



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 2022

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 4.3% to approximately HK\$13.4 million for the three months ended 30 June 2022 (the "Period") from approximately HK\$14.0 million for the three months ended 30 June 2021.
- Revenue generated from acting as financial adviser ("FA") and as independent financial adviser ("IFA") for the Period amounted to approximately HK\$7.2 million (2021: approximately HK\$8.3 million), accounting for approximately 53.7% of the Group's total revenue (2021: approximately 59.3%).
- Revenue generated from acting as compliance adviser ("CA") for the Period amounted to approximately HK\$6.0 million (2021: approximately HK\$5.7 million), accounting for approximately 44.8% of the Group's total revenue (2021: approximately 40.7%).
- For the Period, the Group recorded a loss before tax of approximately HK\$3.7 million (2021: approximately HK\$3.5 million), and after-tax loss was approximately HK\$3.7 million (2021: approximately HK\$3.4 million). The losses were mainly due to unhelpful conditions for Hong Kong corporate finance advisory services.

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.

During the Period, the Group recorded a loss before tax of approximately HK\$3.7 million (2021: approximately HK\$3.5 million) and a loss after tax of approximately HK\$3.7 million (2021: approximately HK\$3.4 million). The losses were mainly due to unhelpful conditions for Hong Kong corporate finance advisory services. The corporate finance advisory business segment recorded revenue of approximately HK\$13.4 million (2021: approximately HK\$14.0 million) and a segment loss before tax of approximately HK\$2.3 million (2021: approximately HK\$2.5 million). A segment loss before tax of approximately HK\$0.3 million (2021: approximately HK\$0.3 million) was incurred by the Group’s asset management business segment during the Period.

Prospects

The first quarter of 2022–23 has started slowly, as was the case in 2021–22 and 2020–21, and the continuing loss is disappointing. Looking ahead, the Group’s pipeline of deals is still reasonably healthy. However, based on experience over the last year or so, it has become increasingly difficult to assess with confidence whether projects in hand will proceed to completion, and, if so, on what timetable. This significantly affects the amount and timing of the Group’s fee income. At present, it is difficult to pin down hard evidence of a significant pick-up in the Hong Kong corporate finance market. Hong Kong IPOs, usually buoyant in the second quarter of the calendar year, were subdued and M&A transactions, which respond to the level at which the Hong Kong and the PRC economics are growing, also showed a reduced volume. The Group is working on the assumption that it will see a recovery in activity later in 2022–23. In the meantime, the Group is taking the opportunity to devote time to progressing its cautious investments in fintech and digital finance and to exploring a new role for its fund management business.

FINANCIAL REVIEW

Revenue

The Group’s total revenue decreased by approximately 4.3% to approximately HK\$13.4 million for the Period from approximately HK\$14.0 million for the three months ended 30 June 2021.

Revenue generated from acting as FA and as IFA for the Period amounted to approximately HK\$7.2 million (2021: approximately HK\$8.3 million), accounting for approximately 53.7% of the Group’s total revenue (2021: approximately 59.3%). The decrease was largely due to a challenging business environment and fierce fee competition.

Revenue generated from acting as CA for the Period amounted to approximately HK\$6.0 million (2021: approximately HK\$5.7 million), accounting for approximately 44.8% of the Group’s total revenue (2021: approximately 40.7%). 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, dividend income, management service fee income from Somerley Group Limited (“SGL”), office sharing income 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	
	2022 HK\$'000	2021 HK\$'000
Fees, salaries, allowances and other benefits	11,661	12,107
Contributions to the retirement benefits scheme	276	264
	<u>11,937</u>	<u>12,371</u>
Analysed as:		
— corporate holding	180	180
— corporate finance advisory (Hong Kong)	10,922	11,471
— corporate finance advisory (Beijing)	662	622
— asset management	173	98
	<u>11,937</u>	<u>12,371</u>

Employee benefits costs decreased by approximately 4.0% to approximately HK\$11.9 million from approximately HK\$12.4 million for the three months ended 30 June 2021. The decrease was mainly due to the receipt of wage subsidies of approximately HK\$0.7 million granted from the Employment Support Scheme under the Anti-Epidemic Fund during the Period.

Depreciation Expenses and Other Operating Expenses

	For the three months ended	
	30 June	
	2022	2021
	HK\$'000	HK\$'000
Depreciation expenses of property and equipment	229	262
Depreciation expenses of right-of-use assets	<u>1,798</u>	<u>2,548</u>
	2,027	2,810
Other premises expenses	491	580
Exchange loss, net	651	—
Impairment loss recognised in respect of trade receivables	179	215
Recurring GEM listing expenses (excluding remuneration of independent non-executive directors)	415	383
Others	<u>1,346</u>	<u>1,426</u>
	<u>5,109</u>	<u>5,414</u>
Analysed as:		
— corporate holding	920	529
— corporate finance advisory (Hong Kong)	3,715	4,248
— corporate finance advisory (Beijing)	372	415
— asset management	<u>102</u>	<u>222</u>
	<u>5,109</u>	<u>5,414</u>

The Group adopted HKFRS 16 under which 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 decreased by approximately 5.6% to approximately HK\$5.1 million for the Period from approximately HK\$5.4 million for the three months ended 30 June 2021. The net decrease was mainly due to the combined effects of: (i) the decrease in depreciation of right-of-use assets due to the lower rental on the Group's office premises in Hong Kong after renewal of the lease for a further three years from 1 July 2021; and (ii) the exchange losses arising from the translation of bank balances denominated in Renminbi during the Period.

Loss for the Period

For the Period, the Group recorded a loss before tax of approximately HK\$3.7 million (2021: approximately HK\$3.5 million), and after-tax loss was approximately HK\$3.7 million (2021: approximately HK\$3.4 million). The losses were mainly due to the decrease in revenue affected by unsettled conditions for the Group's corporate finance advisory businesses and the highly competitive fee environment.

Future Plans for Material Investments or Capital Assets

The Group had no capital commitments as at 30 June 2022 (31 March 2022: 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 2022.

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 (2021: 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 2021, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 June 2022

		Three months ended	
		30 June	
	Notes	2022	2021
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3	13,414	14,033
Other income	4	358	353
		<u>13,772</u>	<u>14,386</u>
Employee benefits costs		(11,937)	(12,371)
Fair value (loss) gain on financial asset at fair value through profit or loss		(387)	1
Depreciation		(2,027)	(2,810)
Introduction expenses		—	(100)
Finance cost on lease liabilities		(87)	(25)
Other operating expenses		<u>(3,082)</u>	<u>(2,604)</u>
Loss before tax	5	(3,748)	(3,523)
Income tax credit	6	49	126
		<u>(3,699)</u>	<u>(3,397)</u>
Loss for the period		(3,699)	(3,397)
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		<u>(24)</u>	<u>5</u>
Total comprehensive expense for the period		<u><u>(3,723)</u></u>	<u><u>(3,392)</u></u>

	Three months ended	
	30 June	
<i>Note</i>	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss for the period attributable to:		
Owners of the Company	(3,672)	(3,334)
Non-controlling interests	<u>(27)</u>	<u>(63)</u>
	<u>(3,699)</u>	<u>(3,397)</u>
Total comprehensive expense for the period attributable to:		
Owners of the Company	(3,696)	(3,329)
Non-controlling interests	<u>(27)</u>	<u>(63)</u>
	<u>(3,723)</u>	<u>(3,392)</u>
Loss per share — basic and diluted (HK cents)	<i>8</i>	
	<u>(2.58)</u>	<u>(2.35)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the three months ended 30 June 2022

	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 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>
At 1 April 2022 (audited)	1,424	49,639	28,014	4,179	1,946	55	9,900	95,157	257	95,414
Loss for the period	—	—	(3,672)	—	—	—	—	(3,672)	(27)	(3,699)
Other comprehensive expense:										
Exchange differences arising from translation of foreign operation	—	—	—	—	—	(24)	—	(24)	—	(24)
Total comprehensive expense for the period	—	—	(3,672)	—	—	(24)	—	(3,696)	(27)	(3,723)
At 30 June 2022 (unaudited)	<u>1,424</u>	<u>49,639</u>	<u>24,342</u>	<u>4,179</u>	<u>1,946</u>	<u>31</u>	<u>9,900</u>	<u>91,461</u>	<u>230</u>	<u>91,691</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 2022

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 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 2022 are the same as those followed in the preparation of the Group's annual report for the year ended 31 March 2022, 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	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Corporate finance advisory fee income		
— from acting as financial adviser	2,521	3,998
— from acting as independent financial adviser	4,642	4,330
— from acting as compliance adviser	5,977	5,705
— others	274	—
	<u>13,414</u>	<u>14,033</u>

4. OTHER INCOME

	Three months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Bank interest income	31	57
Management fee income from ultimate holding company	45	39
Office sharing income and reimbursement of other premises expenses from ultimate holding company	193	171
Others	89	86
	<u>358</u>	<u>353</u>

5. LOSS BEFORE TAX

	Three months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging (crediting):		
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 (<i>note</i>)	8,907	9,353
Contributions to retirement benefits scheme	267	255
	<u>11,937</u>	<u>12,371</u>
Total employee benefits costs	11,937	12,371
Auditor's remuneration	85	89
Depreciation for property and equipment	229	262
Depreciation for right-of-use assets	1,798	2,548
Impairment loss recognised in respect of trade receivables	179	215
Exchange loss (gain), net	651	(86)
	<u><u>651</u></u>	<u><u>(86)</u></u>

Note: Wage subsidies of approximately HK\$672,000 granted from the Employment Support Scheme under the Anti-Epidemic Fund for the use of paying wages of employees have been recognised during the three months ended 30 June 2022 (2021: nil). The amounts have been offset against the employee benefits costs.

6. INCOME TAX CREDIT

	Three months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Current income tax:		
Hong Kong	17	14
Over provision in prior years:		
People's Republic of China	(4)	(68)
Deferred taxation	<u>(62)</u>	<u>(72)</u>
	<u>(49)</u>	<u>(126)</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. For the three months ended 30 June 2022 and 2021, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

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%.

7. DIVIDENDS

The Board does not recommend the payment of interim dividend for the Period (2021: nil).

8. LOSS PER SHARE

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

	Three months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss		
Loss attributable to owners of the Company, used in the basic and diluted loss per share calculation	<u>(3,672)</u>	<u>(3,334)</u>
	Number of shares	
	2022	2021
	(unaudited)	(unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period, used in the basic and diluted loss per share calculation (<i>'000</i>)	<u>142,355</u>	<u>141,870</u>

Note: Diluted loss per share is same as basic loss per share. The computation of diluted loss per share does not assume the exercise of the Company's share options since their exercise would result in a decrease in loss per share.

CORPORATE GOVERNANCE AND OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

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 (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 2022 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 2022 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.hkexnews.hk) and the Company (www.somerleycapital.com). The first quarterly report of the Company for the three months ended 30 June 2022 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, 12 August 2022

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 website of the Stock Exchange at www.hkexnews.hk 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.