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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 2023 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 2023 as below:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	3	43,360	76,700
Other net income	3	4	267
Other net financial gain/(loss)		7,382	(1,739)
Employee benefit expense		(20,795)	(23,848)
(Impairment losses)/reversal of impairment losses on financial assets		(100)	138
Impairment losses on goodwill	9	(172,453)	(21,724)
Administrative and other expenses		(17,144)	(18,566)
Finance costs		(207)	(78)
<b>(Loss)/profit before income tax</b>	5	<b>(159,953)</b>	11,150
Income tax expense	6	(1,838)	(5,785)
<b>(Loss)/profit and total comprehensive (expenses)/income for the year attributable to the owners of the Company (Note)</b>		<b>(161,791)</b>	<b>5,365</b>
<b>(Loss)/earnings per share attributable to the owners of the Company (HK cents)</b>	7		
– Basic		(14.20)	0.47
– Diluted		(14.20)	0.47

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Cont'd)

For the year ended 31 December 2023

Note:

	2023 HK\$'000	2022 HK\$'000
<b>For illustration purpose only (Non-Hong Kong Financial Reporting Standard ("HKFRS") Measures):</b>		
(Loss)/profit and total comprehensive (expenses)/income for the year	(161,791)	5,365
Add: Impairment losses on goodwill	<u>172,453</u>	<u>21,724</u>
Adjusted profit and total comprehensive income before non-cash impairment losses on goodwill for the year <sup>(1)</sup>	<u><u>10,662</u></u>	<u><u>27,089</u></u>

<sup>(1)</sup> The Company believes that the adjusted financial measures provide useful information to investors in understanding and evaluating the Group's consolidated statement of profit or loss and other comprehensive income 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 year to year 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 HKFRS. You should not view the adjusted results on a standalone basis or as a substitute for results under HKFRS.

There were no tax effect in respect of the impairment losses on goodwill.

This note does not form part of the consolidated statement of profit or loss and other comprehensive income.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		220	210
Goodwill	9	108,788	281,241
Intangible assets	10	57,537	60,989
Right-of-use assets		3,454	690
Mortgage loans	11	12,251	32,370
Financial assets at fair value through profit or loss (“FVPL”)		49,579	–
Other assets		200	200
		<u>232,029</u>	<u>375,700</u>
<b>Current assets</b>			
Mortgage loans	11	2,968	4,942
Term loans	12	4,964	1,501
Contract assets		53	1,053
Trade and other receivables, deposits paid and prepayments	13	3,996	4,456
Amount due from a related company		4,225	4,033
Financial assets at FVPL		10,739	11,586
Client trust bank balances	14	163,152	160,737
Cash and cash equivalents		70,406	91,328
		<u>260,503</u>	<u>279,636</u>
<b>Current liabilities</b>			
Contract liabilities		36	1,250
Trade and other payables and accrued expenses	15	168,437	168,834
Lease liabilities		3,156	697
Taxation payable		1,104	2,763
		<u>172,733</u>	<u>173,544</u>
<b>Net current assets</b>		<u>87,770</u>	<u>106,092</u>
<b>Total assets less current liabilities</b>		<u>319,799</u>	<u>481,792</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)***As at 31 December 2023*

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Non-current liabilities</b>		
Lease liabilities	<b>367</b>	–
Deferred tax liabilities	<b>9,494</b>	10,063
	<hr/> <b>9,861</b>	<hr/> 10,063
<b>Net assets</b>	<b>309,938</b>	471,729
	<hr/> <hr/> <b>309,938</b>	<hr/> <hr/> 471,729
<b>EQUITY</b>		
<b>Equity attributable to the owners of the Company</b>		
Share capital	<b>113,933</b>	113,933
Reserves	<b>196,005</b>	357,796
	<hr/> <b>309,938</b>	<hr/> 471,729
<b>Total equity</b>	<b>309,938</b>	471,729
	<hr/> <hr/> <b>309,938</b>	<hr/> <hr/> 471,729

# 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 the Group is principally engaged in activities including dealing in securities, advising on securities, advising on corporate finance, asset management, money lending and securities and related services.

## 2. CHANGE IN ACCOUNTING POLICIES

### 2.1 Adoption of new and amendments to HKFRSs – effective on 1 January 2023

In the current year, the Group has applied for the first time the following revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2023.

Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKFRS 4	Extension of the Temporary Exemption from Applying HKFRS 9

Except for the impact of the adoption of the amendment to HKFRS that has been summarised below, the other new and amendments to HKFRSs have no material impact on the Group's accounting policies.

#### *Amendment to HKAS 1 – Disclosure of Accounting Policies*

The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose "significant accounting policies" with "material accounting policy information". The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

These amendments have no effect on the measurement or presentation of any items in the consolidated financial statements of the Group but affect the disclosure of accounting policies of the Group.

## 2.2 New guidance on accounting for the MPF-LSP offsetting mechanism in Hong Kong issued by HKICPA

In June 2022, Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (“the Amendment Ordinance”) was enacted. The Amendment Ordinance abolishes the use of the accrued benefits derived from employers’ mandatory contributions under the mandatory provident fund (“MPF”) scheme to offset severance payment (“SP”) and long service payments (“LSP”) (“the Abolition”). Subsequently, the Government of HKSAR announced that the Abolition will take effect on 1 May 2025 (“the Transition Date”).

The following key changes will take effect since the Transition Date:

- Accrued benefits derived from employers’ mandatory MPF contributions cannot be used to offset the LSP/SP in respect of the employment period after the Transition Date.
- The pre-transition LSP/SP is calculated using the last month’s salary immediately preceding the Transition Date, instead of using the last month’s salary of employment termination date.

Due to the complexities of the accounting for the offsetting of accrued benefits derived from an employer’s mandatory MPF contributions and its LSP obligation and the accounting for the offsetting mechanism could become material in light of the Abolition, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” (“the Guidance”) in July 2023 to provide guidance to account for the offsetting mechanism and the Abolition. The HKICPA concluded that there are two acceptable accounting approaches for the offsetting mechanism, being:

- Approach 1: Account for the amount expected to be offset as a deemed employee contribution towards that employee’s LSP benefits in terms of HKAS 19.93(a)
- Approach 2: Account for the employer MPF contributions and the offsetting mechanism as a funding mechanism for the LSP obligation

For the years ended 31 December 2022 and 2023, the Group’s LSP liability before the expected offsetting under the MPF-LSP offsetting mechanism is immaterial. Application of the Guidance had no material effect on the consolidated financial statements of the Group.

### 2.3 New and amendments to HKFRSs that have been issued but are not yet effective

The following new and amendments to 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	Non-current Liabilities with Covenants <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>1</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>1</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>1</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025

<sup>3</sup> 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 and amendments to HKFRSs and the Board so far concluded that the application of these new and amendments to HKFRSs will have no material impact on the Group's consolidated financial statements.

### 3. REVENUE AND OTHER NET INCOME

#### (a) Disaggregation of revenue

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Revenue from contracts with customers within the scope of HKFRS 15:</b>		
<b>Services Revenue</b>		
Type of services		
– Advisory and related services	20,483	47,231
– Asset management services	14,747	14,684
– Securities and related services	1,776	2,787
– Referral fees	375	9,125
– Sundry income	991	1,002
	<u>38,372</u>	<u>74,829</u>
 <b>Revenue from contracts with customers not within the scope of HKFRS 15:</b>		
<b>Interest Revenue</b>		
Loan interest and related income	<u>4,988</u>	<u>1,871</u>
	<u>43,360</u>	<u>76,700</u>
 <b>Timing of services revenue recognition within the scope of HKFRS 15:</b>		
At a point in time	15,871	33,361
Transferred over time	<u>22,501</u>	<u>41,468</u>
	<u>38,372</u>	<u>74,829</u>

**(b) Transaction price allocated to remaining performance obligations**

As of 31 December 2023 and 2022, the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately HK\$10,090,000 and approximately HK\$5,490,000 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.

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
<b>Remaining performance obligations expected to be satisfied during:</b>		
the year ended 31 December 2023	–	5,490
the year ending 31 December 2024	<u>10,090</u>	<u>–</u>
<i>(Note)</i>	<u><b>10,090</b></u>	<u>5,490</u>

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

*Note:*

According to HKFRS 15 – Revenue from Contracts with Customers, the amount of remaining performance obligations above did not include a significant advisory transaction subject to conditions, because according to its mandate, as at 31 December 2023:

- (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**

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Other income	<b>4</b>	3
Government grant ( <i>Note</i> )	<u>–</u>	<u>264</u>
	<b><u>4</u></b>	<b><u>267</u></b>

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

**4. SEGMENT INFORMATION**

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

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

## Segment revenue and results

	Corporate finance services, investment and others <i>HK\$'000</i>	Asset management services <i>HK\$'000</i>	Securities and related services <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>2023</b>					
Revenue – external customers	20,483	15,738	1,776	5,363	43,360
Other net income ( <i>Note</i> )	–	–	1,056	4	1,060
Other net financial gain/(loss) – all generated from proprietary trading	9,571	–	(241)	86	9,416
Less: inter-segment revenue	(2,034)	–	(1,056)	–	(3,090)
Reportable segment revenue – external customers	<u>28,020</u>	<u>15,738</u>	<u>1,535</u>	<u>5,453</u>	<u>50,746</u>
<b>Results</b>					
Reportable segment profit/(loss) before impairment losses on goodwill, amortisation on intangible assets and income tax	13,444	6,502	(7,894)	3,900	15,952
Reportable segment (loss)/profit before income tax	<u>(162,461)</u>	<u>6,502</u>	<u>(7,894)</u>	<u>3,900</u>	<u>(159,953)*</u>
Amounts included in the measure of reportable segment (loss)/profit before income tax:					
Amortisation on intangible assets	3,452	–	–	–	3,452
Impairment losses on goodwill	172,453	–	–	–	172,453
Depreciation	543	673	2,312	1	3,529
Employee benefit expense	7,792	7,195	5,070	738	20,795
Other information: Additions to specified non-current assets	<u>994</u>	<u>1,225</u>	<u>4,075</u>	<u>9</u>	<u>6,303</u>

	Corporate finance services, investment and others <i>HK\$'000</i>	Asset management services <i>HK\$'000</i>	Securities and related services <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Total <i>HK\$'000</i>
2022					
Revenue	47,231	15,686	3,072	11,044	77,033
Other net income ( <i>Note</i> )	124	140	640	100	1,004
Other net financial loss – all generated from proprietary trading	(639)	–	(259)	–	(898)
Less: inter-segment revenue	(841)	–	(925)	(145)	(1,911)
Reportable segment revenue – external customers	<u>45,875</u>	<u>15,826</u>	<u>2,528</u>	<u>10,999</u>	<u>75,228</u>
Results					
Reportable segment profit/(loss) before impairment losses on goodwill, amortisation on and derecognition of intangible assets and income tax	29,775	6,645	(8,012)	9,618	38,026
Reportable segment profit/(loss) before income tax	<u>2,899</u>	<u>6,645</u>	<u>(8,012)</u>	<u>9,618</u>	<u>11,150*</u>
Amounts included in the measure of reportable segment profit/(loss) before income tax:					
Amortisation on intangible assets	4,733	–	–	–	4,733
Intangible assets derecognition upon contract completion	419	–	–	–	419
Impairment losses on goodwill	21,724	–	–	–	21,724
Depreciation	634	832	2,624	1	4,091
Employee benefit expense	10,458	7,128	5,647	615	23,848
Other information:					
Additions to specified non-current assets	<u>7</u>	<u>10</u>	<u>154</u>	<u>2</u>	<u>173</u>

\* Total segment (loss)/profit equals to the consolidated (loss)/profit before income tax, accordingly no reconciliation of this amount is presented.

*Note:* None of the net income generated from proprietary trading was included in segment revenue for the years ended 31 December 2023 and 2022.

## Segment assets and liabilities

	<b>Corporate finance services, investment and others</b> <i>HK\$'000</i>	<b>Asset management services</b> <i>HK\$'000</i>	<b>Securities and related services</b> <i>HK\$'000</i>	<b>Money lending business</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>As at 31 December 2023</b>					
<b>Reportable segment assets and consolidated total assets</b>	<b>237,035</b>	<b>40,085</b>	<b>177,893</b>	<b>37,519</b>	<b>492,532</b>
<b>Reportable segment liabilities</b>	<b>10,080</b>	<b>859</b>	<b>165,409</b>	<b>867</b>	<b>177,215</b>
Unallocated: other payables, accrued expenses and taxation payable					<u>5,379</u>
Consolidated total liabilities					<u><b>182,594</b></u>
<b>As at 31 December 2022</b>					
<b>Reportable segment assets and consolidated total assets</b>	<b>387,717</b>	<b>39,347</b>	<b>170,548</b>	<b>57,724</b>	<b>655,336</b>
<b>Reportable segment liabilities</b>	<b>11,383</b>	<b>276</b>	<b>161,225</b>	<b>719</b>	<b>173,603</b>
Unallocated: other payables, accrued expenses and taxation payable					<u>10,004</u>
Consolidated total liabilities					<u><b>183,607</b></u>

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

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

## Major customers information

Revenue from major customers, each of whom amounted to 10% or more of Group's revenue for the years ended 31 December 2023 and 2022, is set out below:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A <sup>1</sup>	15,738	15,686
Customer B <sup>2</sup>	5,000	–
Customer C <sup>2</sup>	–	8,000
Customer D <sup>3</sup>	–	8,000
	<u>          </u>	<u>          </u>

<sup>1</sup> Revenue from Customer A is attributable to asset management services.

<sup>2</sup> Revenue from Customers B and C are attributable to corporate finance services, investment and others.

<sup>3</sup> Revenue from Customer D is attributable to money lending business.

## 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. (LOSS)/PROFIT BEFORE INCOME TAX

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(Loss)/profit before income tax is arrived at after charging/(crediting):		
Amortisation on intangible assets ( <i>Note</i> )	3,452	4,733
Intangible assets derecognition upon contract completion	–	419
Auditor's remuneration	820	820
Depreciation of		
– Owned property, plant and equipment	90	136
– Right-of-use assets	3,439	3,955
Employee benefit expense (including directors' emoluments)	20,795	23,848
Interest on lease liabilities	207	78
Exchange loss, net	20	–
Impairment losses on goodwill	172,453	21,724
Impairment losses/(reversal of impairment losses) on financial assets	100	(138)
	<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% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the years ended 31 December 2023 and 2022. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 (2022: HK\$2,000,000) of assessable profits of a subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%).

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax		
– Hong Kong profits tax	2,413	6,650
– Over-provision in prior years	<u>(6)</u>	<u>(15)</u>
Deferred tax	2,407	6,635
	<u>(569)</u>	<u>(850)</u>
Income tax expense	<u><u>1,838</u></u>	<u><u>5,785</u></u>

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

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>(Loss)/earnings for the purposes of basic and diluted (loss)/earnings per share</b>		
(Loss)/profit for the year attributable to the owners of the Company	<u><u>(161,791)</u></u>	<u><u>5,365</u></u>
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue for the purposes of basic and diluted (loss)/earnings per share	<u><u>1,139,330,190</u></u>	<u><u>1,139,330,190</u></u>

There were no potential ordinary shares in issue for the years ended 31 December 2023 and 2022. Accordingly, the diluted (loss)/earnings per share presented are the same as the basic (loss)/earnings per share.

## 8. DIVIDEND

The Board does not recommend any dividend for the years ended 31 December 2023 and 2022.

## 9. GOODWILL

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

*HK\$'000*

### Cost

At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	302,965
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### Accumulated impairment

At 1 January 2022	–
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Impairment losses	21,724
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31 December 2022 and 1 January 2023	21,724
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Impairment losses	172,453
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<b>At 31 December 2023</b>	<b>194,177</b>
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### Carrying amount

At 31 December 2022	281,241
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<b>At 31 December 2023</b>	<b>108,788</b>
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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:

	<b>2023</b>	<b>2022</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Corporate finance services, investment and others (“CF CGU”)	<b>74,196</b>	246,649
Asset management services (“AM CGU”)	<b>34,592</b>	34,592
	<b>108,788</b>	281,241

## 10. INTANGIBLE ASSETS

	<b>Investment management agreement</b> <i>HK\$'000</i>	<b>Backlog</b> <i>HK\$'000</i>	<b>Trade name</b> <i>HK\$'000</i>	<b>Securities and Futures Commission licences</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Cost</b>					
At 1 January 2022	15,560	12,706	69,044	3,740	101,050
Derecognition upon contract completion	–	(3,086)	–	–	(3,086)
<b>At 31 December 2022, 1 January 2023 and 31 December 2023</b>	<b><u>15,560</u></b>	<b><u>9,620</u></b>	<b><u>69,044</u></b>	<b><u>3,740</u></b>	<b><u>97,964</u></b>
<b>Amortisation and impairment</b>					
At 1 January 2022	15,560	11,006	8,343	–	34,909
Amortisation	–	1,281	3,452	–	4,733
Derecognition upon contract completion	–	(2,667)	–	–	(2,667)
At 31 December 2022 and 1 January 2023	15,560	9,620	11,795	–	36,975
Amortisation	–	–	3,452	–	3,452
<b>At 31 December 2023</b>	<b><u>15,560</u></b>	<b><u>9,620</u></b>	<b><u>15,247</u></b>	<b><u>–</u></b>	<b><u>40,427</u></b>
<b>Carrying amount</b>					
At 31 December 2022	–	–	57,249	3,740	60,989
<b>At 31 December 2023</b>	<b><u>–</u></b>	<b><u>–</u></b>	<b><u>53,797</u></b>	<b><u>3,740</u></b>	<b><u>57,537</u></b>

## 11. MORTGAGE LOANS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Secured mortgage loans	<u>15,219</u>	<u>37,312</u>
Analysed for reporting purposes as:		
– Non-current assets	12,251	32,370
– Current assets	<u>2,968</u>	<u>4,942</u>
	<u>15,219</u>	<u>37,312</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Less than 31 days past due	953	2,400
61 – 90 days	<u>946</u>	<u>–</u>
	<u>1,899</u>	<u>2,400</u>

The major terms of mortgage loans are as follows:

	2023	2022
Interest rate (per annum) – variable rate loan receivables	<b>P% -P+13%</b>	P-1%-P+13%
Tenure	<b>3 months to 12 years</b>	1 year to 13 years
Principal amounts	<b>HK\$16,000 to HK\$2,283,000</b>	HK\$7,000 to HK\$17,148,000
Number of mortgage loans customers	<b>27</b>	35
– Individual	<b>26</b>	33
– Unlisted corporate	<b>1</b>	2
Loan to value ratio	<b>0.9% -51.0%</b>	0.5%-49.6%
Collateral	<b>Residential/ commercial properties</b>	Residential/ commercial properties

“P” refers to Hong Kong dollars prime rate offered by The Hongkong and Shanghai Banking Corporation Limited from time to time to its prime customers, which is 5.875% (2022: 5.625%) at 31 December 2023.

During the years ended 31 December 2023 and 2022 and as at 31 December 2023 and 2022, the Group has not recognised any loss allowance for the mortgage loans with the carrying amount of HK\$15,219,000 (2022: HK\$37,312,000) which are secured by collateral as the market value of collateral of such mortgage loans can be objectively ascertained to cover the outstanding loan amounts.

## 12. TERM LOANS

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Current assets</b>		
Term loans	<b>5,064</b>	1,501
Less: impairment allowance	<b>(100)</b>	–
	<b>4,964</b>	1,501

The major terms of term loans are as follow:

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Fixed rate loan receivables (per annum)	<b>22.0%-24.0%</b>	24.0%
Tenure	<b>1 month to 0.5 year</b>	0.5 year
Principal amounts	<b>HK\$1,502,000 to HK\$3,562,000</b>	HK\$1,501,000
Number of term loans customers	<b>2</b>	1
– Listed corporate	<b>1</b>	1
– Unlisted corporate	<b>1</b>	–
Number of loan renew	<b>1</b>	–
Number of times rolled over	<b>1 time</b>	–

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

### 13. TRADE AND OTHER RECEIVABLES, DEPOSITS PAID AND PREPAYMENTS

	<b>2023</b>	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Current Asset</b>		
Trade receivables ( <i>Note</i> )	<b>2,041</b>	1,344
Other receivables	<b>220</b>	1,643
Prepayments	<b>787</b>	475
Rental and utility deposits	<b>948</b>	994
	<u>          </u>	<u>          </u>
	<b>3,996</b>	4,456
	<u>          </u>	<u>          </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:

	<b>2023</b>	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	<b>456</b>	1,344
Over 30 days but within 60 days	<b>1,330</b>	–
Over 90 days but within 365 days	<b>255</b>	–
	<u>          </u>	<u>          </u>
Carrying amount of trade receivables, net of loss allowance	<b>2,041</b>	1,344
	<u>          </u>	<u>          </u>

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

As at 31 December 2023, loss allowances of approximately HK\$5,091,000 (2022: approximately HK\$5,091,000) were made against the gross amount of trade receivables.

Movement in the loss allowances amount in respect of trade receivables during the years ended 31 December 2023 and 2022 is as follows:

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
At 1 January	<b>5,091</b>	5,229
Expected credit losses (“ECL”) reversed during the year	<u>–</u>	<u>(138)</u>
At 31 December	<b><u>5,091</u></b>	<b><u>5,091</u></b>

#### 14. CLIENT TRUST BANK BALANCES

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

#### 15. TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables arising from the ordinary course of business of securities dealing and brokerage services ( <i>Note</i> )		
– Cash client	<b>163,160</b>	160,747
Other payables and accrued expenses	<u><b>5,277</b></u>	<u>8,087</u>
	<b><u>168,437</u></b>	<b><u>168,834</u></b>

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

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

As at 31 December 2023, included in trade payables arising from the ordinary course of business of securities dealing and brokerage services was an amount of approximately HK\$163,152,000 (2022: approximately HK\$160,737,000) payable to clients in respect of segregated deposit accounts balances received and held for clients in the course of the conduct of regulated activities.

## 16. EVENTS AFTER THE REPORTING DATE

### **Rights Issue**

On 17 November 2023, the Company proposed to issue by way of rights up to 1,139,330,190 new shares (the “Rights Share(s)”) at a subscription price of HK\$0.15 per Rights Share on the basis of one (1) Rights Share for every one (1) share of the Company (the “Rights Issue”). The Rights Issue was approved by the independent shareholders of the Company at the extraordinary general meeting held on 28 December 2023. The Rights Issue had been completed on 2 February 2024 and an aggregate of 1,139,330,190 new shares had been allotted and issued by the Company. As at the date of this announcement, the Company’s number of issued shares is 2,278,660,380 shares.

The gross proceeds from the Rights Issue were approximately HK\$170.9 million and the net proceeds from the Rights Issue, after deducting all relevant expenses for the Rights Issue, were approximately HK\$170.0 million. The Company will apply approximately HK\$150 million of the net proceeds from the Rights Issue as the seed money into Yu Ming High Dividend Fund (the “HD Fund”), a fund incorporated as an exempted limited company in the Cayman Islands and registered as a regulated mutual fund under the Mutual Funds Act (2021 Revision) of the Cayman Islands, to expand its asset management business and HK\$20 million as capital for the Group’s money lending business.

Details of the Rights Issue were disclosed in the Company’s announcements dated 17 November 2023, 28 December 2023 and 1 February 2024, the Company’s circular dated 11 December 2023 and the Company’s prospectus dated 11 January 2024.

### **Treasury Management Investment**

On 13 September 2023, the Board resolved to, through Yu Ming Investment Management Limited (“Yu Ming”), purchase up to US\$6.5 million in nominal amount (equivalent to approximately HK\$50.8 million) of the perpetual notes issued by NWD Finance (BVI) Limited with principal amount of US\$1 billion and coupon rate of 5.25% and the first call date of 22 March 2026 and guaranteed by New World Development Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 17) (the “NWD Notes”), at a discount and the total consideration would not exceed HK\$30.0 million. Yu Ming purchased a nominal amount of US\$3.0 million at approximately HK\$15.6 million of the NWD Notes as at 9 January 2024. Details of the transaction were disclosed in the Company’s announcement dated 9 January 2024.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

For the year ended 31 December 2023 (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, in securities broking and placing of securities through a wholly-owned subsidiary, Morton Securities Limited (“Morton Securities”), and in money lending business in Hong Kong mainly through another wholly-owned subsidiary, Morgan Finance Limited (“Morgan Finance”).

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

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

Morgan Finance holds the money lenders licence, which was granted by the licensing court pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) and the Money Lenders Regulations, allowing Morgan Finance to carry on money lending business in Hong Kong.

#### Corporate Finance Advisory

During the Current Reporting Period, the corporate finance advisory services provided by Yu Ming mainly included the following:

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

Amongst the transactions completed include resumption of trading of Main Board listed companies on the Stock Exchange, privatization, takeover under the Takeovers Code, hostile situations and rights issues.

Revenue for the Current Reporting Period from corporate finance advisory and related services was approximately HK\$20.5 million (2022: approximately HK\$47.2 million).

### **Asset Management**

During the Current Reporting Period, Yu Ming provided asset management services solely to SHK Hong Kong Industries Limited (“SHK”), the first investment company listed on the Stock Exchange. Although SHK was privatized in April 2021, the investment management agreement with SHK is still in force and until December 2024.

Revenue for the Current Reporting Period from asset management services was approximately HK\$15.7 million (2022: approximately HK\$15.7 million).

### **Goodwill Assessment and Impairment**

The recognition of an accounting goodwill of approximately HK\$303.0 million occurred when the Group acquired Yu Ming in 2019, based on HKFRS 3 (Revised) Business Combinations. A goodwill is continuously subject to impairment testing and at least annually.

Impairment testing involves assessing the value in use of the CF CGU and the AM CGU of Yu Ming in the case of the Group, to which the goodwill is allocated. This assessment requires the Company to estimate the expected future cash flows from these units and to use an appropriate discount rate (which varies from time to time) to determine the present value of those cash flows.

During the estimation of expected future cash flows, management must consider assumptions regarding future revenue and profits, which are contingent upon future events and circumstances. Additionally, the discount rate depends on, inter alia, market interest rates, market risk and asset-specific risk factors.

However, the overall economic conditions in Hong Kong were vibrant in 2019. Subsequently, the downturn of the capital market in 2023, coupled with the rise in interest rates, significantly impacted the valuation of the goodwill. These factors to a large extent are beyond the control of the management.

In light of these circumstances, the Board carefully assessed the necessity for goodwill impairment by conducting a thorough analysis of the current economic climate and market conditions, and finally considered to recognise a material goodwill impairment of approximately HK\$172.4 million in 2023, and hence contributed to an accounting loss for the Group. If isolating the effect of non-cash goodwill impairment, the consolidated financial results of the Company for the 12 months ended 31 December 2023 recorded an adjusted profit for the Current Reporting Period of approximately HK\$10.6 million, compared to the profit of approximately HK\$27.1 million in the previous year.

Despite the significant goodwill impairment, the Group’s business operations remain robust, sustainable and profitable.

## **Securities Broking**

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

Morton Securities remains a solid operation despite a small loss during the Current Reporting Period.

Revenue for the Current Reporting Period from securities and related services was approximately HK\$1.8 million (2022: approximately HK\$2.8 million).

## **Money Lending**

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

In April 2022, the Group completed the acquisition of two mortgage loans portfolios which comprised 43 mortgage loans at that time with the aggregated outstanding principal amount of approximately HK\$41.7 million.

### *Nature of lending services*

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

Revenue for the Current Reporting Period from money lending and related business was approximately HK\$5.4 million (2022: approximately HK\$11.0 million).

### *Impairment provisions of mortgage loans and term loans*

Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The ECL for term loans is assessed individually and mortgage loans is assessed collectively. In determining impairment allowances on term loans and mortgage loans, the measurement of ECL requires estimation of the amounts in respect of expected future cash flows and the assessment of whether there have been a significant increase in credit risk.

The impairment provision has taken into account the financial strength of the borrowers as well as the quality of collateral and other credit enhancements.

In respect of secured mortgage loans with the carrying amount of approximately HK\$15.2 million as at 31 December 2023 (2022: approximately HK\$37.3 million), the market value of collateral of such mortgage loans can be objectively ascertained to cover the outstanding loan amounts based on valuations conducted at the end of the financial year.

The loan to value ratio, calculated by dividing the outstanding loans of each mortgage loan by the appraised value of its property pledged, ranged from 0.9% to 51.0% as at 31 December 2023 (2022: 0.5% to 49.6%).

## FINANCIAL REVIEW

### Overall Results

The financial results of the Group are highlighted as follows:

	2023 <i>HK\$ million</i>	2022 <i>HK\$ million</i>
Revenue	43.4	76.7
Other net income	–	0.2
Other net financial gain/(loss)	7.3	(1.7)
	<hr/>	<hr/>
Reportable segment revenue	50.7	75.2
Employee benefit expense	(20.8)	(23.8)
(Impairment losses)/reversal of impairment losses		
on financial assets	(0.1)	0.1
Impairment losses on goodwill	(172.4)	(21.7)
Amortisation on and derecognition of intangible assets	(3.5)	(5.1)
Administrative and other expenses excluding amortisation on and derecognition of intangible assets	(13.7)	(13.4)
Finance costs	(0.2)	(0.1)
	<hr/>	<hr/>
<b>(Loss)/profit before income tax</b>	<b>(160.0)</b>	11.2
Income tax expense	(1.8)	(5.8)
	<hr/>	<hr/>
<b>(Loss)/profit for the year</b>	<b>(161.8)</b>	5.4
	<hr/> <hr/>	<hr/> <hr/>
<b>Adjusted profit excluding goodwill impairment for the year</b>	<b>10.6</b>	27.1
	<hr/> <hr/>	<hr/> <hr/>
Return on equity attributable to owners of the Company	(41.4%)	1.1%
(Loss)/earnings per share (HK cents)		
– Basic	(14.20)	0.47
– Diluted	(14.20)	0.47

## Earnings and Expenses

The consolidated financial results of the Company for the 12 months ended 31 December 2023 recorded a loss for the Current Reporting Period of approximately HK\$161.8 million, compared to the profit of approximately HK\$5.4 million in the previous year. If isolating the effect of non-cash goodwill impairment, the consolidated financial results of the Company for the 12 months ended 31 December 2023 recorded an adjusted profit for the Current Reporting Period of approximately HK\$10.6 million, compared to the profit of approximately HK\$27.1 million in the previous year.

The consolidated net loss was primarily attributable to the recognition of non-cash impairment losses on goodwill of approximately HK\$172.4 million for the Current Reporting Period. The remaining goodwill balance was approximately HK\$108.8 million after the aforesaid impairment. The corporate finance business of the Group was volatile in nature and subject to market sentiment. Given the dampened stock market condition and low activities in the capital markets in Hong Kong, such impairment of goodwill was considered necessary and adequate. The abovementioned impairment losses on goodwill did not have any cash flow impact to the operations of the Group during the Current Reporting Period.

The Group's basic loss per share for the Current Reporting Period was HK14.20 cents (2022: earnings HK0.47 cents).

Revenue for the Current Reporting Period decreased by approximately HK\$33.3 million, or 43.5%, to approximately HK\$43.4 million, compared to approximately HK\$76.7 million in the previous year. This decline was mainly due to the drop in corporate finance advisory fee income, which decreased by approximately HK\$26.7 million, or 56.6%, to approximately HK\$20.5 million and the drop in referral fees from money lending business by approximately HK\$8.8 million, or 95.9%, to approximately HK\$0.4 million. This decrease in revenue was a result of dampened stock market condition and low activities in the capital markets in Hong Kong.

Other net financial gain increased by approximately HK\$9.0 million, or 524.5%, to approximately HK\$7.3 million in 2023, compared to loss approximately HK\$1.7 million in 2022. This was mainly due to the increase in gain from investment in the notes and other investment, which increased by approximately HK\$7.7 million, or 359.8%, to gain approximately HK\$5.5 million.

Employee benefit expenses decreased by approximately HK\$3.0 million, or 12.8%, to approximately HK\$20.8 million in 2023, compared to approximately HK\$23.8 million in the previous year. This change was mainly due to reduction in staff bonus, which decreased by approximately HK\$2.8 million, or 37.4%, to approximately HK\$4.7 million.

Loss before income tax increased by approximately HK\$171.2 million, or 1,534.6%, to approximately HK\$160.0 million in 2023. This downturn was due to the decrease in revenue, as well as an increase in non-cash goodwill impairment, which increased by approximately HK\$150.7 million, or 693.8%, to approximately HK\$172.4 million in 2023. If isolating the effect of non-cash goodwill impairment which was mainly attributable to the dampened stock market condition and low activities in the capital markets in Hong Kong, the adjusted profit before impairment losses on goodwill decreased by approximately HK\$16.5 million, or 60.6% to approximately HK\$10.6 million in 2023, compared to approximately HK\$27.1 million in previous year.

### **Revenue and Financial Resources**

For the Current Reporting Period, the Group had revenue of approximately HK\$43.4 million (2022: approximately HK\$76.7 million).

As at 31 December 2023, the Group had cash and cash equivalents of approximately HK\$70.4 million (2022: approximately HK\$91.3 million). As at 31 December 2023, the Group's current ratio (current assets to current liabilities) was approximately 150.8% (2022: approximately 161.1%).

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

### **Indebtedness and Banking Facilities**

As at 31 December 2023 and 2022, 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 2023 and 2022, was 0%.

### **Assets and Liabilities**

As at 31 December 2023, the Group had total assets of approximately HK\$492.5 million (2022: approximately HK\$655.3 million) and total liabilities of approximately HK\$182.6 million (2022: approximately HK\$183.6 million). The net assets of the Group as at 31 December 2023 were approximately HK\$309.9 million (2022: approximately HK\$471.7 million).

## **Capital Structure**

There was no change to the share capital during the Current Reporting Period and the year ended 31 December 2022.

On 17 November 2023, the Company proposed to issue by way of rights up to 1,139,330,190 Rights Shares at a subscription price of HK\$0.15 per Rights Share on the basis of one (1) Rights Share for every one (1) share of the Company. The Rights Issue was approved by the independent shareholders of the Company at the extraordinary general meeting held on 28 December 2023. The Rights Issue had been completed on 2 February 2024 and an aggregate of 1,139,330,190 new shares had been allotted and issued by the Company. As at the date of this announcement, the Company's number of issued shares is 2,278,660,380 shares. Details of the proposed use of proceeds from the Rights Issue are disclosed in note 16 to the consolidated financial statements on page 22 of this announcement.

## **Commitments**

As at 31 December 2023 and 2022, the Group had no outstanding contracted capital commitments.

## **Charges on Group Assets**

As at 31 December 2023 and 2022, the Group had no assets under pledge.

## **Significant Investments, Acquisitions and Disposals**

On 25 August 2023, the Board resolved to, through Yu Ming, purchase up to US\$6.0 million in nominal amount (equivalent to approximately HK\$47.1 million) of the additional tier 1 perpetual notes issued by The Bank of East Asia, Limited (“BEA”), with principal amount of US\$650 million and coupon rate of 5.825% and first call date of 21 October 2025 (the “BEA Notes”) at a discount and the total consideration would not exceed HK\$40.0 million. Yu Ming purchased a nominal amount of US\$2.0 million at approximately HK\$12.4 million of the BEA Notes as at 28 August 2023. Details of the transaction were disclosed in the Company's announcement dated 28 August 2023.

As at 31 December 2023, Yu Ming held a total nominal amount of US\$6.0 million in the BEA Notes and the total cost amounted to approximately HK\$37.2 million. BEA was incorporated in Hong Kong with limited liability and its shares are listed on the Main Board of the Stock Exchange (stock code: 23). BEA and its subsidiaries are (“BEA Group”) principally engaged in banking and financial sectors.

As at 31 December 2023, the fair value of the BEA Notes was approximately HK\$41.5 million (representing 8.4% of the Group's total assets). No realised gain/loss and dividend was recorded but unrealised gain of approximately HK\$4.3 million and received coupons of approximately HK\$1.4 million from the BEA Notes were recognised during the Current Reporting Period.

*Performance of significant investments:*

For the Current Reporting Period, BEA Group earned a profit attributable to owners of BEA of HK\$4,118 million. The year-on-year comparison was influenced by the extraordinary gain recorded in August 2022 on the disposal of Blue Cross (Asia-Pacific) Insurance Limited ("Blue Cross") and Blue Care JV (BVI) Holdings Limited ("Blue Care"), as well as the one-time shared gain arising from AFFIN Bank Berhad's ("AFFIN") disposal of AFFIN Hwang Asset Management in 2022.

Basic earnings per share of BEA were unchanged from 2022 at HK\$1.32. The return on average assets remained stable at 0.4%, while the return on average equity decreased by 0.1 percentage point to 3.6%.

Net interest income increased by HK\$3,366 million, or 24.9%, to HK\$16,874 million. Net interest margin widened by 49 basis points year-on-year, from 1.65% to 2.14%, on the back of rising rates.

Net fee and commission income year-on-year slightly decreased by 4.1% to HK\$2,640 million amid the continued weak market sentiment. The decline in income from customer investment activity was offset by a growing contribution of fees from lending business and sale of third-party insurance policies.

Taken together, net trading and hedging results and net results from other financial instruments decreased by HK\$300 million, or 24.1%, to HK\$945 million. Non-interest income fell by 12.9% to HK\$3,872 million.

Overall, total operating income increased by 15.5% to HK\$20,746 million.

Operating expenses were well contained at HK\$9,432 million, an increase of HK\$208 million or 2.2%. The cost-to-income ratio for 2023 improved by 5.9 percentage points to 45.5%.

Impairment losses on financial instruments decreased by HK\$440 million, or 7.4%, to HK\$5,483 million. The Chinese commercial real estate sector continued to be the main concern for asset quality, accounting for some 82% of loan loss provisions. The BEA Group's impaired loan ratio increased from 2.39% at the end of December 2022 to 2.69% at the end of December 2023.

Meanwhile, an impairment of HK\$726 million was made on the BEA Group's investment in AFFIN, as a result of a drop in AFFIN's value in use.

Net profit on sale of assets held for sale decreased by HK\$1,443 million, mainly due to the aforementioned one-off gain of HK\$1,446 million on the disposal of Blue Cross and Blue Care in 2022.

*Prospects of significant investments:*

The Chinese Mainland economy is transitioning from high-speed growth to high-quality development. From electric vehicles to major retail brands, Chinese champions are forging into the lead both domestically and abroad. BEA is targeting the future by developing a wide range of clients both on the Chinese Mainland and in Hong Kong that will profit from these trends.

BEA is expected to continue strengthening its wealth management services, establishing new relationships to further diversify its client portfolio and generate stronger fee-income streams. Cross-boundary services will be further enhanced, following the opening of BEA Tower in Qianhai.

*Investment strategy in significant investments:*

In view of the attractive yield, the Group intends to hold the investment.

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 2023 and 2022, the Board is not aware of any material contingent liabilities.

### **EVENTS AFTER THE REPORTING DATE**

Details of events after the reporting date are disclosed in note 16 to the consolidated financial statements on page 22 of this announcement.

Save as disclosed above, there are no important events affecting the Group which have occurred after the end of the Current Reporting Period and up to the date of this announcement.

## **PROSPECT**

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

The barrage of delisting notices filed by the Stock Exchange on listed companies offers both awe and opportunities to us as a financial adviser renowned in listing resumption works. The lifting of COVID travel restrictions though did not give the capital market an impetus we anticipated, it enabled us to meeting clients face-to-face, deepening trust and relationship further.

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

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

Our asset management client, SHK, the first investment company listed on the Stock Exchange under Chapter 21 of the Listing Rules, was privatized and delisted on the Stock Exchange in April 2021. Our investment management contract with SHK was renewed in December 2023 for 12 months.

After completion of Rights Issue in February 2024, the Company would apply approximately HK\$150 million of the net proceeds from the Rights Issue as the seed money into a new formed fund, HD Fund, to expand its asset management business and HK\$20 million as capital for the Group's money lending business.

The appointment of Ms. Bonnie Chan as the new Chief Executive Officer of the Stock Exchange gave capital market practitioners hope in the reform of the existing skewed listing regime to facilitate an efficient vetting process for new listing applications, to provide an equality treatment for big and small businesses, new technology or traditional businesses alike, and a pragmatic approach to listed companies' application for resumption of listing on the Stock Exchange. With changes comes hope.

## **DIVIDEND**

The Board does not recommend the payment of a dividend for the Current Reporting Period (2022: Nil).

## **CLOSURE OF REGISTER OF MEMBERS**

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

The forthcoming AGM of the Company is scheduled to be held on Friday, 24 May 2024. The register of members of the Company will be closed from Tuesday, 21 May 2024 to Friday, 24 May 2024, both days inclusive, during which period no transfer of shares of the Company will be registered. To be eligible to attend, speak and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Hong Kong Registrars Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 20 May 2024.

## **CORPORATE GOVERNANCE PRACTICES**

The Company has applied the principles and adopted code provisions as set out in the Corporate Governance Code (the “CG Code”) in Appendix C1 to the Listing Rules as its own code on corporate governance practices throughout the Current Reporting Period.

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

## **AUDIT COMMITTEE REVIEW**

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

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

## **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 Limited (“BDO”), to the amounts set out in the Group’s audited consolidated financial statements for the Current Reporting Period. The work performed by BDO in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by BDO on the preliminary announcement.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

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

## **PUBLICATION OF ANNUAL REPORT**

The annual report of the Company will be 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, 27 March 2024

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