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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 2021 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 2021 as below:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Revenue	3	59,476	110,666
Other net income	3	547	928
Other net financial loss		(9,785)	(3,898)
Employee benefit expense		(17,769)	(24,470)
Impairment losses on trade receivables		(4,988)	(92)
Administrative and other expenses		(23,742)	(24,313)
Finance costs		(145)	(48)
Profit before income tax	5	3,594	58,773
Income tax expense	6	(2,459)	(10,065)
Profit and total comprehensive income for the year attributable to the owners of the Company		1,135	48,708
Earnings per share attributable to the owners of the Company (HK cent(s))	7		
– Basic		0.10	4.28
– Diluted		0.10	4.28

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 31 December 2021*

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		172	235
Goodwill	9	302,965	302,965
Intangible assets	10	66,141	79,963
Right-of-use assets		3,948	378
Other assets		200	–
		<u>373,426</u>	<u>383,541</u>
Current assets			
Contract assets		592	53
Trade and other receivables, deposits paid and prepayments	11	7,081	6,480
Amount due from a related company		4,452	31,659
Financial assets at fair value through profit or loss		14,326	9,186
Client trust bank balances	12	180,193	–
Cash and cash equivalents		99,027	84,016
		<u>305,671</u>	<u>131,394</u>
Current liabilities			
Contract liabilities		11,307	13,969
Trade and other payables and accrued expenses	13	184,682	14,906
Lease liabilities		3,636	390
Taxation payable		1,849	7,247
		<u>201,474</u>	<u>36,512</u>
Net current assets		<u>104,197</u>	<u>94,882</u>
Total assets less current liabilities		<u>477,623</u>	<u>478,423</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)*As at 31 December 2021*

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current liabilities		
Lease liabilities	346	–
Deferred tax liabilities	10,913	13,194
	<u>11,259</u>	<u>13,194</u>
Net assets	<u>466,364</u>	<u>465,229</u>
EQUITY		
Equity attributable to the owners of the Company		
Share capital	113,933	113,933
Reserves	352,431	351,296
	<u>466,364</u>	<u>465,229</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 and securities and related services.

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

2.1 Adoption of new/revised HKFRSs – effective on 1 January 2021

In the current year, the Group has applied for the first time the following new/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 2021.

Amendments to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The adoption of these new/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.

Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendment to HKFRS 3	Reference to the Conceptual Framework ²
Amendment to HKAS 16	Property, Plant and Equipment: Proceeds before intended use ²
Amendment to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ²
HKFRS 17	Insurance Contracts and the related Amendments ³
Amendment to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKFRS 4	Extension of the Temporary Exemption from Applying HKFRS 9 ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴

¹ Effective for annual periods beginning on or after 1 April 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ Effective for annual periods beginning on or after a date to be determined

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 2021 and 2020.

(a) Disaggregation of revenue

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Type of services		
Advisory and related services	36,700	66,415
Asset management services	17,246	43,152
Securities and related services	4,484	–
Sundry income	1,046	1,099
	<u>59,476</u>	<u>110,666</u>
Timing of revenue recognition		
At a point in time	11,884	17,524
Transferred over time	47,592	93,142
	<u>59,476</u>	<u>110,666</u>

(b) Transaction price allocated to remaining performance obligations

As of 31 December 2021 and 2020, the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately HK\$32,500,000 and approximately HK\$40,200,000 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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Remaining performance obligations expected to be satisfied during:		
the year ended 31 December 2021	–	40,200
the year ending 31 December 2022	32,500	–
	<u>32,500</u>	<u>40,200</u>
(Note)	<u>32,500</u>	<u>40,200</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, which is expected to be settled within next two years, because according to its mandate, as at 31 December 2021:

- (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

	2021	2020
	HK\$'000	HK\$'000
Sub-lease income and management income	546	–
Exchange gain, net	1	226
Government grant (<i>Note</i>)	–	702
	<hr/>	<hr/>
	547	928
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Note: During the year ended 31 December 2020, the Group applied for a government support program introduced in response to the global pandemic. Included in profit or loss is HK\$702,000 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.

Segment revenue and results

	Corporate finance services, investment and others	Asset management services	Securities and related services	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<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 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
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>
2020				
Revenue – external customers	66,415	44,251	–	110,666
Other net income (<i>Note</i>)	541	387	–	928
Other net financial loss				
– all generated from proprietary trading	(3,898)	–	–	(3,898)
Reportable segment revenue	<u>63,058</u>	<u>44,638</u>	<u>–</u>	<u>107,696</u>
Results				
Reportable segment profit before income tax	<u>33,805</u>	<u>24,968</u>	<u>–</u>	<u>58,773*</u>
Amounts included in the measure of reportable segment profit before income tax:				
Amortisation on intangible assets	10,624	6,439	–	17,063
Depreciation	718	970	–	1,688
Employee benefit expense	13,355	11,115	–	24,470
Non-cash income – advisory fee income settled in shares	(12,000)	–	–	(12,000)
Other information:				
Additions to specified non-current assets	<u>9</u>	<u>14</u>	<u>–</u>	<u>23</u>

* Total segments' profits equal to consolidated profit before tax, accordingly no reconciliation of these two amounts is presented.

Note: Other net income generated from proprietary trading included in segment revenue under securities and related services for the year ended 31 December 2021 was gain of approximately HK\$1,000 (2020: included in segment revenue under corporate finance services, investment and others was gain of approximately HK\$226,000).

There was no inter-segment revenue for the years ended 31 December 2021 and 2020.

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>	Total <i>HK\$'000</i>
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
As at 31 December 2020				
Reportable segment assets and consolidated total assets	441,402	73,533	–	514,935
Reportable segment liabilities	26,187	1,366	–	27,553
Unallocated: other payables, accrued expenses and taxation payable				22,153
Consolidated total liabilities				49,706

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 segment).

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 2021 and 2020, is set out below:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A ¹	18,292	44,251
Customer B ²	9,600	–
Customer C ²	–	17,000
Customer D ²	–	16,753
	<u> </u>	<u> </u>

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

² Revenue from Customers B, 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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit before income tax is arrived at after charging:		
Amortisation on intangible assets (<i>Note</i>)	13,180	17,063
Intangible assets derecognition upon contract completion	642	720
Auditor's remuneration	700	560
Depreciation of		
– Owned property, plant and equipment	190	175
– Right-of-use assets	3,337	1,513
Employee benefit expense (including directors' emoluments)	17,769	24,470
Interest on lease liabilities	145	48
Impairment losses on trade receivables	4,988	92
	<u> </u>	<u> </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% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year ended 31 December 2021. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 (2020: HK\$2,000,000) of assessable profits of a subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%).

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax		
– Hong Kong profits tax	4,750	12,819
– (Over-provision)/under-provision in prior years	<u>(10)</u>	<u>180</u>
	4,740	12,999
Deferred tax	<u>(2,281)</u>	<u>(2,934)</u>
Income tax expense	<u><u>2,459</u></u>	<u><u>10,065</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:

	2021 <i>HK\$'000</i>	2020 <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>1,135</u></u>	<u><u>48,708</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 2021 and 2020. 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 2021 and 2020.

9. GOODWILL

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

HK\$'000

Cost

At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021

302,965

Accumulated impairment

At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021

–

Carrying amount

At 31 December 2020

302,965

At 31 December 2021

302,965

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:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Corporate finance services, investment and others	268,373	268,373
Asset management services	34,592	34,592
	<u>302,965</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 2020	15,560	15,705	69,044	3,740	104,049
Derecognition upon contract completion	—	(1,071)	—	—	(1,071)
At 31 December 2020 and 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	15,560	12,706	69,044	3,740	101,050
Amortisation and impairment					
At 1 January 2020	2,683	2,181	1,439	—	6,303
Amortisation	6,438	7,173	3,452	—	17,063
Derecognition upon contract completion	—	(351)	—	—	(351)
At 31 December 2020 and 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	15,560	11,006	8,343	—	34,909
Carrying amount					
At 31 December 2020	6,439	5,631	64,153	3,740	79,963
At 31 December 2021	—	1,700	60,701	3,740	66,141

11. TRADE AND OTHER RECEIVABLES, DEPOSITS PAID AND PREPAYMENTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current Asset		
Trade receivables (<i>Note</i>)	4,488	5,820
Other receivables	1,224	10
Prepayments	375	309
Rental and utility deposits	994	341
	<u>7,081</u>	<u>6,480</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	2,748	299
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	5,521
	<u>4,488</u>	<u>5,820</u>

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

As at 31 December 2021 and 2020, loss allowances of approximately HK\$5,229,000 and approximately HK\$241,000 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 2021 and 2020 is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 January	241	149
Expected credit losses recognised during the year	4,988	92
	<hr/>	<hr/>
At 31 December	5,229	241
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12. 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 13) 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 Hong Kong Securities and Futures (Client Money) Rules under the Hong Kong Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO").

13. TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables arising from the ordinary course of business of securities dealing and brokerage services		
– Cash client	180,193	–
– Stock Exchange	316	–
Other payables and accrued expenses	4,173	14,906
	<hr/>	<hr/>
	184,682	14,906
	<hr/> <hr/>	<hr/> <hr/>

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 2021, included in trade payables arising from the ordinary course of business of securities dealing and brokerage services was an amount of approximately HK\$180,193,000 (2020: Nil) payable to clients in respect of segregated deposit accounts balances received and held for clients in the course of the conduct of regulated activities.

14. THE IMPACT OF COVID-19 IN THE CURRENT REPORTING YEAR

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 during the current reporting year. Nevertheless, as COVID-19 continues to evolve, 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.

15. EVENT AFTER THE REPORTING DATE

On 18 February 2022, the Company entered into the sale and purchase agreement to purchase the entire issued shares of Morgan Finance Limited from First Mariner Capital Limited (“FMCL”). Details of the transaction were disclosed in the Company’s announcements dated 18 February 2022 and 1 March 2022 respectively. The transaction was completed on 1 March 2022 and the finalised consideration was approximately HK\$2,178,000.

As the acquisition was effected shortly before the date of approval of these financial statements, it is not practicable to disclose further details about the acquisition.

On 24 March 2022, Morgan Finance Limited (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 mortgage loan portfolios in the aggregated consideration of approximately HK\$43.7 million (subject to adjustments). The transaction has not yet been completed up to date of this announcement. Details of the transaction were disclosed in the Company’s announcement dated 24 March 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2021 (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”) and in securities broking, underwriting and placing of securities through another wholly-owned subsidiary acquired during the Current Reporting Period, Morton Securities Limited (“Morton”).

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.

The Group completed the acquisition of the entire issued shares of Morton on 29 March 2021. Morton is a securities dealer licensed to carry out Type 1 (dealing in securities) regulated activities under the SFO. Morton 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).

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”);
- (ii) acting as independent financial adviser to listed issuers to provide independent advice required under the Listing Rules, the Takeovers Code or other specific circumstances; and
- (iii) 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.

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. SHK was privatized in April 2021, the investment management agreement with SHK is still in force and has been renewed until December 2022.

Securities Broking

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

Financial Results

For the Current Reporting Period, the Group's revenue was approximately HK\$59.5 million (2020: approximately HK\$110.7 million). Profit attributable to the owners of the Company for the Current Reporting Period was approximately HK\$1.1 million (2020: approximately HK\$48.7 million). Earnings per share for the Current Reporting Period amounted to HK0.10 cent, as compared to HK4.28 cents for the year ended 31 December 2020.

Revenue for the Current Reporting Period mainly consisted of income from corporate finance advisory and related services of approximately HK\$36.7 million (2020: approximately HK\$66.4 million), asset management services of approximately HK\$17.2 million (2020: HK\$43.2 million) and securities and related services of approximately HK\$4.5 million (2020: Nil).

Employee Benefit Expense

The Group's employee benefit expense mainly consisted of salaries, discretionary bonus and mandatory provident fund for the employees as well as fees for the Directors. Salaries, discretionary bonus, mandatory provident fund and Directors' fee during the Current Reporting Period were approximately as follows:

	2021	2020
	<i>HK\$ million</i>	<i>HK\$ million</i>
Salaries	13.2	9.5
Discretionary bonus	3.5	14.1
Mandatory provident fund	0.6	0.4
Directors' fee	0.5	0.5
	<hr/>	<hr/>
Total	17.8	24.5
	<hr/> <hr/>	<hr/> <hr/>

Administrative and Other Expenses

Apart from the Group's administrative expenses, other expenses for the Current Reporting Period included the amortisation on and derecognition of intangible assets of approximately HK\$13.8 million (2020: approximately HK\$17.8 million).

FINANCIAL REVIEW

Overall Results

The financial results of the Group are highlighted as follows:

	2021 <i>HK\$ million</i>	2020 <i>HK\$ million</i>
Revenue	59.5	110.7
Other net income	0.5	0.9
Other net financial loss	(9.8)	(3.9)
Reportable segment revenue	50.2	107.7
Employee benefit expense	(17.8)	(24.5)
Impairment losses on trade receivables	(5.0)	(0.1)
Administrative and other expenses	(10.0)	(6.5)
Amortisation on and derecognition of intangible assets	(13.8)	(17.8)
Profit before income tax	3.6	58.8
Income tax expenses	(2.5)	(10.1)
Profit for the year	1.1	48.7
Return on equity attributable to owners of the Company	0.2%	10.5%
Earnings per share (HK cent(s))		
– Basic	0.10	4.28
– Diluted	0.10	4.28

Morton is a wholly-owned subsidiary of the Company. The Company acquired Morton in March 2021. Morton's results were consolidated into the Group's financial statements since then.

Earnings and Expenses

For the Current Reporting Period, the Group recorded a mediocre profit after tax of approximately HK\$1.1 million, representing a decrease of approximately HK\$47.6 million or 97.7% when compared to the year ended 31 December 2020.

The abovementioned decrease in profit was mainly driven by (i) a fall in corporate finance advisory income as a result of (a) revenue recognition of certain ongoing advisory transactions subject to completion, and that of a significant advisory transaction subject to conditions; and (b) certain completed transactions of substantial amount recognised in the previous reporting period not recurring during the Current Reporting Period; (ii) no asset management performance fee recorded in the Current Reporting Period; and (iii) mark-to-market losses in the Group's listed securities holding and additional impairment losses on trade receivables arising mainly from a long outstanding balance with a major client during the Current Reporting Period.

The Group's basic earnings per share for Current Reporting Period was HK0.10 cent (2020: HK4.28 cents).

For the Current Reporting Period, the Group's revenue decreased by approximately HK\$51.2 million or 46.3% mainly due to the reasons mentioned under (i) above. In addition, a performance fee of income approximately HK\$26.6 million was recorded during the previous reporting period under review but no such fee income was earned during Current Reporting Period.

In addition to the impairment loss on trade receivable, administration and other expenses increased by approximately HK\$3.5 million or 53.8% to approximately HK\$10.0 million mainly because the Company acquired Morton during the Current Reporting Period. The expenses of Morton were consolidated into the Group accordingly.

Revenue and Financial Resources

For the Current Reporting Period, the Group had revenue of approximately HK\$59.5 million (2020: approximately HK\$110.7 million), and the Group's net profit was approximately HK\$1.1 million, representing a decrease in profit of approximately HK\$47.6 million as compared to the Group's net profit of approximately HK\$48.7 million for the year ended 31 December 2020.

As at 31 December 2021, the Group had cash and cash equivalents of approximately HK\$99.0 million (2020: approximately HK\$84.0 million). As at 31 December 2021, the Group's current ratio (current assets to current liabilities) was approximately 151.7% (2020: approximately 359.9%).

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

Indebtedness and Banking Facilities

As at 31 December 2021 and 2020, 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 2021 and 2020, was 0%.

Assets and Liabilities

As at 31 December 2021, the Group had total assets of approximately HK\$679.1 million (2020: approximately HK\$514.9 million) and total liabilities of approximately HK\$212.7 million (2020: approximately HK\$49.7 million). The net assets of the Group as at 31 December 2021 were approximately HK\$466.4 million (2020: approximately HK\$465.2 million).

Capital Structure

There was no change to the share capital during the Current Reporting Period and the year ended 31 December 2020.

Commitments

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

As at 31 December 2020, outstanding contracted capital commitments of the Group, which mainly represented the commitment to acquire Morton, are set out in “Significant Investments, Acquisitions and Disposals” section below.

Charges on Group Assets

As at 31 December 2021 and 2020, the Group had no assets under pledge.

Significant Investments, Acquisitions and Disposals

On 29 March 2021, the acquisition of the entire issued shares of Morton from FMCL, an indirect wholly-owned subsidiary of First Steamship Company Limited (“First Steamship”), a substantial shareholder of the Company, was completed and accordingly, Morton has become a wholly-owned subsidiary of the Company and its financial statements are consolidated into the financial statements 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 finalised consideration for the transaction was approximately HK\$7,140,000. Details of the transaction were disclosed in the Company’s announcements dated 21 September 2020, 29 December 2020 and 29 March 2021 respectively.

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 2021 and 2020, the Board is not aware of any material contingent liabilities.

EVENT AFTER THE REPORTING DATE

On 18 February 2022, the Company entered into the sale and purchase agreement to purchase the entire issued shares of Morgan Finance Limited from FMCL, an indirect wholly-owned subsidiary of 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 respectively.

On 24 March 2022, Morgan Finance Limited (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 mortgage loan portfolios in the aggregated consideration of approximately HK\$43.7 million (subject to adjustments). The transaction has not yet been completed up to date of this announcement. Details of the transaction were disclosed in the Company's announcement dated 24 March 2022.

Apart from those disclosed in this announcement, there were no significant investments, acquisitions and disposals authorised by the Board at the date of this announcement.

PROSPECT

The Group entered into a binding conditional agreement in September 2020 to acquire the entire issued shares of Morton, a stockbroker, to expand its capabilities and service scope to our existing clients as well to attract new clients. The acquisition was completed in March 2021.

The Group entered into a binding conditional agreement in February 2022 to acquire the entire issued shares of Morgan Finance Limited, a money lender, to enhance the Group's capability to offer a more comprehensive financial services to existing and new clients. The acquisition was completed in March 2022.

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 is expected to disqualify 62% of new listing applications (based on backtracking of past new listing applications), make thousands of professionals redundant, and save significant administrative costs of the Stock Exchange. 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.

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

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 2021 for 12 months.

DIVIDEND

The Board does not recommend the payment of a dividend for the Current Reporting Period (2020: Nil).

CLOSURE OF REGISTER OF MEMBERS

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

The forthcoming AGM of the Company is scheduled to be held on Friday, 27 May 2022. The register of members of the Company will be closed from Tuesday, 24 May 2022 to Friday, 27 May 2022, during which period no transfer of shares of the Company will be registered. To be eligible to attend 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 Monday, 23 May 2022.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and adopted code provisions that were in force 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 financial year ended 31 December 2021.

In the opinion of the Board, the Company has complied with the code provisions of the CG Code that were in force 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. Sum Wai Kei, Wilfred and Mr. Suen Chi Wai 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 16 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 shares 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, 25 March 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. Sum Wai Kei, Wilfred and Mr. Suen Chi Wai.