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DA YU FINANCIAL HOLDINGS LIMITED

大禹金融控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1073)

2022 INTERIM RESULTS ANNOUNCEMENT

INTERIM RESULTS

The Board of Directors (the “Board”) of Da Yu Financial Holdings Limited (the “Company”) announces the unaudited interim condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2022 as below:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		Unaudited Six months ended 30 June	
	Notes	2022 HK\$'000	2021 HK\$'000
Services revenue	3	44,237	22,077
Interest revenue	3	430	–
Other net income	3	91	547
Other net financial loss		(1,201)	(7,370)
Employee benefit expense		(7,943)	(6,535)
Impairment losses on trade receivables		(45)	(214)
Administrative and other expenses		(9,559)	(10,933)
Finance costs		(51)	(59)
Profit/(loss) before income tax	5	25,959	(2,487)
Income tax (expense)/credit	6	(4,136)	34
Profit/(loss) and total comprehensive income/(expenses) for the period attributable to the owners of the Company		21,823	(2,453)
Earnings/(loss) per share attributable to the owners of the Company (HK cents)			
– Basic	7	1.92	(0.22)
– Diluted		1.92	(0.22)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		Unaudited As at 30 June 2022 <i>HK\$'000</i>	Audited As at 31 December 2021 <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		228	172
Goodwill	9	302,965	302,965
Intangible assets	10	62,822	66,141
Right-of-use assets		2,145	3,948
Mortgage loans	11	34,732	–
Other assets		200	200
		<u>403,092</u>	<u>373,426</u>
Current assets			
Mortgage loans	11	5,323	–
Term loans	12	3,000	–
Contract assets		86	592
Trade and other receivables, deposits paid and prepayments	13	3,567	7,081
Amount due from a related company		4,189	4,452
Financial assets at fair value through profit or loss		12,703	14,326
Client trust bank balances	14	168,388	180,193
Cash and cash equivalents		86,055	99,027
		<u>283,311</u>	<u>305,671</u>
Current liabilities			
Contract liabilities		9,063	11,307
Trade and other payables and accrued expenses	15	170,092	184,682
Lease liabilities		2,164	3,636
Taxation payable		6,532	1,849
		<u>187,851</u>	<u>201,474</u>
Net current assets		<u>95,460</u>	<u>104,197</u>
Total assets less current liabilities		<u>498,552</u>	<u>477,623</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)*As at 30 June 2022*

	Unaudited As at 30 June 2022 HK\$'000	Audited As at 31 December 2021 HK\$'000
Non-current liabilities		
Lease liabilities	–	346
Deferred tax liabilities	<u>10,365</u>	<u>10,913</u>
	<u>10,365</u>	<u>11,259</u>
Net assets	<u>488,187</u>	<u>466,364</u>
EQUITY		
Equity attributable to the owners of the Company		
Share capital	113,933	113,933
Reserves	<u>374,254</u>	<u>352,431</u>
Total equity	<u>488,187</u>	<u>466,364</u>

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2022 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) and with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are stated at fair value, as appropriate.

The accounting policies adopted in the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2021, except for the revenue recognition of new business acquired and the adoption of the revised Hong Kong Financial Reporting Standard (“HKFRSs”) (which include individual HKFRSs, HKASs and Interpretations) as disclosed below.

Revenue recognition

Interest income is recognised and accrued using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

Referral fee income is recognised when or as it satisfies a performance obligation by transferring promised services to the customers in an amount to which the Group expects to be entitled in exchange for those services.

Adoption of revised HKFRSs – effective 1 January 2022

In the current period, the Group has applied for the first time the following revised HKFRSs issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual financial period beginning on 1 January 2022.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020

The adoption of these revised HKFRSs has no significant impact on the Group’s unaudited interim condensed consolidated financial statements.

3. REVENUE AND OTHER NET INCOME

(a) Disaggregation of revenue

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15:		
Services Revenue		
Type of services		
Advisory and related services	26,418	11,376
Asset management services	7,557	9,263
Securities and related services	1,401	910
Referral fees	8,375	–
Sundry income	486	528
	<u>44,237</u>	<u>22,077</u>
Revenue from contracts with customers not within the scope of HKFRS 15:		
Interest Revenue		
Loan interest and related income	430	–
	<u>44,667</u>	<u>22,077</u>
Timing of services revenue recognition within the scope of HKFRS 15:		
At a point in time	27,918	3,660
Transferred over time	16,319	18,417
	<u>44,237</u>	<u>22,077</u>

(b) Transaction price allocated to remaining performance obligations

As of 30 June 2022 and 31 December 2021, the aggregate amount of the transaction price allocated to the performance obligation that are unsatisfied (or partially unsatisfied) is approximately HK\$36,950,000 and approximately HK\$32,500,000 respectively. The transaction price does not include any estimated amounts of variable consideration, unless at the reporting date it is highly probable that the Group will satisfy the conditions of variable consideration. The Group expects to recognise the amount as revenue when the performance obligations are satisfied in coming 6 to 18 months, depending on the contract terms. The following table shows the time band for remaining performance obligations to be satisfied.

	Unaudited As at 30 June 2022 HK\$'000	Audited As at 31 December 2021 HK\$'000
Remaining performance obligations expected to be satisfied during:		
the year ending 31 December 2022	20,350	32,500
the year ending 31 December 2023	16,600	–
<i>(Note)</i>	36,950	32,500

Note:

According to HKFRS 15 – Revenue from Contracts with Customers, the amount of remaining performance obligations above did not include a significant advisory transaction subject to conditions, which is expected to be settled within next 1.5 years, because according to its mandate, as at 30 June 2022:

- (i) there are uncertainties surrounding the actual amount to be received;
- (ii) the range for the final amounts to be received is wide, the worst of it being nil;
- (iii) the uncertainty about the amount of advisory entitlement fee is not expected to be resolved within a short period of time; and
- (iv) there is no substantial commercial reality to ascertain the amount of the advisory entitlement fee.

(c) Other net income

	Unaudited Six months ended 30 June 2022 HK\$'000	2021 HK\$'000
Government grants	88	–
Exchange gain, net	3	1
Sub-lease income and management income	–	546
	91	547

4. SEGMENT INFORMATION

The Group's reportable and operating segments are as follows:

- (a) Corporate finance services, investment and others – provision of corporate finance advisory services including financial advisory services, services incidental to financial advisory, compliance advisory services, placing agency and/or underwriting services, investment business and others.
- (b) Asset management services – provision of asset management services including investment advisory services and sundry income derived from provision of the services.
- (c) Securities and related services – provision of securities broking, underwriting and placing of securities and investment in securities.
- (d) Money lending business – provision of loan financing and related services.

Segment revenue and results

	Corporate finance services, investment and others <i>HK\$'000</i>	Asset management services <i>HK\$'000</i>	Securities and related services <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Unaudited					
Six months ended 30 June 2022					
Revenue – external customers	26,418	8,043	1,401	8,805	44,667
Other net income (<i>Note</i>)	44	47	160	–	251
Other net financial (loss)/gain – all generated from proprietary trading	(1,224)	–	154	–	(1,070)
Less: inter-segment revenue	(131)	–	(160)	–	(291)
Reportable segment revenue	<u>25,107</u>	<u>8,090</u>	<u>1,555</u>	<u>8,805</u>	<u>43,557</u>
Results					
Reportable segment profit/(loss) before income tax	<u>16,874</u>	<u>4,503</u>	<u>(3,562)</u>	<u>8,144</u>	<u>25,959</u>
Unaudited					
Six months ended 30 June 2021					
Revenue – external customers	11,376	9,791	910	–	22,077
Other net income (<i>Note</i>)	–	–	547	–	547
Other net financial loss – all generated from proprietary trading	(6,879)	–	(491)	–	(7,370)
Reportable segment revenue	<u>4,497</u>	<u>9,791</u>	<u>966</u>	<u>–</u>	<u>15,254</u>
Results					
Reportable segment (loss)/profit before income tax	<u>(3,552)</u>	<u>2,752</u>	<u>(1,687)</u>	<u>–</u>	<u>(2,487)</u>

Note: Other net income generated from proprietary trading included in segment revenue under corporate finance services, investment and others for the six months period ended 30 June 2022 was gain of approximately HK\$3,000 (2021: included in segment revenue under securities and related services of approximately HK\$1,000).

Segment assets and liabilities

	Corporate finance services, investment and others <i>HK\$'000</i>	Asset management services <i>HK\$'000</i>	Securities and related services <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Unaudited					
As at 30 June 2022					
Reportable segment assets and consolidated total assets	406,036	39,901	179,659	60,807	686,403
Reportable segment liabilities	19,783	665	169,731	622	190,801
Unallocated: other payables, accrued expenses and taxation payable					7,415
Consolidated total liabilities					198,216
Audited					
As at 31 December 2021					
Reportable segment assets and consolidated total assets	442,194	40,587	196,316	–	679,097
Reportable segment liabilities	22,886	1,052	182,906	–	206,844
Unallocated: other payables, accrued expenses and taxation payable					5,889
Consolidated total liabilities					212,733

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments; and
- all liabilities are allocated to operating segments other than other payables, accrued expenses and taxation payable (except for other payables, accrued expenses and taxation payable attributable to securities and related services and money lending business segments).

Major customers information

Revenue from major customers, each of whom amounted to 10% or more of Group's revenue during the six months ended 30 June 2022 and 2021, is set out below:

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Customer A ¹	8,043	9,791
Customer B ²	8,000	–
Customer C ³	8,000	–
Customer D ³	6,500	–
Customer E ³	–	3,600
	<u> </u>	<u> </u>

¹ Revenue from Customer A is attributable to asset management services.

² Revenue from Customer B is attributable to money lending business.

³ Revenue from Customers C, D and E are attributable to corporate finance services, investment and others.

Concentration of loans on major customers

At the end of the reporting period, the Group has certain concentration of credit risk as 41.8% (31 December 2021: Nil) and 63.2% (31 December 2021: Nil) of the total mortgage loans and term loans which was due from the Group's largest customer and the five largest customers within the money lending business segment respectively.

Geographic information

The Group's operations are mainly located in Hong Kong and all the Group's non-current assets are located in Hong Kong.

5. PROFIT/(LOSS) BEFORE INCOME TAX

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Profit/(loss) before income tax is arrived at after charging:		
Intangible assets derecognition upon contract completion	419	–
Amortisation on intangible assets	2,900	6,724
Depreciation of		
– Owned property, plant and equipment	93	89
– Right-of-use assets	1,803	1,364
Employee benefit expense (including Directors' emoluments)	7,943	6,535
Interest on lease liabilities	51	59
Impairment losses on trade receivables	45	214
	<u> </u>	<u> </u>

6. INCOME TAX (EXPENSE)/CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2022 and 2021. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 (2021: HK\$2,000,000) of assessable profits of one subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%).

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Current tax		
– Hong Kong profits tax	(4,683)	(1,075)
Deferred tax	547	1,109
Income tax (expense)/credit	<u>(4,136)</u>	<u>34</u>

7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Earnings/(loss)		
Earnings/(loss) for the purpose of basic and diluted earnings/(loss) per share (profit/(loss) for the period attributable to the owners of the Company)	<u>21,823</u>	<u>(2,453)</u>
Number of shares		
Weighted average number of ordinary shares in issue for the purpose of basic and diluted earnings/(loss) per share	<u>1,139,330,190</u>	<u>1,139,330,190</u>

There were no potential ordinary share in issue for the six months ended 30 June 2022 and 2021. Accordingly, the diluted earnings/(loss) per share presented are the same as the basic earnings/(loss) per share.

8. DIVIDEND

At a Board meeting held on 26 August 2022, the Board resolved not to declare an interim dividend for the period (2021: Nil).

9. GOODWILL

HK\$'000

Cost

At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022 302,965

Accumulated impairment

At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022 -

Carrying amount

At 31 December 2021 (Audited) 302,965

At 30 June 2022 (Unaudited) 302,965

10. INTANGIBLE ASSETS

	Investment management agreement HK\$'000	Backlog HK\$'000	Trade name HK\$'000	Securities and Futures Commission licences HK\$'000	Total HK\$'000
Cost					
At 1 January 2021	15,560	14,634	69,044	3,740	102,978
Derecognition upon contract completion	-	(1,928)	-	-	(1,928)
At 31 December 2021 and 1 January 2022	15,560	12,706	69,044	3,740	101,050
Derecognition upon contract completion	-	(3,086)	-	-	(3,086)
At 30 June 2022	<u>15,560</u>	<u>9,620</u>	<u>69,044</u>	<u>3,740</u>	<u>97,964</u>
Amortisation and impairment					
At 1 January 2021	9,121	9,003	4,891	-	23,015
Amortisation	6,439	3,289	3,452	-	13,180
Derecognition upon contract completion	-	(1,286)	-	-	(1,286)
At 31 December 2021 and 1 January 2022	15,560	11,006	8,343	-	34,909
Amortisation	-	1,174	1,726	-	2,900
Derecognition upon contract completion	-	(2,667)	-	-	(2,667)
At 30 June 2022	<u>15,560</u>	<u>9,513</u>	<u>10,069</u>	<u>-</u>	<u>35,142</u>
Carrying amount					
At 31 December 2021(Audited)	<u>-</u>	<u>1,700</u>	<u>60,701</u>	<u>3,740</u>	<u>66,141</u>
At 30 June 2022 (Unaudited)	<u>-</u>	<u>107</u>	<u>58,975</u>	<u>3,740</u>	<u>62,822</u>

11. MORTGAGE LOANS

	Unaudited As at 30 June 2022 <i>HK\$'000</i>	Audited As at 31 December 2021 <i>HK\$'000</i>
Secured mortgage loans	<u>40,055</u>	<u>–</u>
Analysed for reporting purposes as:		
– Non-current assets	34,732	–
– Current assets	<u>5,323</u>	<u>–</u>
	<u>40,055</u>	<u>–</u>

The following is an ageing analysis for the mortgage loans that are past due at the reporting date:

	Unaudited As at 30 June 2022 <i>HK\$'000</i>	Audited As at 31 December 2021 <i>HK\$'000</i>
Less than 31 days past due	<u>1,104</u>	<u>–</u>

As at 30 June 2022, the Group has not recognised any loss allowance for the mortgage loans which are secured by collateral as the market value of collateral of such mortgage loans can be objectively ascertained to cover the outstanding loan amounts.

12. TERM LOANS

	Unaudited As at 30 June 2022 <i>HK\$'000</i>	Audited As at 31 December 2021 <i>HK\$'000</i>
Current assets		
Term loans	<u>3,000</u>	<u>–</u>

No ageing analysis is disclosed for term loans financing, as, in the opinion of the Directors, the ageing analysis does not give additional value in the view of the nature of the term loans financing business.

13. TRADE AND OTHER RECEIVABLES, DEPOSITS PAID AND PREPAYMENTS

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
Trade receivables (<i>Note</i>)	1,431	4,488
Other receivables	871	1,224
Prepayments	271	375
Rental and utility deposits	994	994
	<u>3,567</u>	<u>7,081</u>

Note: The Group normally applies credit terms to its customers according to industry practice together with consideration of their creditability, repayment history and years of establishment. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management.

The ageing analysis of the carrying amount of the Group's trade receivables as at the reporting date, based on invoice dates, is as follows:

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
Within 30 days	1,185	2,748
Over 30 days but within 60 days	134	438
Over 60 days but within 90 days	111	231
Over 90 days but within 365 days	1	1,071
	<u>1,431</u>	<u>4,488</u>
Trade receivables, net of loss allowance	<u>1,431</u>	<u>4,488</u>

14. CLIENT TRUST BANK BALANCES

The Group maintains segregated deposit accounts with a recognised bank to hold clients' monies arising from its normal course of business. The Group has classified the clients' monies as client trust bank balances under the current assets section of the condensed consolidated statement of financial position and recognised the corresponding trade payables (Note 15) to respective clients as it is liable for any loss or misappropriation of clients' monies. The segregated deposit accounts balances are restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO").

15. TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
Trade payables arising from the ordinary course of business of securities dealing and brokerage services (<i>Note</i>)		
– Cash client	168,414	180,193
– Stock Exchange	65	316
Other payables and accrued expenses	1,613	4,173
	170,092	184,682

Note: The settlement terms of trade payables attributable to dealing in securities are two days after the trade date.

No ageing analysis is disclosed as, in the opinion of the Directors, an ageing analysis does not give additional value to users of this announcement in view of the business nature of securities dealing and brokerage services.

As at 30 June 2022, included in trade payables arising from the ordinary course of business of securities dealing and brokerage services was an amount of approximately HK\$168,388,000 (31 December 2021: approximately HK\$180,193,000) payable to clients in respect of segregated deposit accounts balances received and held for clients in the course of the conduct of regulated activities.

16. THE IMPACT OF COVID-19 IN THE INTERIM PERIOD

The outbreak of COVID-19 has developed rapidly since 2020 and significantly affected entities and economic activities in varying scales globally. While there have been more immediate and pronounced disruptions in certain industries, its impact on the financial industry in the country where the Group operates has been confined to the limitation of physical meetings with new clients, which could have impacted new business. Nevertheless, as the fifth wave of COVID-19 prevailed during the interim period, though the global economy began to recover slowly due to the boost of vaccination rate in certain major countries, it is challenging at this moment to predict the full extent and duration of its impact to the business and economy.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2022 (the “Interim Period”), the Group is principally engaged in the provision of corporate finance advisory services and asset management services through its wholly-owned subsidiary, Yu Ming Investment Management Limited (“Yu Ming”), in securities broking and placing of securities through a wholly-owned subsidiary, Morton Securities Limited (“Morton Securities”), and in money lending business in Hong Kong through another wholly-owned subsidiary, Morgan Finance Limited (“Morgan Finance”) which was acquired during the Interim Period.

Yu Ming is licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO.

Morton Securities is a securities dealer licensed to carry out Type 1 (dealing in securities) regulated activities under the SFO. Morton Securities is also an Exchange Participant of the Stock Exchange and is admitted by Hong Kong Securities Clearing Company Limited to participate in the Central Clearing and Settlement System as a Direct Clearing Participant (within the meaning of the General Rules of Central Clearing and Settlement System).

The Group completed the acquisition of Morgan Finance on 1 March 2022. Morgan Finance holds the money lenders license, which was granted by the licensing court pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) and the Money Lenders Regulations, to carry on money lending business in Hong Kong.

Corporate Finance Advisory

During the Interim Period, the corporate finance advisory services provided by Yu Ming mainly included acting as financial adviser to advise listed issuers, shareholders and investors of listed issuers and entities on specific transactions in respect of the Listing Rules, the Rules Governing the Listing of Securities on GEM of the Stock Exchange and/or the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs.

Revenue for the Interim Period from corporate finance advisory and related services was approximately HK\$26.4 million (2021: approximately HK\$11.4 million).

Asset Management

During the Interim Period, Yu Ming provided asset management services solely to SHK Hong Kong Industries Limited (“SHK”), the first investment company listed on the Stock Exchange. Although SHK was privatized in April 2021, the investment management agreement with SHK is still in force until December 2022.

Revenue for the Interim Period from asset management services was approximately HK\$7.6 million (2021: approximately HK\$9.3 million).

Securities Broking

During the Interim Period, Morton Securities was principally engaged in securities broking and placing of securities and investment in securities.

Revenue for the Interim Period from securities and related services was approximately HK\$1.4 million (2021: approximately HK\$0.9 million).

Money Lending

During the Interim Period, Morgan Finance was principally engaged in money lending business in Hong Kong. In April 2022, the Group completed the acquisition of two mortgage loans portfolios which comprised 43 mortgage loans at that time with the aggregated outstanding principal amount of approximately HK\$41.7 million.

Revenue for the Interim Period from money lending and related business was approximately HK\$8.8 million (2021: Nil).

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the Interim Period (2021: Nil).

FINANCIAL REVIEW

Overall Results

The Group recorded a net profit of approximately HK\$21.8 million for the Interim Period (2021: net loss approximately HK\$2.5 million), representing an increase in profit of approximately HK\$24.3 million. The reasons were mainly due to the increase in corporate finance fee and introduction fee, coupled with a reduction in investment losses during the Interim Period.

Revenue and Financial Resources

For the Interim Period, the Group had revenue of approximately HK\$44.7 million (2021: approximately HK\$22.1 million).

As at 30 June 2022, the Group had cash and cash equivalents of approximately HK\$86.0 million (31 December 2021: approximately HK\$99.0 million). As at 30 June 2022, the Group's current ratio (current assets to current liabilities) was approximately 150.8% (31 December 2021: approximately 151.7%).

For the Interim Period, the Group had no material exposure to fluctuations in exchange rates.

Administrative and Other Expenses

Apart from the Group's administrative expenses, other expenses for the Interim Period included the amortisation on and derecognition of intangible assets of approximately HK\$3.3 million (2021: approximately HK\$6.7 million).

Indebtedness and Banking Facilities

The Group had no bank and other borrowings as at 30 June 2022 and 31 December 2021.

The Group's gearing ratio, calculated by reference to the ratio of total bank borrowings (if any) to total equity attributable to the owners of the Company as at 30 June 2022 and 31 December 2021, was 0%.

Assets and Liabilities

As at 30 June 2022, the Group had total assets of approximately HK\$686.4 million (31 December 2021: approximately HK\$679.1 million) and total liabilities of approximately HK\$198.2 million (31 December 2021: approximately HK\$212.7 million). The net assets of the Group as at 30 June 2022 were approximately HK\$488.2 million (31 December 2021: approximately HK\$466.4 million).

Capital Structure

There was no change to the share capital during the Interim Period and last corresponding period.

Commitments

As at 30 June 2022 and 31 December 2021, the Group had no significant outstanding contracted capital commitments.

Charges on Group Assets

As at 30 June 2022 and 31 December 2021, the Group had no assets under pledge.

Significant Investments, Acquisitions and Disposals

On 18 February 2022, the Company entered into the sale and purchase agreement to purchase the entire issued shares of Morgan Finance from First Mariner Capital Limited ("FMCL"), an indirect wholly-owned subsidiary of First Steamship Company Limited ("First Steamship"), a substantial shareholder of the Company. FMCL and First Steamship were connected persons of the Company (as defined under the Listing Rules) and the transaction therefore constituted a connected transaction pursuant to Chapter 14A of the Listing Rules which was only subject to the reporting and announcement requirements and was exempted from the independent shareholders' approval requirement under the Listing Rules. The transaction was completed on 1 March 2022 and the finalised consideration was approximately HK\$2,178,000. Details of the transaction were disclosed in the Company's announcements dated 18 February 2022 and 1 March 2022.

On 24 March 2022, Morgan Finance (a wholly-owned subsidiary of the Company since 1 March 2022), as purchaser and assignee, entered into the deed of assignments with two vendors, as sellers and assignors, for the acquisition of two mortgage loans portfolios. The transaction was completed on 26 April 2022 and the final aggregated consideration was approximately HK\$42.8 million. Details of the transaction were disclosed in the Company's announcements dated 24 March 2022 and 27 April 2022.

Save as disclosed above, there were no significant investments, acquisitions and disposals by the Group during the Interim Period.

Segment Information

Detailed segmental information in respect of the revenue and profit or loss is shown in Note 4 to the unaudited interim condensed consolidated financial statements.

Contingent Liabilities

As at the date of this announcement and as at 30 June 2022 and 31 December 2021, the Board is not aware of any material contingent liabilities.

EVENTS AFTER THE REPORTING DATE

There are no important events affecting the Group which have occurred after the end of the Interim Period and up to the date of this announcement.

PROSPECT

The acquisition of Morgan Finance in March 2022 enhances the Group's capability to offer a more comprehensive financial services to existing and new clients. We have well-prepared to expand our service offerings in the financial services industry so as to maintain sustainable development of the Group.

The Stock Exchange has implemented its flurry of reform consultation in the name of improving market quality, including a significant increase in the minimum profit requirements of new listing applicants, which has reduced new listing applications. Though the impact to the Group is much less significant than other licensed corporations engaged in sponsoring new listing, the long term side effect such as the drastically reduced number of listed companies in Hong Kong and the mirroring new listing requirements for reverse takeovers, which the Group occasionally advises, creates challenges for the Group and our peers.

Advising contentious and hostile situations remains an attractive business of the Group. The team continues to seek opportunities to help clients resolve commercial disputes as well as those with regulators.

On balance, the prospect of the Group for the full year 2022 – 2023 hinges on income recognition of the corporate finance transactions, which depends on satisfaction of conditions and timing of completion, the renewal of the investment management agreement with SHK and the subsequent development of the securities business and money lending business.

AUDIT COMMITTEE

The Company had an Audit Committee established in accordance with Rule 3.21 of the Listing Rules.

The Audit Committee has reviewed financial reporting matters and the 2022 Interim Report including a general review of the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2022. In carrying out this review, the Audit Committee has relied on a review conducted by the Group’s external auditor in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA and representations from management. The Audit Committee has not undertaken detailed independent audit checks.

COMPLIANCE WITH THE CODE PROVISIONS OF THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with all the applicable code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules during the Interim Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the Interim 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 Company's listed securities during the Interim Period.

By Order of the Board
DA YU FINANCIAL HOLDINGS LIMITED
Lee Wa Lun, Warren
Managing Director

Hong Kong, 26 August 2022

As at the date of this announcement, the Non-Executive Director is Mr. Kuo Jen-Hao (Chairman), the Executive Directors are Mr. Lee Wa Lun, Warren (Managing Director), Mr. Lam Chi Shing and Ms. Li Ming, and the Independent Non-Executive Directors are Mr. Chan Sze Chung, Mr. Suen Chi Wai and Mr. Sum Wai Kei, Wilfred.