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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)

ANNOUNCEMENT OF 2022 ANNUAL RESULTS

RESULTS

The Board of Directors (the “Board”) of Da Yu Financial Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2022 as below:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Revenue	3	76,700	59,476
Other net income	3	267	547
Other net financial loss		(1,739)	(9,785)
Employee benefit expense		(23,848)	(17,769)
Reverse of impairment losses/(impairment losses)			
on trade receivables	13	138	(4,988)
Impairment losses on goodwill	9	(21,724)	–
Administrative and other expenses		(18,566)	(23,742)
Finance costs		(78)	(145)
Profit before income tax	5	11,150	3,594
Income tax expense	6	(5,785)	(2,459)
Profit and total comprehensive income for the year attributable to the owners of the Company		5,365	1,135
Earnings per share attributable to the owners of the Company (HK cent(s))			
– Basic	7	0.47	0.10
– Diluted		0.47	0.10

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 31 December 2022*

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		210	172
Goodwill	<i>9</i>	281,241	302,965
Intangible assets	<i>10</i>	60,989	66,141
Right-of-use assets		690	3,948
Mortgage loans	<i>11</i>	32,370	–
Other assets		200	200
		<hr/> 375,700	<hr/> 373,426
Current assets			
Mortgage loans	<i>11</i>	4,942	–
Term loans	<i>12</i>	1,501	–
Contract assets		1,053	592
Trade and other receivables, deposits paid and prepayments	<i>13</i>	4,456	7,081
Amount due from a related company		4,033	4,452
Financial assets at fair value through profit or loss		11,586	14,326
Client trust bank balances	<i>14</i>	160,737	180,193
Cash and cash equivalents		91,328	99,027
		<hr/> 279,636	<hr/> 305,671
Current liabilities			
Contract liabilities		1,250	11,307
Trade and other payables and accrued expenses	<i>15</i>	168,834	184,682
Lease liabilities		697	3,636
Taxation payable		2,763	1,849
		<hr/> 173,544	<hr/> 201,474
Net current assets		<hr/> 106,092	<hr/> 104,197
Total assets less current liabilities		<hr/> 481,792	<hr/> 477,623

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)*As at 31 December 2022*

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current liabilities		
Lease liabilities	–	346
Deferred tax liabilities	<u>10,063</u>	<u>10,913</u>
	<u>10,063</u>	<u>11,259</u>
Net assets	<u>471,729</u>	<u>466,364</u>
EQUITY		
Equity attributable to the owners of the Company		
Share capital	113,933	113,933
Reserves	<u>357,796</u>	<u>352,431</u>
Total equity	<u>471,729</u>	<u>466,364</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands with limited liability on 9 September 1999. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is Room 1801, 18th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company and the Group is principally engaged in activities including dealing in securities, advising on securities, advising on corporate finance, asset management, money lending and securities and related services.

2. ADOPTION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

2.1 Adoption of revised HKFRSs – effective on 1 January 2022

In the current year, the Group has applied for the first time the following revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to and effective for the Group's consolidated financial statements for the annual 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 HKFRSs 2018–2020

The adoption of these revised HKFRSs has no significant impact on the Group's consolidated financial statements.

2.2 New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRS 17	Insurance Contracts and the related Amendments ¹
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants (the “2022 Amendments”) ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the “2020 Amendments”) ^{2, 4}
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ^{1, 4}
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKFRS 4	Extension of the Temporary Exemption from Applying HKFRS 9 ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2024

³ Effective for annual periods beginning on or after a date to be determined

⁴ As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the Board so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's consolidated financial statements.

3. REVENUE AND OTHER NET INCOME

All of the Group's revenue is derived from contracts with customers for the years ended 31 December 2022 and 2021.

(a) Disaggregation of revenue

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15:		
Services Revenue		
Type of services		
– Advisory and related services	47,231	36,700
– Asset management services	14,684	17,246
– Securities and related services	2,787	4,484
– Referral fees	9,125	–
– Sundry income	1,002	1,046
	<u>74,829</u>	<u>59,476</u>
Revenue from contracts with customers not within the scope of HKFRS 15:		
Interest Revenue		
Loan interest and related income	<u>1,871</u>	–
	<u>76,700</u>	<u>59,476</u>
Timing of services revenue recognition within the scope of HKFRS 15:		
At a point in time	33,361	11,884
Transferred over time	<u>41,468</u>	<u>47,592</u>
	<u>74,829</u>	<u>59,476</u>

(b) Transaction price allocated to remaining performance obligations

As of 31 December 2022 and 2021, the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately HK\$5,490,000 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 12 months, depending on the contract terms. The following table shows the time band for remaining performance obligations to be satisfied.

	2022	2021
	HK\$'000	HK\$'000
Remaining performance obligations expected to be satisfied during:		
the year ended 31 December 2022	–	32,500
the year ending 31 December 2023	<u>5,490</u>	<u>–</u>
<i>(Note)</i>	<u>5,490</u>	<u>32,500</u>

Payment is due based on contractual terms specified in the underlying agreements.

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, because according to its mandate, as at 31 December 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**

	2022 <i>HK\$'000</i>	2021 HK\$'000
Government grant (<i>Note</i>)	264	–
Other income	3	–
Sub-lease income and management income	–	546
Exchange gain, net	–	1
	<hr/> 267 <hr/>	<hr/> 547 <hr/>

Note: During the year ended 31 December 2022, the Group applied for a government support program introduced in response to the global pandemic. Included in profit or loss is HK\$264,000 of government grants obtained relating to supporting the payroll of the Group's employees. The Group has presented this government grant in other net income. The Group had to commit to spending the assistance on payroll expenses, and not reducing employee head count below prescribed levels for a specified period of time. The Group does not have any unfulfilled obligations relating to this program.

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>
2022					
Revenue	47,231	15,686	3,072	11,044	77,033
Other net income (<i>Note</i>)	124	140	640	100	1,004
Other net financial loss					
– all generated from proprietary trading	(639)	–	(259)	–	(898)
Less: inter-segment revenue	(841)	–	(925)	(145)	(1,911)
Reportable segment revenue					
– external customers	45,875	15,826	2,528	10,999	75,228
Results					
Reportable segment profit/(loss) before impairment losses on goodwill, amortisation on and derecognition of intangible assets and income tax	29,775	6,645	(8,012)	9,618	38,026
Reportable segment profit/(loss) before income tax	2,899	6,645	(8,012)	9,618	11,150*
Amounts included in the measure of reportable segment profit/(loss) before income tax:					
Amortisation on intangible assets	4,733	–	–	–	4,733
Intangible assets derecognition upon contract completion	419	–	–	–	419
Impairment losses on goodwill	21,724	–	–	–	21,724
Depreciation	634	832	2,624	1	4,091
Employee benefit expense	10,458	7,128	5,647	615	23,848
Other information:					
Additions to specified non-current assets	7	10	154	2	173

	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>	Total <i>HK\$'000</i>
2021				
Revenue – external customers	36,700	18,292	4,484	59,476
Other net income (<i>Note</i>)	–	–	547	547
Other net financial loss – all generated from proprietary trading	(9,126)	–	(659)	(9,785)
Reportable segment revenue	<u>27,574</u>	<u>18,292</u>	<u>4,372</u>	<u>50,238</u>
Results				
Reportable segment profit/(loss) before impairment losses on goodwill, amortisation on and derecognition of intangible assets and income tax	11,496	9,650	(3,730)	17,416
Reportable segment profit/(loss) before income tax	<u>4,113</u>	<u>3,211</u>	<u>(3,730)</u>	<u>3,594*</u>
Amounts included in the measure of reportable segment profit/(loss) before income tax:				
Amortisation on intangible assets	6,741	6,439	–	13,180
Intangible assets derecognition upon contract completion	642	–	–	642
Depreciation	685	903	1,939	3,527
Employee benefit expense	7,047	6,495	4,227	17,769
Other information:				
Additions to specified non-current assets	<u>41</u>	<u>59</u>	<u>–</u>	<u>100</u>

* Total segments' profits equal to consolidated profit before income tax, accordingly no reconciliation of this amount is presented.

Note: None of other net income generated from proprietary trading was included in segment revenue for the year ended 31 December 2022 (2021: included in segment revenue under securities and related services was gain of approximately HK\$1,000).

There was no inter-segment revenue for the year ended 31 December 2021.

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>
As at 31 December 2022					
Reportable segment assets and consolidated total assets	<u>387,717</u>	<u>39,347</u>	<u>170,548</u>	<u>57,724</u>	<u>655,336</u>
Reportable segment liabilities	11,383	276	161,225	719	173,603
Unallocated: other payables, accrued expenses and taxation payable					<u>10,004</u>
Consolidated total liabilities					<u>183,607</u>
As at 31 December 2021					
Reportable segment assets and consolidated total assets	<u>442,194</u>	<u>40,587</u>	<u>196,316</u>	<u>–</u>	<u>679,097</u>
Reportable segment liabilities	22,886	1,052	182,906	–	206,844
Unallocated: other payables, accrued expenses and taxation payable					<u>5,889</u>
Consolidated total liabilities					<u>212,733</u>

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 for the years ended 31 December 2022 and 2021, is set out below:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A ¹	15,686	18,292
Customer B ²	8,000	–
Customer C ³	8,000	–
Customer D ³	–	9,600
	<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 and D are attributable to corporate finance services, investment and others.

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 BEFORE INCOME TAX

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit before income tax is arrived at after charging/(credit):		
Amortisation on intangible assets (<i>Note</i>)	4,733	13,180
Intangible assets derecognition upon contract completion	419	642
Auditor's remuneration	782	700
Depreciation of		
– Owned property, plant and equipment	136	190
– Right-of-use assets	3,955	3,337
Employee benefit expense (including directors' emoluments)	23,848	17,769
Interest on lease liabilities	78	145
Impairment losses on goodwill	21,724	–
(Reverse of impairment losses)/impairment losses on trade receivables	<u>(138)</u>	<u>4,988</u>

Note: Amortisation on intangible assets is included in "Administrative and other expenses" in the consolidated statement of profit or loss and other comprehensive income.

6. INCOME TAX EXPENSE

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 year ended 31 December 2022. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 (2021: HK\$2,000,000) of assessable profits of a subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%).

The amount of taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax		
– Hong Kong profits tax	6,650	4,750
– Over-provision in prior years	<u>(15)</u>	<u>(10)</u>
	6,635	4,740
Deferred tax	<u>(850)</u>	<u>(2,281)</u>
Income tax expense	<u><u>5,785</u></u>	<u><u>2,459</u></u>

7. EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to the owners of the Company)	<u><u>5,365</u></u>	<u><u>1,135</u></u>
Number of shares		
Weighted average number of ordinary shares in issue for the purposes of basic and diluted earnings per share	<u><u>1,139,330,190</u></u>	<u><u>1,139,330,190</u></u>

There were no potential ordinary share in issue for the years ended 31 December 2022 and 2021. Accordingly, the diluted earnings per share presented are the same as the basic earnings per share.

8. DIVIDEND

The Board does not recommend any dividend for the years ended 31 December 2022 and 2021.

9. GOODWILL

The amount of goodwill capitalised as an asset, arising from acquisition of a subsidiary in previous years is as follows:

	<i>HK\$'000</i>
Cost	
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	<u>302,965</u>
Accumulated impairment	
At 1 January 2021, 31 December 2021 and 1 January 2022	–
Impairment losses	<u>21,724</u>
At 31 December 2022	<u>21,724</u>
Carrying amount	
At 31 December 2021	<u>302,965</u>
At 31 December 2022	<u>281,241</u>

For the purpose of impairment testing, goodwill is allocated to the cash-generating units, each of which represent an operating and reportable segment of the Group, as follows:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Corporate finance services, investment and others	246,649	268,373
Asset management services	<u>34,592</u>	<u>34,592</u>
	<u>281,241</u>	<u>302,965</u>

10. INTANGIBLE ASSETS

	Investment management agreement <i>HK\$'000</i>	Backlog <i>HK\$'000</i>	Trade name <i>HK\$'000</i>	Securities and Futures Commission licences <i>HK\$'000</i>	Total <i>HK\$'000</i>
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 31 December 2022	15,560	9,620	69,044	3,740	97,964
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	—	1,281	3,452	—	4,733
Derecognition upon contract completion	—	(2,667)	—	—	(2,667)
At 31 December 2022	15,560	9,620	11,795	—	36,975
Carrying amount					
At 31 December 2021	—	1,700	60,701	3,740	66,141
At 31 December 2022	—	—	57,249	3,740	60,989

11. MORTGAGE LOANS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Secured mortgage loans	37,312	—
Analysed for reporting purposes as:		
– Non-current assets	32,370	—
– Current assets	4,942	—
	37,312	—

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Less than 31 days past due	<u>2,400</u>	<u>–</u>

During the year ended 31 December 2022 and as at 31 December 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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current assets		
Term loans	<u>1,501</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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current Asset		
Trade receivables (<i>Note</i>)	1,344	4,488
Other receivables	1,643	1,224
Prepayments	475	375
Rental and utility deposits	<u>994</u>	<u>994</u>
	<u>4,456</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 Board considers that the fair values of trade and other receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	1,344	2,748
Over 30 days but within 60 days	–	438
Over 60 days but within 90 days	–	231
Over 90 days but within 365 days	–	1,071
	<u>1,344</u>	<u>4,488</u>

At each reporting date, the Group reviews trade receivables for evidence of impairment on both individual and collective basis.

As at 31 December 2022 and 2021, loss allowances of approximately HK\$5,091,000 and approximately HK\$5,229,000 were made against the gross amount of trade receivables respectively.

Movement in the loss allowances amount in respect of trade receivables during the years ended 31 December 2022 and 2021 is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At 1 January	5,229	241
Expected credit losses (reversed)/recognised during the year	<u>(138)</u>	<u>4,988</u>
At 31 December	<u>5,091</u>	<u>5,229</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 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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables arising from the ordinary course of business of securities dealing and brokerage services (<i>Note</i>)		
– Cash client	160,747	180,193
– Stock Exchange	–	316
Other payables and accrued expenses	<u>8,087</u>	<u>4,173</u>
	<u>168,834</u>	<u>184,682</u>

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 31 December 2022, included in trade payables arising from the ordinary course of business of securities dealing and brokerage services was an amount of approximately HK\$160,737,000 (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 CURRENT REPORTING YEAR

The current lifting of the majority of COVID-19 pandemic prevention and containment measures is expected to have positive effect on the overall economy. The outbreak of COVID-19 in 2020 had a significant global impact on entities and economic activities. While certain industries experienced immediate and pronounced disruptions, the specific influence on the businesses the Group operates was limited to the hindrance of physical meetings with new clients, which may have impacted new business during the current reporting year. However, as COVID-19 is not yet fully eradicated, the Group remains vigilant in closely monitoring its operations and related risk levels to minimize its adverse effects on the business, clients and staff of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2022 (the “Current Reporting 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 Current Reporting 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 licence, 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 Current Reporting Period, the corporate finance advisory services provided by Yu Ming mainly included the following:

- (i) acting as financial adviser to advise listed issuers, shareholders and investors of listed issuers and entities on specific transactions in respect of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) and/or the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs (the “Takeovers Code”); and
- (ii) acting as financial adviser to listed issuers on retainer basis to advise listed issuers on corporate strategies and compliance with the Listing Rules, the GEM Listing Rules and the Takeovers Code.

Amongst the transactions completed include three cases of resumption of trading of Main Board listed companies on the Stock Exchange, two chain principle confirmations under the Takeovers Code and a hostile situation.

Revenue for the Current Reporting Period from corporate finance advisory and related services was approximately HK\$47.2 million (2021: approximately HK\$36.7 million).

Asset Management

During the Current Reporting 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 and until December 2023.

Revenue for the Current Reporting Period from asset management services was approximately HK\$15.7 million (2021: approximately HK\$18.3 million).

Securities Broking

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

During the Current Reporting Period, when many stockbrokers went out of business, Morton Securities remains a solid operation despite a nominal loss.

Revenue for the Current Reporting Period from securities and related services was approximately HK\$2.8 million (2021: approximately HK\$4.5 million).

Money Lending

During the Current Reporting Period, Morgan Finance was principally engaged in money lending business in Hong Kong.

Morgan Finance is the segment newly setup in the second quarter of 2022 as part of the Group’s expanding business portfolio.

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.

Morgan Finance derives referral fees and interest income from commercial and personal lending as well as property mortgage financing. The loans granted to customers range from unsecured loans (i.e. term loan and personal loan) to secured loans (i.e. property mortgage and share mortgage). Built a good reputation for delivering professional and personalised loan services, Morgan Finance has developed a niche in the loan market, providing corporate and retail clients with tailored liquidity solutions to meet their corporate goals and personal needs. In view of the economic instability, Morgan Finance continued to adhere to its cautious approach to strengthening the overall credit risk management and control mechanism, in order to minimise default risks, it also adjusted the interest rate and loan-to-value ratio on a timely basis, according to the market situation.

Revenue for the Current Reporting Period from money lending and related business was approximately HK\$11.0 million (2021: N/A).

FINANCIAL REVIEW

Overall Results

The financial results of the Group are highlighted as follows:

	2022 <i>HK\$ million</i>	2021 <i>HK\$ million</i>
Revenue	76.7	59.5
Other net income	0.2	0.5
Other net financial loss	(1.7)	(9.8)
Reportable segment revenue	75.2	50.2
Employee benefit expense	(23.8)	(17.8)
Reverse of impairment losses/(impairment losses) on trade receivables	0.1	(5.0)
Impairment losses on goodwill	(21.7)	–
Amortisation on and derecognition of intangible assets	(5.1)	(13.8)
Administrative and other expenses	(13.5)	(10.0)
Profit before income tax	11.2	3.6
Income tax expense	(5.8)	(2.5)
Profit for the year	5.4	1.1
Return on equity attributable to owners of the Company	1.1%	0.2%
Earnings per share (HK cent(s))		
– Basic	0.47	0.10
– Diluted	0.47	0.10

Morgan Finance is a wholly-owned subsidiary of the Company. The Company acquired Morgan Finance in March 2022. Morgan Finance's results were consolidated into the Group's financial statements since then.

Earnings and Expenses

In a challenging year for the global economy, we are pleased to report relatively stable financial performance across our operations. The consolidated financial results of the Company for the 12 months ended 31 December 2022 recorded a profit for the Current Reporting Period of HK\$5.4 million, compared to HK\$1.1 million in the previous year.

The above-mentioned increase in profit was mainly due to (i) new acquired money lending business in March 2022; (ii) increase in corporate finance advisory income; and (iii) decrease in mark-to-market losses in the Group's listed securities holding during the Current Reporting Period.

The Group's basic earnings per share for Current Reporting Period was HK0.47 cent (2021: HK0.10 cent).

Revenue for the Current Reporting Period increased by HK\$17.2 million, or 29.0%, to HK\$76.7 million compared to the previous year. This growth was mainly driven by the increase in corporate finance advisory fee income, which increased by HK\$10.5 million, or 28.7%, to HK\$47.2 million and referral fees from new money lending business of HK\$9.1 million. This increase in revenue was a result of our focused efforts to grow our client base and enhance our service range.

Other net income decreased by HK\$0.3 million, or 51.2%, to HK\$0.2 million in 2022. This was mainly due to the decrease in sub-lease rental and management fee income, which decreased by HK\$0.5 million in 2022. However, this was partially offset by the government grant income amounting to HK\$0.2 million.

Employee benefit expenses increased by HK\$6.0 million, or 34.2%, to HK\$23.8 million in 2022. This increase was mainly due to (a) an increase in staff bonus, which increased by HK\$4.0 million, or 112.7%, to HK\$7.5 million; and (b) the consolidation of Morgan Finance's related expenses in 2022.

Amortisation on and derecognition of intangible assets decreased by HK\$8.7 million, or 62.7%, to HK\$5.1 million in 2022. Excluding this, the remaining administrative and other expenses increased by HK\$3.5 million, or 35.0%, to HK\$13.5 million in 2022. This increase was mainly due to (a) an increase in legal and professional fees, which increased by HK\$2.3 million to HK\$3.3 million mainly because of the growth in corporate finance business related professional fee, acquiring Morgan Finance and the subsequent purchase of the loans portfolios during 2022; and (b) an increase in rent, rates and management fee of HK\$0.6 million following the full year consolidation of Morton Securities in 2022.

Profit before income tax increased by HK\$7.6 million, or 210.2%, to HK\$11.2 million in 2022. This improvement was due to the increase in revenue, as well as a decrease in other net financial loss, which decreased by HK\$8.1 million, or 82.2%, to only HK\$1.7 million, despite a non-cash goodwill impairment of HK\$21.7 million in 2022.

If isolating the effect of non-cash goodwill impairment which was mainly attributable to the increase in interest rate and discount rate, the profit before impairment losses on goodwill and income tax increased by HK\$29.3 million, or 814.7% to HK\$32.9 million in 2022, compared to HK\$3.6 million in previous year.

Revenue and Financial Resources

For the Current Reporting Period, the Group had revenue of approximately HK\$76.7 million (2021: approximately HK\$59.5 million).

As at 31 December 2022, the Group had cash and cash equivalents of approximately HK\$91.3 million (2021: approximately HK\$99.0 million). As at 31 December 2022, the Group's current ratio (current assets to current liabilities) was approximately 161.1% (2021: approximately 151.7%).

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

Indebtedness and Banking Facilities

As at 31 December 2022 and 2021, the Group had no bank and other borrowings.

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 31 December 2022 and 2021, was 0%.

Assets and Liabilities

As at 31 December 2022, the Group had total assets of approximately HK\$655.3 million (2021: approximately HK\$679.1 million) and total liabilities of approximately HK\$183.6 million (2021: approximately HK\$212.7 million). The net assets of the Group as at 31 December 2022 were approximately HK\$471.7 million (2021: approximately HK\$466.4 million).

Capital Structure

There was no change to the share capital during the Current Reporting Period and the year ended 31 December 2021.

Commitments

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

Charges on Group Assets

As at 31 December 2022 and 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 Current Reporting Period.

Contingent Liabilities

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

EVENT AFTER THE REPORTING DATE

There are no important events affecting the Group which have occurred after the end of the Current Reporting 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 barrage of delisting notices filed by the Stock Exchange on listed companies offers both awe and opportunities to us as a financial adviser focusing on listing resumption works. The lifting of COVID travel restrictions at the same time offers hope and optimism as clients can finally meet us face-to-face, deepening trust further.

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.

However, as our corporate finance practice works on transactions on a project basis, and our services depend largely on whether we will continue to secure new mandate in areas we specialize in.

Our asset management client, SHK, the first investment company listed on the Stock Exchange under Chapter 21 of the Listing Rules, was privatized and delisted on the Stock Exchange in April 2021. Our investment management contract with SHK was renewed in December 2022 for 12 months.

DIVIDEND

The Board does not recommend the payment of a dividend for the Current Reporting Period (2021: Nil).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend, speak and vote at the forthcoming annual general meeting of the Company (“AGM”)

The forthcoming AGM of the Company is scheduled to be held on Tuesday, 30 May 2023. The register of members of the Company will be closed from Wednesday, 24 May 2023 to Tuesday, 30 May 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. To be eligible to attend, speak and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Hong Kong Registrars Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 23 May 2023.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and adopted code provisions as set out in the Corporate Governance Code (the “CG Code”) in Appendix 14 to the Listing Rules as its own code on corporate governance practices throughout the Current Reporting Period.

In the opinion of the Board, the Company has complied with the code provisions of the CG Code during the Current Reporting Period.

AUDIT COMMITTEE REVIEW

The Board has established an audit committee in accordance with Rule 3.21 of the Listing Rules, and now comprises three Independent Non-Executive Directors, namely Mr. Chan Sze Chung, Mr. Suen Chi Wai and Mr. Sum Wai Kei, Wilfred and one Non-Executive Director, namely Mr. Kuo Jen-Hao.

The audit committee has reviewed the annual results for the Current Reporting Period.

The figures contained in the financial information set out in pages 1 to 18 of this announcement have been audited by the Company's auditor, BDO Limited ("BDO").

SCOPE OF WORK OF BDO

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the Current Reporting Period as set out in the preliminary announcement have been agreed by the Group's auditor, BDO, to the amounts set out in the Group's audited consolidated financial statements for the Current Reporting Period. The work performed by BDO in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by BDO on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Current Reporting Period.

PUBLICATION OF ANNUAL REPORT

The annual report of the Company will be despatched to the shareholders of the Company as well as published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 29 March 2023

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.