in prior years:		
Hong Kong	(19)	—
Deferred taxation	304	33
	<b>771</b>	<b>1,456</b>

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 (2016: 16.5%).

## 9. DIVIDENDS

The Directors do not recommend the payment of interim dividend for the Period (2016: nil).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2017

## 10. 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:

	<b>Nine months ended 31 December</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Earnings (loss)</b>		
Profit (loss) attributable to ordinary equity holders of the parent, used in the basic earnings (loss) per share calculation	<b>4,284</b>	(4,313)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings (loss) per share calculation ('000)	<b>137,720</b>	100,000
Effect of dilutive potential ordinary shares ('000)	<b>2,324</b>	—
Weighted average number of ordinary shares in issue during the period, used in the diluted earnings (loss) per share calculation ('000)	<b>140,044</b>	100,000

*Note:* For the nine months ended 31 December 2016, the weighted average number of ordinary shares for the purpose of calculating basic loss per share has been taking into account the capitalisation issue 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").

## BUSINESS REVIEW AND PROSPECTS

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.

Providing high quality corporate finance advisory services will remain as the core business of the Group and the Group expects that financial advisory and independent financial advisory engagements will continue to generate majority of the Group's revenue in the future. During the Period, the Group has recruited new staff to expand the existing corporate finance teams as well as to further enhance its core competitiveness in corporate finance advisory business.

During the Period, the Group has also established a new team to develop its IPO and equity capital markets capability which is complementary to the Group's expansion of its existing corporate finance advisory business.

Progress was evidenced by approximately 16.2% growth in total revenue for the Period. During the Period, the Group completed a major sponsorship engagement and revenue from acting as sponsor and as underwriter was approximately HK\$6.5 million (2016: approximately HK\$0.5 million).

## 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 increased by approximately 16.2% to approximately HK\$53.7 million for the Period from approximately HK\$46.2 million for the nine months ended 31 December 2016.

Revenue generated from acting as financial adviser and as independent financial adviser for the Period amounted to approximately HK\$41.7 million (2016: approximately HK\$37.7 million), accounting for approximately 77.7% of the Group's total revenue (2016: approximately 81.6%). These activities are expected to remain as 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\$5.3 million (2016: approximately HK\$7.8 million), accounting for approximately 9.9% of the Group's total revenue (2016: approximately 16.9%). The decline in this source of income was due to the scheduled expiry of a number of compliance advisory mandates after the annual reports of the relevant companies for the year 2016 were published.

Revenue generated from acting as sponsor and underwriter for the Period amounted to approximately HK\$6.5 million (2016: approximately HK\$0.5 million), accounting for approximately 12.1% of the Group's total revenue (2016: approximately 1.1%).

## **Other Income**

Other income mainly represented management service fee income from Somerley Group Limited, interest income and exchange differences for the Period and management service fee income from Somerley International Limited ("SIL"), a former fellow subsidiary of the Company, for the nine months ended 31 December 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 remained at approximately HK\$36.9 million for the Period and for the nine months ended 31 December 2016, primarily due to the combined effects of (i) the decrease in share-based payments to approximately HK\$0.6 million for the Period from approximately HK\$5.6 million for the nine months ended 31 December 2016 and (ii) approximately HK\$4.1 million increase in employee benefits costs as a result of an increment in basic salary and additional headcount for the Period and approximately HK\$0.9 million increase in accrued bonus.

## Other Operating Expenses

The Group's other operating expenses decreased to approximately HK\$11.1 million for the Period from approximately HK\$13.1 million for the nine months ended 31 December 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\$4.9 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 primarily included provision for Hong Kong current and deferred income tax expenses. The effective tax rate for the Period was approximately 15.3%. Despite a loss before tax of approximately HK\$2.9 million for the nine months ended 31 December 2016, income tax expense of approximately HK\$1.5 million was incurred for that period because both share based payment expenses and listing expenses are not deductible for tax purposes in Hong Kong.

## Profit (loss) for the Period

The Group made a profit before tax for the Period of approximately HK\$5.1 million, compared to a loss of approximately HK\$2.9 million for the corresponding period of the previous year. For the Period, profit attributable to owners of the Company was approximately HK\$4.3 million, as compared to approximately HK\$4.3 million loss attributable to owners of the Company for the nine months ended 31 December 2016. The improvement was primarily due to the combined effects of (i) approximately HK\$7.6 million increase in revenue; and (ii) absence of one-off listing expenses of approximately HK\$4.9 million, offset to a degree by the absence of other income from SIL and increase in other operating expenses.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period (2016: nil).

## **SIGNIFICANT INVESTMENTS HELD**

Except for investments in subsidiaries, the Group did not hold any significant investments during the Period (2016: nil).

## **EVENTS AFTER THE REPORTING PERIOD**

No significant events occurred subsequent to 31 December 2017 and up to the date of this report.

## 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 should be separate and should not be performed by the same individual. During the Period, the role of the chairman of the Company was performed by Mr. SABINE Martin Nevil ("Mr. Sabine"). The office of the chief executive officer of the Company was not filled; Mr. CHOW Wai Hung Kenneth ("Mr. Chow") performed the role of Managing Director of the Company's only operating subsidiary, Somerley Capital Limited. 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 had 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 Dealings").

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

## **Competing Interests**

The Directors, controlling shareholders and their respective close associates (as defined in the GEM Listing Rules) 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 31 December 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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	Approximate percentage of the total number of issued shares of the Company
Mr. SABINE Martin Nevil	Interest of a controlled corporation	91,331,350 (Note 1)	—	65.88%
	A concert party to an agreement to buy shares described in s317(1)(a)	1,291,440	—	0.93%
		—	645,717 (Note 3)	0.47%
Mr. CHEUNG Tei Sing Jamie ("Mr. Cheung")	Beneficial owner	1,291,440	—	0.93%
		—	645,717 (Note 3)	0.47%
	A concert party to an agreement to buy shares described in s317(1)(a)	91,331,350 (Note 1)	—	65.88%
Mr. CHOW Wai Hung Kenneth	Beneficial owner	3,754,170	—	2.71%
		—	1,877,083 (Note 2)	1.35%

*Notes:*

1. Somerley Group Limited ("SGL") is directly interested in 91,331,350 Shares. SGL is wholly-owned by Mr. Sabine, Mr. FLETCHER John Wilfred Sword ("Mr. Fletcher"), Mr. Cheung and Ms. FONG Sau Man Cecilia.
2. Mr. Sabine, Mr. Fletcher and Mr. Cheung are acting in concert in respect of their interests in the Company and therefore each of Mr. Sabine, Mr. Fletcher and Mr. Cheung is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.
3. These share options were granted by the Company on 19 May 2016 under the share option scheme approved and adopted by the Company on 11 May 2016.

*Interest in the associated corporations*

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

*Note:*

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

Save as disclosed above, as at 31 December 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 31 December 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*

<b>Name of substantial shareholders</b>	<b>Capacity/Nature of interests</b>	<b>Number of ordinary share(s) held</b>	<b>Number of underlying shares held pursuant to share options</b>	<b>Approximate percentage of the total number of issued shares of the Company</b>
Somerley Group Limited	Beneficial owner	91,331,350 (Note 1)	—	65.88%
SABINE Maureen Alice ("Mrs. Sabine")	Interest of a spouse	92,622,790 (Note 2)	—	66.81%
		—	645,717 (Note 2)	0.47%
FLETCHER John Wilfred Sword	A concert party to an agreement to buy shares described in s317(1)(a)	92,622,790 (Note 1)	—	66.81%
		—	645,717 (Note 1)	0.47%
FLETCHER Jacqueline ("Mrs. Fletcher")	Interest of a spouse	92,622,790 (Note 3)	—	66.81%
		—	645,717 (Note 3)	0.47%
CHOI Helen Oi Yan ("Mrs. Cheung")	Interest of a spouse	92,622,790 (Note 4)	—	66.81%
		—	645,717 (Note 4)	0.47%

*Notes:*

1. SGL is directly interested in 91,331,350 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 31 December 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**

By mutual agreement, Somerley Capital Limited ceased to be one of the joint compliance advisers of the Company with effect from 1 September 2017. Halcyon Capital Limited continues its role as the independent compliance adviser of the Company on a sole basis from 1 September 2017 onwards.

Neither Halcyon Capital Limited nor any of its directors or employees or close associates had any interest in the shares of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 December 2017.

Pursuant to the agreement dated 31 May 2016 entered between Halcyon Capital Limited and the Company, Halcyon Capital Limited 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 Period with the management and is of the view that such results comply with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

## **Sufficiency of Public Float**

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

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

Hong Kong, 9 February 2018

*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.*