



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 2021

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

- The Group's total revenue decreased by approximately 2.8% to approximately HK\$14.0 million for the three months ended 30 June 2021 (the "Period") from approximately HK\$14.4 million for the three months ended 30 June 2020.
- Revenue generated from acting as financial adviser ("FA") and as independent financial adviser ("IFA") for the Period amounted to approximately HK\$8.3 million (2020: approximately HK\$10.3 million), accounting for approximately 59.3% of the Group's total revenue (2020: approximately 71.5%).
- Revenue generated from acting as compliance adviser ("CA") for the Period amounted to approximately HK\$5.7 million (2020: approximately HK\$3.9 million), accounting for approximately 40.7% of the Group's total revenue (2020: approximately 27.1%).
- For the Period, the Group recorded a loss before tax of approximately HK\$3.5 million (2020: approximately HK\$0.2 million), and after-tax loss was approximately HK\$3.4 million (2020: approximately HK\$0.1 million). The increase in loss was mainly due to (i) approximately HK\$0.4 million decrease in revenue; and (ii) the absence of fair value gain on investment in The Climate Impact Asia Fund ("CIAF") of approximately HK\$2.8 million.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Analysis of Principal Businesses

The Group is an integrated financial services provider licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) and, through its subsidiaries, is principally engaged in providing corporate finance advisory services.

The corporate finance advisory business carried on by Somerley Capital Limited 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, for newly listed and existing 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 cross-border mergers and acquisitions.

Environmental Investment Services Asia Limited (“EISAL”) carries on the Group’s asset management business. The Group is actively considering new projects for EISAL after its resignation as the investment manager of CIAF since February 2021.

During the three months ended 30 June 2021, the Group recorded a loss before tax of approximately HK\$3.5 million (2020: approximately HK\$0.2 million). The loss was mainly due to a subdued environment for corporate finance advisory services and the absence of fair value gain on investment in CIAF. The corporate finance advisory business segment recorded revenue of approximately HK\$14.0 million (2020: approximately HK\$14.3 million) and a segment loss before tax of approximately HK\$2.5 million (2020: approximately HK\$1.9 million). There was no active project undertaken by the asset management business segment during the Period and a segment loss before tax of approximately HK\$0.3 million (2020: approximately HK\$0.4 million) was recorded.

During the Period, the Group recorded a loss after tax of approximately HK\$3.4 million (2020: loss after tax of approximately HK\$0.1 million). The increase in loss was mainly due to (i) approximately HK\$0.4 million decrease in revenue; and (ii) the absence of fair value gain on investment in CIAF of approximately HK\$2.8 million.

Prospects

The first quarter of the year has started slowly, as was the case last year. As noted above, revenue was similar to last year while the increase in loss before tax is mostly due to the absence of fair value gains. Looking forward, the Directors expect the level of activity to pick up in the second quarter with the valuable help of the Group's Beijing team in maintaining contacts. Meanwhile, as envisaged in the Annual Report 2020–21, the Directors are happy to announce the Group's first investment at a cautious level in a one-stop digital finance services company.

FINANCIAL REVIEW

Revenue

The Group's total revenue decreased by approximately 2.8% to approximately HK\$14.0 million for the Period from approximately HK\$14.4 million for the three months ended 30 June 2020.

Revenue generated from acting as FA and as IFA for the Period amounted to approximately HK\$8.3 million (2020: approximately HK\$10.3 million), accounting for approximately 59.3% of the Group's total revenue (2020: approximately 71.5%). The decrease was largely due to a slow down in deal flow and delays in project completion during the Period. Although revenue generated from CA engagements continues to increase, 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 CA for the Period amounted to approximately HK\$5.7 million (2020: approximately HK\$3.9 million), accounting for approximately 40.7% of the Group's total revenue (2020: approximately 27.1%). CA activities continue to provide a stable source of income to the Group, complementing the more fluctuating corporate finance advisory income.

Other Income

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

Employee Benefits Costs

The Group's employee benefits costs primarily consist of fees, salaries 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	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees, salaries, allowances and other benefits	12,107	12,189
Contributions to the retirement benefits scheme	<u>264</u>	<u>205</u>
	<u>12,371</u>	<u>12,394</u>
Analysed as:		
— corporate holding	180	180
— corporate finance advisory (Hong Kong)	11,471	11,298
— corporate finance advisory (Beijing)	622	479
— asset management	<u>98</u>	<u>437</u>
	<u>12,371</u>	<u>12,394</u>

Employee benefits costs remained stable at approximately HK\$12.4 million.

Depreciation Expenses and Other Operating Expenses

	For the three months ended	
	30 June	
	2021	2020
	HK\$'000	HK\$'000
Depreciation expenses of property and equipment	262	258
Depreciation expenses of right-of-use assets	<u>2,548</u>	<u>2,531</u>
	2,810	2,789
Premises-related expenses	580	510
Travelling expenses	44	65
Impairment loss recognised in respect of trade receivables	215	270
Recurring GEM listing expenses (excluding remuneration of independent non-executive directors)	383	420
Others	<u>1,382</u>	<u>1,230</u>
	<u>5,414</u>	<u>5,284</u>
Analysed as:		
— corporate holding	529	653
— corporate finance advisory (Hong Kong)	4,248	4,132
— corporate finance advisory (Beijing)	415	267
— asset management	<u>222</u>	<u>232</u>
	<u>5,414</u>	<u>5,284</u>

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 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 increased by approximately 1.9% to approximately HK\$5.4 million for the Period from approximately HK\$5.3 million for the three months ended 30 June 2020. The increase was mainly due to the one-off agency cost incurred for the renewal of tenancy agreement of Hong Kong office at China Building.

Loss for the Period

For the Period, the Group recorded a loss before tax of approximately HK\$3.5 million (2020: approximately HK\$0.2 million), and after-tax loss was approximately HK\$3.4 million (2020: approximately HK\$0.1 million). The increase in loss was primarily due to (i) a decrease in revenue due to the continuing difficult operating environment; and (ii) absence of the fair value gain on the investment in CIAF since its full redemption in February 2021.

Future Plans for Material Investments or Capital Assets

The Group had no capital commitments as at 30 June 2021 (31 March 2021: nil). 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 2021.

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.

Interim Dividend

The board of Directors (the "Board") does not recommend the payment of interim dividend for the Period (2020: 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 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 June 2021

	<i>Notes</i>	Three months ended 30 June	
		2021	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Revenue	3	14,033	14,396
Other income	4	353	402
		14,386	14,798
Employee benefits costs		(12,371)	(12,394)
Fair value gain on financial asset at fair value through profit or loss		1	2,792
Depreciation		(2,810)	(2,789)
Introduction expenses		(100)	—
Finance cost on lease liabilities		(25)	(86)
Other operating expenses		(2,604)	(2,495)
Loss before tax	5	(3,523)	(174)
Income tax credit	6	126	34
Loss for the period		(3,397)	(140)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		5	3
Total comprehensive expense for the period		(3,392)	(137)

	Three months ended 30 June	
	2021	2020
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss for the period attributable to:		
Owners of the Company	(3,334)	(32)
Non-controlling interests	(63)	(108)
	<u>(3,397)</u>	<u>(140)</u>
Total comprehensive expense for the period attributable to:		
Owners of the Company	(3,329)	(29)
Non-controlling interests	(63)	(108)
	<u>(3,392)</u>	<u>(137)</u>
Loss per share — basic and diluted (HK cents)	<i>8</i> <u>(2.35)</u>	<u>(0.02)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the three months ended 30 June 2021

	Attributable to the owners of the Company							Total	Non-controlling interests	Total
	Share capital	Share premium	Retained earnings	Shareholder contribution reserve	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 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>
At 1 April 2021 (audited)	1,419	54,765	31,722	4,179	2,115	38	9,900	104,138	405	104,543
Loss for the period	—	—	(3,334)	—	—	—	—	(3,334)	(63)	(3,397)
Other comprehensive income:										
Exchange differences arising from translation of foreign operation	—	—	—	—	—	5	—	5	—	5
Total comprehensive (expense) income for the period	—	—	(3,334)	—	—	5	—	(3,329)	(63)	(3,392)
Issue of shares upon exercise of share options	1	67	—	—	(43)	—	—	25	—	25
At 30 June 2021 (unaudited)	<u>1,420</u>	<u>54,832</u>	<u>28,388</u>	<u>4,179</u>	<u>2,072</u>	<u>43</u>	<u>9,900</u>	<u>100,834</u>	<u>342</u>	<u>101,176</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 2021

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 2021 are the same as those followed in the preparation of the Group’s annual report for the year ended 31 March 2021, 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	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Corporate finance advisory fee income		
— from acting as financial adviser	3,998	2,636
— from acting as independent financial adviser	4,330	7,707
— from acting as compliance adviser	5,705	3,938
	<hr/>	<hr/>
	14,033	14,281
Asset management fee income	—	115
	<hr/>	<hr/>
	14,033	14,396
	<hr/> <hr/>	<hr/> <hr/>

4. OTHER INCOME

	Three months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Bank interest income	57	58
Management fee income from ultimate holding company	39	39
Office sharing income and reimbursement of other premises expenses from ultimate holding company	171	174
Others	86	131
	<hr/>	<hr/>
	353	402
	<hr/> <hr/>	<hr/> <hr/>

5. LOSS BEFORE TAX

	Three months ended 30 June	
	2021	2020
	<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
Contributions to retirement benefits scheme	9	9
	<u>2,763</u>	<u>2,763</u>
Other staff costs	9,353	9,435
Contributions to retirement benefits scheme	255	196
	<u>12,371</u>	<u>12,394</u>
Total employee benefits costs	12,371	12,394
Auditor's remuneration	89	118
Depreciation for property and equipment	262	258
Depreciation for right-of-use assets	2,548	2,531
Impairment loss recognised in respect of trade receivables	215	270
Exchange loss, net	—	2
	<u>2,014</u>	<u>2,075</u>

6. INCOME TAX CREDIT

	Three months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Current income tax:		
Hong Kong	14	22
Over provision in prior years:		
People's Republic of China	(68)	—
Deferred taxation	(72)	(56)
	<u>(126)</u>	<u>(34)</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.

Under the Law of the People's Republic of China ("PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25%.

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 2021 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 2021 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 2021 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 2021

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, for which the Directors 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 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.

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.