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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 2020 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 subsidiary (the “Group”) for the year ended 31 December 2020 as below:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<i>Notes</i>	Year ended 31 December 2020 <i>HK\$'000</i>	Six-month period ended 31 December 2019 <i>HK\$'000</i>
Revenue	5	110,666	46,793
Other net income	5	928	83
Other net financial (loss)/income		(3,898)	556
Employee benefit expense		(24,470)	(14,105)
Administrative and other expenses		(24,405)	(12,154)
Finance costs		(48)	(177)
Gain on debt restructuring		–	844,894
Restructuring expenses		–	(20,132)
Profit before income tax	7	58,773	845,758
Income tax expense	8	(10,065)	(3,424)
Profit and total comprehensive income for the year/period attributable to the owners of the Company (Note)		48,708	842,334
Earnings per share attributable to the owners of the Company (HK cents)	9		
– Basic		4.28	83.92
– Diluted		4.28	83.92

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(Cont'd)**

For the year ended 31 December 2020

Note:

	Year ended 31 December 2020 HK\$'000	Six-month period ended 31 December 2019 HK\$'000
For illustration purpose only (Non-Hong Kong Financial Reporting Standard (“Non-HKFRS”) Measures):		
Profit and total comprehensive income for the year/period	48,708	842,334
Less: Gain on debt restructuring	–	(844,894)
Add: Restructuring expenses	–	20,132
	<hr/>	<hr/>
Profit and total comprehensive income after adjusting net of restructuring gain and expenses from the restructuring, if applicable, for the year/period ⁽¹⁾	<u>48,708</u>	<u>17,572</u>

- (1) The Company believes that the adjusted financial measures provide useful information to investors in understanding and evaluating the Group's consolidated statements of profit or loss in the same manner as they helped the Company's management, and that the Company's management and investors may benefit from referring to these adjusted financial measures in assessing the Group's financial and operating performance from period to period by eliminating impacts of items that the Group does not consider indicative of the Group's operating performance. However, the presentation of these Non-HKFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with Hong Kong Financial Reporting Standard (“HKFRS”). Users of the consolidated financial statements should not view the adjusted results on a standalone basis or as a substitute for results under HKFRS.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		235	387
Goodwill	11	302,965	302,965
Intangible assets	12	79,963	97,746
Right-of-use assets		378	1,891
Other assets		–	50
		<u>383,541</u>	<u>403,039</u>
Current assets			
Contract assets		53	150
Trade and other receivables, deposits paid and prepayments	13	6,480	16,466
Amount due from a related company		31,659	4,902
Financial assets at fair value through profit or loss		9,186	1,093
Cash and cash equivalents		84,016	39,875
		<u>131,394</u>	<u>62,486</u>
Current liabilities			
Contract liabilities		13,969	16,200
Accrued expenses		14,906	10,575
Lease liabilities		390	1,520
Taxation payable		7,247	4,191
		<u>36,512</u>	<u>32,486</u>
Net current assets		<u>94,882</u>	<u>30,000</u>
Total assets less current liabilities		<u>478,423</u>	<u>433,039</u>
Non-current liabilities			
Lease liabilities		–	390
Deferred tax liabilities		13,194	16,128
		<u>13,194</u>	<u>16,518</u>
Net assets		<u>465,229</u>	<u>416,521</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)*As at 31 December 2020*

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
EQUITY		
Equity attributable to the owners of the Company		
Share capital	113,933	113,933
Reserves	351,296	302,588
	<hr/>	<hr/>
Total equity	465,229	416,521
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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 its subsidiary, Yu Ming Investment Management Limited ("Yu Ming") (collectively referred to as the "Group") is a licensed corporation under the Hong Kong Securities and Futures Ordinance (the "SFO") and principally engaged in activities including dealing in securities, advising on securities, advising on corporate finance and asset management.

2. BASIS OF PREPARATION AND PRESENTATION

During the six-month period ended 31 December 2019, the reporting period end date of the Group was changed from 30 June to 31 December because the Directors of the Company determined to bring the annual financial year end date of the Group in line with that of the principal operating subsidiary, Yu Ming. Accordingly, the consolidated financial statements and the related notes presented for the current period cover the twelve-month period from 1 January 2020 to 31 December 2020 whereas the corresponding comparative amounts shown for the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover the six-month period from 1 July 2019 to 31 December 2019 and therefore may not be comparable with amounts shown for the current period.

3. ADOPTION OF NEW/REVISED HKFRSs

3.1 Adoption of new/revised HKFRSs – effective on 1 January 2020

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 2020.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

3.2 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.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ⁵
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ³
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁴
Amendments to HKFRS 16	COVID-19-Related Rent Concessions ¹
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ³

¹ Effective for annual periods beginning on or after 1 June 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 January 2022

⁴ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022

⁵ Effective for annual periods beginning on or after 1 January 2023

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.

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.

Segment revenue and results

	Corporate finance services, investment and others <i>HK\$'000</i>	Asset management services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2020			
Reportable segment revenue (<i>Note</i>)	<u>63,058</u>	<u>44,638</u>	<u>107,696</u>
Results			
Reportable segment profit before income tax	<u><u>33,805</u></u>	<u><u>24,968</u></u>	<u><u>58,773*</u></u>
Amounts included in the measure of 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)
Reportable segment assets	441,402	73,533	514,935
Reportable segment liabilities	26,187	1,366	27,553
Other information:			
Additions to specified non-current assets	<u><u>9</u></u>	<u><u>14</u></u>	<u><u>23</u></u>
For the six-month period ended 31 December 2019			
Reportable segment revenue (<i>Note</i>)	<u>38,067</u>	<u>9,365</u>	<u>47,432</u>
Results			
Reportable segment profit before income tax	<u>17,267</u>	<u>3,729</u>	20,996
Gain on debt restructuring			844,894
Restructuring expenses			<u>(20,132)</u>
Profit before income tax			<u><u>845,758</u></u>
Amounts included in the measure of segment profit before income tax:			
Amortisation on intangible assets	3,620	2,683	6,303
Depreciation	373	471	844
Employee benefit expense	9,905	4,200	14,105
Reportable segment assets	412,667	52,858	465,525
Reportable segment liabilities	30,123	2,205	32,328
Other information:			
Additions to specified non-current assets	<u><u>1</u></u>	<u><u>1</u></u>	<u><u>2</u></u>

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

Note: Segment revenue comprises revenue items included in revenue of the Group as well as other net income and other net financial (loss)/income. Net financial (loss)/income generated from proprietary trading included in external segment revenue under corporate finance services, investment and others for the year ended 31 December 2020 and for the six-month period ended 31 December 2019 were loss of approximately HK\$2,970,000 and income of approximately HK\$639,000 respectively.

The reconciliation of total segments' revenue to consolidated revenue of the Group is as follows:

	Year ended 31 December 2020 HK\$'000	Six-month period ended 31 December 2019 HK\$'000
Corporate finance services, investment and others		
– Financial advisory services	65,425	31,308
– Independent financial advisory services	990	870
– Commission	–	5,250
– Investment business and others	<u>(3,357)</u>	<u>639</u>
Sub-total	63,058	38,067
Asset management services	<u>44,638</u>	<u>9,365</u>
Reportable segment revenue	107,696	47,432
Other net income	(928)	(83)
Other net financial loss/(income)	<u>3,898</u>	<u>(556)</u>
Consolidated revenue of the Group	<u>110,666</u>	<u>46,793</u>

There was no inter-segment revenue for the year ended 31 December 2020 and six-month period ended 31 December 2019.

Segment assets and liabilities

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Segment assets		
Corporate finance services, investment and others	441,402	412,667
Asset management services	<u>73,533</u>	<u>52,858</u>
Total segments' assets and consolidated total assets of the Group	<u>514,935</u>	<u>465,525</u>
Additions to specified non-current assets	23	410,186
Segment liabilities		
Corporate finance services, investment and others	26,187	30,123
Asset management services	<u>1,366</u>	<u>2,205</u>
Total segment liabilities	27,553	32,328
Unallocated : Accrued expenses and taxation payable of the Group	<u>22,153</u>	<u>16,676</u>
Consolidated total liabilities of the Group	<u>49,706</u>	<u>49,004</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 accrued expenses and taxation payable.

Major customers information

Revenue from major customers, each of whom amounted to 10% or more of Group's revenue for the year ended 31 December 2020 and the six-month period ended 31 December 2019, is set out below:

	Year ended 31 December 2020 <i>HK\$'000</i>	Six-month period ended 31 December 2019 <i>HK\$'000</i>
Customer A ¹	44,251	9,365
Customer B ²	17,000	–
Customer C ²	16,753	7,597
Customer D ²	<u>–</u>	<u>5,000</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 after completion of the Group's restructuring are mainly located in Hong Kong and all the Group's non-current assets are located in Hong Kong.

5. REVENUE AND OTHER NET INCOME

All of the Group's revenue is derived from contracts with customers for the year ended 31 December 2020.

(a) Disaggregation of revenue

	Year ended 31 December 2020 HK\$'000	Six-month period ended 31 December 2019 HK\$'000
Type of services		
Advisory and related services	66,415	37,428
Asset management services	43,152	8,123
Sundry income	1,099	1,242
	<u>110,666</u>	<u>46,793</u>
Type of customers		
Listed companies	106,396	31,353
Non-listed companies and others	4,270	15,440
	<u>110,666</u>	<u>46,793</u>
Timing of revenue recognition		
At a point in time	17,524	23,190
Transferred over time	93,142	23,603
	<u>110,666</u>	<u>46,793</u>

(b) Transaction price allocated to remaining performance obligations

As of 31 December 2020 and 2019, the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately HK\$40,200,000 and approximately HK\$47,700,000 respectively. 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.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Remaining performance obligations expected to be satisfied during:		
the year ending 31 December 2020	–	47,700
the year ending 31 December 2021	<u>40,200</u>	<u>–</u>
	<u>40,200</u>	<u>47,700</u>

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

(c) Other net income

	Year ended 31 December 2020 <i>HK\$'000</i>	Six-month period ended 31 December 2019 <i>HK\$'000</i>
Government subsidies (<i>Note</i>)	702	–
Exchange gain, net	<u>226</u>	<u>83</u>
	<u>928</u>	<u>83</u>

Note: The Group applied for a government support program introduced in response to the global pandemic. Included in profit or loss is HK\$702,000 (six-month period ended 31 December 2019: Nil) 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.

6. GAIN ON DEBT RESTRUCTURING

The creditors' scheme under the Group's restructuring (the "Creditors' Scheme") was approved by the requisite statutory majorities of the creditors at the meeting of Creditors' Scheme held on 5 July 2019. The Creditors' Scheme was also sanctioned by the Grand Court of Cayman Islands and High Court of Hong Kong on 16 July 2019 and 22 July 2019 respectively. Accordingly, the Creditors' Scheme became effective on 25 July 2019.

Pursuant to the Creditors' Scheme, the Company transferred its claims, rights to claim, rights to any assets and the entire equity interests of its subsidiaries (the "Subsidiaries") to the Creditors' Scheme on 25 July 2019, the effective date of the Creditors Scheme (the "Transfer"). Accordingly, the companies which were deconsolidated by the Group from 1 January 2014 (the "Deconsolidated Companies") and classified as financial assets at fair value through other comprehensive income ("FVOCI") were disposed through the Transfer. The major Deconsolidated Companies were shown below:–

- (1) 福建浩倫農業科技集團有限公司 Fujian Agrotech Holdings Co., Ltd.*
- (2) 福州浩倫作物科學有限公司 Fuzhou Agrotech Crop Science Co., Ltd.*
- (3) 福建浩倫生物工程技術有限公司 Fujian Agrotech Bioengineering Co., Ltd.*
- (4) 江西浩倫農業科技有限公司 Jiangxi Haolun Agrotech Co., Ltd.*
- (5) 湖南浩倫農業科技有限公司 Hunan Haolun Agrotech Co., Ltd.*
- (6) 江蘇浩倫農業科技有限公司 Jiangsu Haolun Agrotech Co., Ltd.*
- (7) 海南浩倫農業科技有限公司 Hainan Haolun Agrotech Co., Ltd.*
- (8) 山西天行若木生物工程開發有限公司 Shanxi Astrowood Bioengineering Development Co., Ltd.*
- (9) 濟南一農化工有限公司 Jinan Yinong Chemical Co., Ltd.*
- (10) 福建省三明市浩倫園藝植保有限公司 Fujian Sanming Agrotech Landscaping and Plant Protection Co., Ltd.*
- (11) 福建浩倫東方資源物產有限公司 Fujian Agrotech Oriental Import and Export Co., Ltd.*
- (12) 山東浩倫農業科技有限公司 Shandong Haolun Agrotech Co., Ltd.*

* The English name is for identification purpose only

The Directors considered that Group lost control over the Deconsolidated Companies from 1 January 2014.

After the Transfer, dividend distributed by the Subsidiaries and the Deconsolidated Companies (hereinafter collectively referred to as the "Excluded Companies") or recovery from the Excluded Companies, if any, would be distributed to the creditors under the Creditors' Scheme (the "Scheme Creditors") subject to adjudication. In addition on the same date, a cash payment of HK\$80,000,000, being partial proceeds from the subscription and new placing was transferred to the Creditors' Scheme and all the claims of the Scheme Creditors against, and liabilities of, the Company were discharged and compromised in full other than the payables in relation to professional fees for the Group's restructuring.

Therefore, a gain on debt restructuring under the Creditors' Scheme of approximately HK\$844,894,000 was recognised during the six-month period ended 31 December 2019, being calculated as follows:

	<i>Note</i>	Six-month period ended 31 December 2019 <i>HK\$'000</i>
Assets transferred pursuant to the Creditors' Scheme:		
Financial assets at FVOCI, representing equity interests in Excluded Companies		–
Cash	<i>(i)</i>	<u>(80,959)</u>
Liabilities discharged pursuant to the Creditors' Scheme:		
Other payables and accrued expenses		29,621
Borrowings		7,358
Corporate bonds		45,000
Taxation payables		6,678
Amounts due to Deconsolidated Companies		136,097
Convertible bonds		<u>701,099</u>
		<u>925,853</u>
Gain on debt restructuring		<u><u>844,894</u></u>

Note:

- (i) Cash outflow arising from debt restructuring

	Six-month period ended 31 December 2019 <i>HK\$'000</i>
Cash payment to the Creditors' Scheme	<u><u>80,959</u></u>

Restructuring expenses, totalling approximately HK\$20,132,000 were incurred during the six-month period ended 31 December 2019, representing corporate finance advisory fee, legal and professional fees and others.

7. PROFIT BEFORE INCOME TAX

	Year ended 31 December 2020 <i>HK\$'000</i>	Six-month period ended 31 December 2019 <i>HK\$'000</i>
Profit before income tax is arrived at after charging:		
Amortisation on intangible assets (<i>Note</i>)	17,063	6,303
Intangible assets derecognition upon contract completion	720	–
Auditor's remuneration	560	490
Depreciation of		
– Owned property, plant and equipment	175	88
– Right-of-use assets	1,513	756
Employee benefit expense (including directors' emoluments)	24,470	14,105
Interest on lease liabilities	48	46
Impairment losses on trade receivables	92	149
	<u>17,063</u>	<u>6,303</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.

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six-month period ended 31 December 2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year ended 31 December 2020. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 (2019: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (six-month period ended 31 December 2019: 8.25%) and the remaining assessable profits are taxed at 16.5% (six-month period ended 31 December 2019: 16.5%).

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

	Year ended 31 December 2020 <i>HK\$'000</i>	Six-month period ended 31 December 2019 <i>HK\$'000</i>
Current tax		
– Hong Kong profits tax	12,819	4,464
– Underprovision in prior years	180	–
	<u>12,999</u>	<u>4,464</u>
Deferred tax	(2,934)	(1,040)
Income tax expense	<u>10,065</u>	<u>3,424</u>

9. 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:

	Year ended 31 December 2020 HK\$'000	Six-month period ended 31 December 2019 HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year/period attributable to the owners of the Company)	<u>48,708</u>	<u>842,334</u>
Number of shares		
Weighted average number of ordinary shares in issue for the purposes of basic and diluted earnings per share	<u>1,139,330,190</u>	<u>1,003,788,407</u>

There were no potential ordinary share in issue for the year ended 31 December 2020 and the six-month period ended 31 December 2019. Accordingly, the diluted earnings per share presented are the same as the basic earnings per share.

10. DIVIDEND

The Board does not recommend any dividend for the year ended 31 December 2020 and the six-month period ended 31 December 2019.

11. GOODWILL

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

	<i>HK\$'000</i>
Cost	
At 1 July 2019	–
Additions through acquisition of a subsidiary	<u>302,965</u>
At 31 December 2019, 1 January 2020 and 31 December 2020	<u>302,965</u>
Accumulated impairment	
At 1 July 2019, 31 December 2019 and 1 January 2020	–
Impairment loss	<u>–</u>
At 31 December 2020	<u>–</u>
Carrying amount	
At 31 December 2019	<u>302,965</u>
At 31 December 2020	<u>302,965</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Corporate finance services, investment and others	268,373	268,373
Asset management services	<u>34,592</u>	<u>34,592</u>
	<u>302,965</u>	<u>302,965</u>

12. INTANGIBLE ASSETS

	Investment management agreement <i>HK\$'000</i>	Backlog <i>HK\$'000</i>	Trade name <i>HK\$'000</i>	SFC licences <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost					
At 1 July 2019	–	–	–	–	–
Additions through acquisition of a subsidiary	<u>15,560</u>	<u>15,705</u>	<u>69,044</u>	<u>3,740</u>	<u>104,049</u>
At 31 December 2019 and 1 January 2020	15,560	15,705	69,044	3,740	104,049
Derecognition upon contract completion	<u>–</u>	<u>(1,071)</u>	<u>–</u>	<u>–</u>	<u>(1,071)</u>
At 31 December 2020	<u>15,560</u>	<u>14,634</u>	<u>69,044</u>	<u>3,740</u>	<u>102,978</u>
Amortisation and impairment					
At 1 July 2019	–	–	–	–	–
Amortisation	<u>2,683</u>	<u>2,181</u>	<u>1,439</u>	<u>–</u>	<u>6,303</u>
At 31 December 2019 and 1 January 2020	2,683	2,181	1,439	–	6,303
Amortisation	<u>6,438</u>	<u>7,173</u>	<u>3,452</u>	<u>–</u>	<u>17,063</u>
Derecognition upon contract completion	<u>–</u>	<u>(351)</u>	<u>–</u>	<u>–</u>	<u>(351)</u>
At 31 December 2020	<u>9,121</u>	<u>9,003</u>	<u>4,891</u>	<u>–</u>	<u>23,015</u>
Carrying amount					
At 31 December 2019	<u>12,877</u>	<u>13,524</u>	<u>67,605</u>	<u>3,740</u>	<u>97,746</u>
At 31 December 2020	<u>6,439</u>	<u>5,631</u>	<u>64,153</u>	<u>3,740</u>	<u>79,963</u>

13. TRADE AND OTHER RECEIVABLES, DEPOSITS PAID AND PREPAYMENTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current Asset		
Trade receivables (<i>Note</i>)	5,820	15,672
Other receivables	10	164
Prepayments	309	289
Rental and utility deposits	341	341
	<u>6,480</u>	<u>16,466</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 gross carrying amount of the Group's trade receivables as at the reporting date, based on invoice dates, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	299	7,174
Over 30 days but within 60 days	–	6,413
Over 60 days but within 90 days	–	296
Over 90 days but within 365 days	5,521	1,333
Over 365 days	–	456
	<u>5,820</u>	<u>15,672</u>

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

As at 31 December 2020 and 2019, loss allowances of approximately HK\$241,000 and approximately HK\$149,000 were made against the gross amount of trade receivables respectively.

Movement in the loss allowances amount in respect of trade receivables during the year ended 31 December 2020 and six-month period ended 31 December 2019 is as follows:

	Year ended 31 December 2020 HK\$'000	Six-month period ended 31 December 2019 HK\$'000
At 1 January 2020/1 July 2019	149	–
Expected credit losses recognised during the year/period	<u>92</u>	<u>149</u>
At 31 December 2020/31 December 2019	<u>241</u>	<u>149</u>

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

The outbreak of COVID-19 has developed rapidly in 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 rather modest during the current reporting year. Nevertheless, as COVID-19 continues to evolve, it is challenging at this moment to predict the full extent and duration of its impact to the business and economy. Up to the date of this announcement, management has not identified any areas that could have a material impact on the financial performance or position of the Group as at 31 December 2020.

15. EVENT AFTER THE REPORTING DATE

On 21 September 2020, the Company entered into a sale and purchase agreement to purchase entire issued shares of Morton Securities Limited from First Mariner Capital Limited for a consideration of approximately HK\$9.5 million. The transaction is subject to certain conditions, inter alia, the approval from the Securities and Futures Commission (the “SFC”). Details of the transaction were disclosed in the Company’s announcements dated 21 September 2020 and 29 December 2020 respectively. The transaction has not yet completed up to the date of approval of the consolidated financial statements. The transaction is expected to be completed by the end of March 2021.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT ON THE GROUP’S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

The Company’s auditor, BDO Limited (“BDO”), has issued a qualified opinion in the independent auditor’s report on the Group’s consolidated financial statements for the year ended 31 December 2020. An extract from the independent auditor’s report is as follows:

QUALIFIED OPINION

In our opinion, except for the possible effects on the corresponding figures of the matters described in the “Basis for Qualified Opinion” section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

1. Deconsolidation of companies

As set out in Note 11 to the Company’s consolidated financial statements, the directors of the Company were of the view that the Group had lost control over certain companies from 1 January 2014 and therefore the Group deconsolidated those companies (“Deconsolidated Companies”). The Group’s investments in the Deconsolidated Companies were classified as financial assets at fair value through other comprehensive income and the directors assessed the fair value of the investments was HK\$0 on 1 July 2019 and 25 July 2019. Pursuant to the creditors’ scheme under the Group’s restructuring (the “Creditors’ Scheme”), the Group has effectively disposed of its entire interests in the Deconsolidated Companies on 25 July 2019.

In our audit of the Company's consolidated financial statements for the period from 1 July 2019 to 31 December 2019 ("December 2019 Consolidated Financial Statements"), the directors of the Company did not provide us with their assessment details and related supportings as the basis for their conclusion that the Group had no control over the Deconsolidated Companies since 1 January 2014. The directors of the Company also did not provide us with their assessment details such as valuation method and key assumptions in their estimation of the fair value of the Group's investments in the Deconsolidated Companies as at 1 July 2019 and 25 July 2019. There were no alternative procedures that we can perform to satisfy ourselves that the Group's conclusion of its loss of control over those companies since 1 January 2014 was appropriate and the carrying amount of the Group's investments in the Deconsolidated Companies was free from material misstatements as at 1 July 2019 and 25 July 2019. Any adjustments found necessary might have effect on the Group's consolidated financial position as at 1 July 2019 and on its consolidated statement of profit or loss and other comprehensive income and presentation in the consolidated statement of cash flows for the period from 1 July 2019 to 31 December 2019 and the respective disclosures in December 2019 Consolidated Financial Statements. Accordingly, together with other matters, we disclaimed our audit opinion on the December 2019 Consolidated Financial Statements. Our audit opinion on the Company's consolidated financial statements for the year ended 31 December 2020 ("2020 Consolidated Financial Statements") is also qualified because of the possible effect of our audit scope limitation on the December 2019 Consolidated Financial Statements on the comparability of the related current year's figures and the corresponding figures.

The Group's investments in the Deconsolidated Companies, together with other assets and liabilities were effectively disposed of on 25 July 2019 under the Creditors' Scheme. Any adjustments to the carrying amounts of these investments as at 25 July 2019 would have impact on the Group's gain on the disposal for the period from 1 July 2019 to 31 December 2019. Details are in Point 4 of this report.

2. Convertible bonds

As at 1 July 2019, the carrying amounts of the liability component of the convertible bonds issued by the Company and the convertible bond equity reserve were HK\$701,099,000 and HK\$164,169,000, respectively. As set out in Note 11 and Note 28 to the consolidated financial statements, upon the effective of the Creditors' Scheme and the Company's capital reorganisation ("Capital Reorganisation") on 25 July 2019, the Group's obligation under the convertible bonds were discharged. On 25 July 2019, the carrying amount of the liability component of HK\$701,099,000 was derecognised and the carrying amount of the convertible bonds equity reserve of HK\$164,169,000 was transferred to the Group's accumulated losses.

In our audit of December 2019 Consolidated Financial Statements, the directors of the Company did not provide us with the supporting documents related to the convertible bonds and the details of the assessment and measurement of the liability component and the equity reserve of the convertible bonds. There were no alternative procedures that we could perform to satisfy ourselves that the liability and equity balances of the convertible bonds as at 1 July 2019 and 25 July 2019 were free from material misstatement. Any adjustments to the carrying amounts of the liability component of the convertible bonds issued by the Company and the convertible bond equity reserve as at 1 July 2019 and 25 July 2019 found necessary would have an impact on the Group's consolidated statement of profit or loss and other comprehensive income and the presentation in consolidated statement of cash flows for the period from 1 July 2019 to 31 December 2019 and the respective disclosures included in December 2019 Consolidated Financial Statements. Accordingly, together with other matters, we disclaimed our audit opinion on December 2019 Consolidated Financial Statements. Our audit opinion on the Company's 2020 Consolidated Financial Statements is also qualified because of the possible effect of our audit scope limitation on December 2019 Consolidated Financial Statements on the comparability of the related current year's figures and the corresponding figures.

The Group's convertible bonds, together with other assets and liabilities of the Group were effectively disposed of on 25 July 2019 under the Creditors' Scheme. Any adjustments to the carrying amounts of the liability component and the equity reserve of the convertible bonds as at 25 July 2019 would have impact on the Group's gain on the disposal for the period from 1 July 2019 to 31 December 2019. Details are in Point 4 of this report.

3. Limitation of scope of work on certain liabilities

Listed below were the balances of certain liabilities of the Group as at 1 July 2019 (the "Liabilities").

	<i>HK\$'000</i>
Accruals and other payables	29,621
Borrowings	7,358
Corporate bonds	45,000
Taxation payable	6,678
Amounts due to Deconsolidated Companies	<u>136,097</u>

In our audit of December 2019 Consolidated Financial Statements, the directors of the Company were unable to provide us with the details and related supportings of the Liabilities as at 1 July 2019 and 25 July 2019. There were no alternative procedures that we could perform to satisfy ourselves as to whether the carrying amounts of the Liabilities as at 1 July 2019 and 25 July 2019 were free from material misstatement. Any adjustments to the carrying amounts of the Liabilities as at 1 July 2019 and 25 July 2019 found necessary would have an impact on the Group's consolidated statement of profit or loss and other comprehensive income and the presentation in consolidated statement of cash flows for the period from 1 July 2019 to 31 December 2019 and the respective disclosures included in December 2019 Consolidated Financial Statements. Accordingly, together with other matters, we disclaimed our opinion on December 2019 Consolidated Financial Statements. Our audit opinion on the Company's 2020 Consolidated Financial Statements is also qualified because of the possible effect of our audit scope limitation on December 2019 Consolidated Financial Statements on the comparability of the related current year's figures and the corresponding figures.

The Liabilities, together with other assets and liabilities of the Group were effectively disposed of on 25 July 2019 under the Creditors' Scheme. Any adjustments to the carrying amount of Liabilities as at 25 July 2019 would have impact on the Group's gain on the disposal for the period from 1 July 2019 to 31 December 2019. Details are in Point 4 of this report.

4. Gain on debt restructuring

Pursuant to the Creditors' Scheme as detailed in Note 11 to the Company's consolidated financial statements, on 25 July 2019, the Company transferred to scheme companies (a) the convertible bonds mentioned in Point 2, (b) the Liabilities mentioned in Point 3, (c) its investments in the Deconsolidated Companies mentioned in Point 1, (d) its entire equity interest in all the subsidiaries and (e) a cash payment of HK\$80,959,000. Upon effective of the Creditors' Scheme, the Group's liabilities under items (a) and (b) were discharged and its ownership of items (c) and (d) was lost. As a result of the debt restructuring, the Group recognised a gain of approximately HK\$844,894,000. Due to the limitations on our scope of work as mentioned in Points 1 to 3 above, we were unable to satisfy ourselves as to whether the gain on debt restructuring was fairly stated. Any adjustments to the carrying amounts of items (a) to (c) as at 25 July 2019 would have impact on the gain on debt restructuring and the respective disclosures included in December 2019 Consolidated Financial Statements. Accordingly, together with other matters, we disclaimed our opinion on December 2019 Consolidated Financial Statements. Our audit opinion on the Company's 2020 Consolidated Financial Statements is also qualified because of the possible effect of our audit scope limitation on December 2019 Consolidated Financial Statements on the comparability of the related current year's figures and the corresponding figures.

5. Warrant reserve

As at 1 July 2019, the Group's warrant reserve amounted to HK\$449,000. As set out in Note 28(i)c to the Company's consolidated financial statements, upon the effective of the Capital Reorganisation on 25 July 2019, the entire amount standing to the credit of the warrant reserve account of HK\$449,000 was applied to eliminate an equivalent amount of the accumulated losses of the Group.

In our audit of December 2019 Consolidated Financial Statements, the directors of the Company were unable to provide us with the warrants issue documents. There were no alternative procedures that we could perform to provide us sufficient appropriate audit evidence on the accounting for the issue of warrants including measurement of the warrant reserve as at 1 July 2019 and 25 July 2019. Any adjustments to the Company's accounting for the issue of warrants, including the measurement of the warrants reserve, that are necessary might impact on the Group's consolidated statement of profit or loss and other comprehensive income and presentation in the consolidated statement of cash flows for the period from 1 July 2019 to 31 December 2019 and the respective disclosures included in December 2019 Consolidated Financial Statements. Accordingly, together with other matters, we disclaimed our opinion on December 2019 Consolidated Financial Statements. Our audit opinion on the Company's 2020 Consolidated Financial Statements is also qualified because of the possible effect of our audit scope limitation on December 2019 Consolidated Financial Statements on the comparability of the related current year's figures and the corresponding figures.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA's") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

THE VIEW OF THE MANAGEMENT OF THE COMPANY, THE AUDIT COMMITTEE AND THE BOARD ON THE AUDITOR'S OPINION

As disclosed in section headed “Qualified Opinion” extracted from the independent auditor’s report on the Group’s consolidation financial statements for the year ended 31 December 2020 on pages 19 to 23 of this announcement, the independent auditor of the Company, BDO, issued a qualified opinion on the consolidated financial statements of the Group for the year ended 31 December 2020 in relation to comparative information (the “Audit Qualifications”).

It should be noted that the Audit Qualifications were related to the financial information on or before completion of the group restructuring which took place on 25 July 2019.

As advised by BDO, the Group’s financial information of the corresponding period (the six-month period ended 31 December 2019) was required to be disclosed as comparative figures (“2019 Comparative Figures”) in the consolidated financial statements of the Group for the year ended 31 December 2020. BDO issued qualified opinion on the Group’s consolidated financial statements for the year ended 31 December 2020 on the comparability of the related 2019 Comparative Figures and current year’s figures in the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the respective disclosures of the consolidated financial statements for the year ended 31 December 2020 arising from the audit scope limitations on the audit of consolidated financial statements for the six-month period ended 31 December 2019. In addition, since there will be no 2019 Comparative Figures contained in the consolidated financial statements for the year ending 31 December 2021, the qualified opinion in the Independent Auditor’s Report will be removed in respect of the Group’s consolidated financial statements for the year ending 31 December 2021.

Based on the above-mentioned information, the management of the Company, the audit committee of the Company and the Board agree with the view of BDO that the Group’s affairs on or before completion of the Group’s restructuring which led to the Audit Qualifications have no on-going effect on the Group’s consolidated financial information in future reporting periods.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2020 (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.

Yu Ming is a financial services provider engaged in the provision of corporate finance advisory services and asset management services. 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.

Change of Year End Date

As disclosed in an announcement dated 10 October 2019, the Company changed the financial year end date from 30 June to 31 December in 2019 to align the Company’s financial year end date with that of its principal operating subsidiary, Yu Ming, which is situated in Hong Kong, and adopts 31 December as its financial year end date. For details, please refer to that announcement. Such change could facilitate the preparation and updating of the consolidated financial statements and is for the benefit of the overall financial reporting of the Group in future. As a result, the current financial year covers the twelve-month period from 1 January 2020 to 31 December 2020 while the comparative figures shown in this announcement covers only the six-month period from 1 July 2019 to 31 December 2019.

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.

Revenue

Revenue for the Current Reporting Period mainly consisted of income from corporate finance advisory services of approximately HK\$66.4 million (the six-month period ended 31 December 2019: approximately HK\$37.4 million) and asset management services of approximately HK\$43.2 million (the six-month period ended 31 December 2019: HK\$8.1 million).

Employee Benefit Expense

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

	Year ended 31 December 2020 <i>HK\$ million</i>	Six-month period ended 31 December 2019 <i>HK\$ million</i>
Salaries	9.5	4.0
Discretionary bonuses	14.1	9.7
Mandatory provident fund	0.4	0.2
Directors’ fee	0.5	0.2
	<hr/>	<hr/>
Total	24.5	14.1
	<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\$17.8 million (the six-month period ended 31 December 2019: approximately HK\$6.3 million).

FINANCIAL REVIEW

Overall Results

The financial results of the Group are highlighted as follows:

	Year ended 31 December 2020 <i>HK\$ million</i>	Six-month period ended 31 December 2019 <i>HK\$ million</i>
Revenue	110.7	46.8
Other net income	0.9	–
Other net financial (loss)/income	<u>(3.9)</u>	<u>0.6</u>
Reportable segment revenue	107.7	47.4
Employee benefit expense	(24.5)	(14.1)
Administrative and other expenses	(6.6)	(6.1)
Amortisation on and derecognition of intangible assets	(17.8)	(6.3)
Gain on debt restructuring	–	(20.1)
Restructuring expenses	<u>–</u>	<u>844.9</u>
Profit before income tax	58.8	845.7
Income tax expenses	<u>(10.1)</u>	<u>(3.4)</u>
Profit for the year/period	<u>48.7</u>	<u>842.3</u>
Return on equity attributable to owners of the Company	10.5%	202.2%
Earnings per share (HK cents)		
– Basic	4.28	83.92
– Diluted	4.28	83.92

Yu Ming is the wholly-owned subsidiary of the Company. The Company acquired Yu Ming in July 2019. Yu Ming's results were consolidated into the Group's financial statements since then.

Earnings and Expenses

For the Current Reporting Period, the Group recorded a profit after tax before, where applicable, non-recurring restructuring gain and expenses of approximately HK\$48.7 million, representing an increase of approximately HK\$31.1 million or 177% when compared to the six-month period ended 31 December 2019.

The abovementioned increase in profit was mainly driven by (a) the longer period covered by the Current Reporting Period as compared to the previous reporting period of six months following the change in accounting period in 2019; and (b) the growth of asset management income comprising a performance fee as recognized during the Current Reporting Period.

The Group's basic earnings per share for Current Reporting Period was HK4.28 cents (the six-month period ended 31 December 2019: HK83.92 cents).

For the Current Reporting Period, the Group's revenue increased by HK\$63.9 million or 136.5% mainly due to a twelve-month period under review compared to last reporting period of only six months. In addition, a performance fee of income HK\$26.6 million was recorded during the Current Reporting Period under review but no such fee income was earned during previous reporting period.

Total operating expenses increased by approximately HK\$22.5 million or 85.1% to approximately HK\$48.9 million mainly because the Current Reporting Period under review covered a period of twelve months while previous reporting period only covered six months.

Revenue and Financial Resources

For the Current Reporting Period, the Group had revenue of approximately HK\$110.7 million (the six-month period ended 31 December 2019: approximately HK\$46.8 million) and the Group's net profit before, where applicable, non-recurring restructuring gain and expenses was approximately HK\$48.7 million, representing an increase in profit of approximately HK\$31.1 million as compared to the Group's net profit before, where applicable, non-recurring restructuring gain and expenses of approximately HK\$17.6 million for the six-month period ended 31 December 2019.

As at 31 December 2020, the Group had cash and cash equivalents of approximately HK\$84.0 million (2019: approximately HK\$39.9 million). As at 31 December 2020, the Group's current ratio (current assets to current liabilities) was approximately 359.9% (2019: approximately 192.3%).

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

Indebtedness and Banking Facilities

As at 31 December 2020 and 2019, the Group had no bank and other borrowings.

The Group's gearing ratio, calculated by reference to the ratio of total borrowings to total equity attributable to the owners of the Company as at 31 December 2020 and 2019, was 0%.

Assets and Liabilities

As at 31 December 2020, the Group had total assets of approximately HK\$514.9 million (2019: approximately HK\$465.5 million) and total liabilities of approximately HK\$49.7 million (2019: approximately HK\$49.0 million). The net assets of the Group as at 31 December 2020 were approximately HK\$465.2 million (2019: approximately HK\$416.5 million).

Capital Structure

As part of the group restructuring, the Company completed a series of capital restructuring, including capital reduction, share consolidation, share premium cancellation and increase in authorised and issued share capital during the six-month period ended 31 December 2019. There was no change to the share capital during the year ended 31 December 2020.

Commitments

As at 31 December 2020, outstanding contracted capital commitments of the Group are set out in “Event after the reporting date” section on page 30 of this announcement (2019: Nil).

Charges on Group Assets

As at 31 December 2020 and 2019, the Group had no assets under pledge.

Significant Investments and Acquisition

On 21 September 2020, the Company, First Mariner Capital Limited, an indirect wholly-owned subsidiary of First Steamship Company Limited, and First Steamship Company Limited, a substantial shareholder of the Company, entered into a sale and purchase agreement, pursuant to which the Company conditionally agreed to purchase and First Mariner Capital Limited agreed to sell the entire issued shares of Morton Securities Limited (the “Transaction”). As such, First Mariner Capital Limited and First Steamship Company Limited 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 consideration for the Transaction was HK\$9.5 million, subject to the adjustments stated in the sale and purchase agreement. Completion of such Transaction is conditional upon all the conditions (including written approval being obtained from the SFC for the change in substantial shareholders of Morton Securities Limited) having been fulfilled or waived (as the case may be) before the long stop date which have been subsequently extended to 31 March 2021. The completion conditions had not been satisfied up to 31 December 2020. The updated status was stated in “Event after the reporting date” section on page 30 of this announcement.

Contingent Liabilities

As at the date of this announcement and as at 31 December 2020 and 2019, the Board is not aware of any material contingent liabilities.

EVENT AFTER THE REPORTING DATE

On 21 September 2020, the Company entered into a sale and purchase agreement to purchase entire issued shares of Morton Securities Limited from First Mariner Capital Limited for a consideration of approximately HK\$9.5 million. The transaction is subject to certain conditions, inter alia, the approval from the SFC. Details of the transaction were disclosed in the Company's announcements dated 21 September 2020 and 29 December 2020 respectively. The transaction is expected to be completed by the end of March 2021.

THE IMPACT OF COVID-19 IN THE CURRENT REPORTING PERIOD

The outbreak of COVID-19 has developed rapidly in 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 rather modest during the Current Reporting Period. Nevertheless, as COVID-19 continues to evolve, it is challenging at this moment to predict the full extent and duration of its impact to the business and economy. Up to the date of this announcement, management has not identified any areas that could have a material impact on the financial performance or position of the Group as at 31 December 2020.

PROSPECT

The Group has entered into a binding conditional agreement in September 2020 to acquire the entire issued shares of Morton Securities Limited, a stockbroker, to expand its capabilities and service scope to our existing clients as well to attract new clients. The acquisition is expected to be completed before 31 March 2021.

The Stock Exchange has continued its flurry of reform consultation in the name of improving market quality, including a proposal to double or triple the minimum profit requirements of new listing applicants. Once implemented, the increase in new listing profit requirement 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, has obtained approval from its shareholders for privatization and delisting on the Stock Exchange, subject to the sanction of the scheme of arrangement by the High Court. Our investment management contract with SHK will expire in December 2021, and the Group has received no indication from SHK as to whether the investment management contract will continue or not. In the event the investment management contract will be renewed, the absence of the restrictions of Chapter 21 of the Listing Rules on the daily investment policies will make the asset management service more flexible for the Group, and more beneficial to the client.

DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2020 (the six-month period ended 31 December 2019: 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, 28 May 2021. The register of members of the Company will be closed from Tuesday, 25 May 2021 to Friday, 28 May 2021, 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, 24 May 2021.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and adopted code provisions 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 2020.

In the opinion of the Board, the Company has complied with the code provisions of the CG Code during the year ended 31 December 2020.

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 two Non-Executive Directors, namely Mr. Li Chi Kong and Mr. Kuo Jen-Hao.

The audit committee has reviewed the annual results for the year ended 31 December 2020.

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.

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 year ended 31 December 2020 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 year ended 31 December 2020. 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 subsidiary has purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2020.

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, 26 March 2021

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