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)

2020 INTERIM RESULTS ANNOUNCEMENT

INTERIM RESULTS

The Board of Directors (the "Board") of Da Yu Financial Holdings Limited (the "Company") announces the unaudited interim condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2020 as below:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	**Unaudited Six months ended 30 June 2020 *HK$'000***	Audited Six months ended 31 December 2019 *HK$'000*
Revenue	*3*	**34,649**	46,793
Other net income	*3*	**347**	83
Other net financial (loss)/income		**(589)**	556
Employee benefit expense		**(4,983)**	(14,105)
Administrative and other expenses		**(10,977)**	(12,154)
Finance costs		**(32)**	(177)
Gain on debt restructuring	*5*	**–**	844,894
Restructuring expenses		**–**	(20,132)
Profit before income tax	*6*	**18,415**	845,758
Income tax expense	*7*	**(2,782)**	(3,424)
Profit and total comprehensive income for the period *(Note)*		**15,633**	842,334

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

For the six months ended 30 June 2020

	Notes	**Unaudited Six months ended 30 June 2020** ***HK$'000***	Audited Six months ended 31 December 2019 *HK$'000*
Earnings per share attributable to the owners of the Company (HK cents)	*8*		
– Basic		**1.37**	83.92
– Diluted		**1.37**	83.92

Note:

For illustration purpose only (Non-Hong Kong Financial Reporting Standard ("Non-HKFRS") Measures):

Profit and total comprehensive income for the period	**15,633**	842,334
Less: Gain on debt restructuring	**–**	(844,894)
Add: Restructuring expenses	**–**	20,132
Profit and total comprehensive income after adjusting net of restructuring gain and expenses from the restructuring for the six months ended 31 December 2019[1]	**15,633**	17,572

(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"). You should not view the adjusted results on a standalone basis or as a substitute for results under HKFRS.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	Unaudited As at 30 June 2020 HK$'000	Audited As at 31 December 2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**321**	387
Goodwill	*10*	**302,965**	302,965
Intangible assets	*11*	**90,184**	97,746
Right-of-use assets		**1,134**	1,891
Other assets		**–**	50
		394,604	403,039
Current assets			
Contract assets		**53**	150
Trade and other receivables, deposits paid and prepayments	*12*	**10,889**	16,466
Amount due from a related company		**4,549**	4,902
Financial assets at fair value through profit or loss		**246**	1,093
Cash and cash equivalents		**63,377**	39,875
		79,114	62,486
Current liabilities			
Contract liabilities		**18,270**	16,200
Other payables and accrued expenses		**1,152**	10,575
Lease liabilities		**1,157**	1,520
Taxation payable		**6,105**	4,191
		26,684	32,486
Net current assets		**52,430**	30,000
Total assets less current liabilities		**447,034**	433,039

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)
As at 30 June 2020

	Unaudited As at 30 June 2020 *HK$'000*	Audited As at 31 December 2019 *HK$'000*
Non-current liabilities		
Lease liabilities	**–**	390
Deferred tax liabilities	**14,880**	16,128
	14,880	16,518
Net assets	**432,154**	416,521
EQUITY		
Equity attributable to the owners of the Company		
Share capital	**113,933**	113,933
Reserves	**318,221**	302,588
Total equity	**432,154**	416,521

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") and with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

During the six months 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 determine to bring the annual financial year end date of the Group in line with that of the principal operating subsidiary, Yu Ming Investment Management Limited ("Yu Ming"). Accordingly, the unaudited interim condensed consolidated financial statements and the related notes presented for the current period cover the six months period from 1 January 2020 to 30 June 2020. The corresponding comparative amounts shown for the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and related notes covered the six months ended 31 December 2019 and therefore may not be comparable with amounts shown for the current period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies adopted in the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the six months ended 31 December 2019, except for the adoption of the new/revised HKFRSs (which include individual HKFRSs, HKASs and Interpretations) as disclosed below.

Adoption of New/Revised HKFRSs – effective 1 January 2020

In the current period, the Group has applied for the first time the following new/revised HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual financial period beginning on 1 January 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 unaudited interim condensed consolidated financial statements.

3. REVENUE AND OTHER NET INCOME

All of the Group's revenue is derived from contracts with customers during the six months ended 30 June 2020 and 31 December 2019.

(a) Disaggregation of revenue

	Unaudited Six months ended 30 June 2020	Audited Six months ended 31 December 2019
	HK$'000	*HK$'000*
Type of services		
Advisory and related services	**26,163**	37,428
Asset management services	**7,920**	8,123
Sundry income	**566**	1,242
	34,649	46,793
Type of customers		
Listed companies	**30,549**	31,353
Non-listed companies and others	**4,100**	15,440
	34,649	46,793
Timing of revenue recognition		
At a point in time	**16,100**	23,190
Transferred over time	**18,549**	23,603
	34,649	46,793

(b) Transaction price allocated to remaining performance obligations

As of 30 June 2020 and 31 December 2019, the aggregate amount of the transaction price allocated to the performance obligation that is unsatisfied (or partially unsatisfied) is approximately HK$63,550,000 and HK$47,700,000 respectively. The Group expects to recognise the amount as revenue when the performance obligations are satisfied in coming 6 months, depending on the contract terms. The following table shows the time band for remaining performance obligations to be satisfied.

	Unaudited As at 30 June 2020	Audited As at 31 December 2019
	HK$'000	*HK$'000*
Remaining performance obligations expected to be satisfied during:		
the year ending 31 December 2020	**63,550**	47,700

(c) Other net income

	Unaudited Six months ended 30 June 2020	Audited Six months ended 31 December 2019
	HK$'000	*HK$'000*
Government grant	**351**	–
Exchange (loss)/gain, net	**(4)**	83
	347	83

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.

Segment revenue and results

	Corporate finance services, investment and others *HK$'000*	Asset management services *HK$'000*	Total *HK$'000*
Unaudited			
Six months ended 30 June 2020			
External segment revenue and other income *(Note)*	**25,728**	**8,679**	**34,407**
Result			
Segment profit	**13,379**	**5,036**	**18,415**
Profit before income tax			**18,415**
Audited			
Six months ended 31 December 2019			
External segment revenue and other income *(Note)*	38,067	9,365	47,432
Result			
Segment profit	17,267	3,729	20,996
Gain on debt restructuring			844,894
Restructuring expenses			(20,132)
Profit before income tax			845,758

Note: Net financial (loss)/income generated from proprietary trading included in external segment revenue and other income under corporate finance services, investment and others for the six months ended 30 June 2020 were loss of approximately HK$242,000 (six months ended 31 December 2019: income of approximately HK$639,000).

Segment assets and liabilities

	Unaudited As at 30 June 2020 *HK$'000*	Audited As at 31 December 2019 *HK$'000*
Segment assets		
Corporate finance services, investment and others	**424,433**	412,667
Asset management services	**49,285**	52,858
Total assets	**473,718**	465,525
Segment liabilities		
Corporate finance services, investment and others	**31,476**	30,123
Asset management services	**1,674**	2,205
Total segment liabilities	**33,150**	32,328
Other payables and accrued expenses and taxation payable	**8,414**	16,676
Total liabilities	**41,564**	49,004

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 and accrued expenses and taxation payable.

Major customers information

Revenue from major customers, each of whom amounted to 10% or more of Group's revenue during the six months ended 30 June 2020 and 31 December 2019, is set out below:

	Unaudited Six months ended 30 June 2020 *HK$'000*	Audited Six months ended 31 December 2019 *HK$'000*
Customer A[1]	**8,486**	9,365
Customer B[2]	**8,903**	7,597
Customer C[2]	**–**	5,000
Customer D[2]	**5,187**	–
Customer E[2]	**5,000**	–

1 Revenue from Customer A is attributable to asset management services.
2 Revenue from Customers B, C, D and E 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. 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 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 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 months ended 31 December 2019, being calculated as follows:

	Audited Six months ended 31 December 2019 *HK$'000*
Assets transferred pursuant to the Creditors' Scheme:	
Financial assets at FVOCI, representing equity interests in Excluded Companies	–
Cash	(80,959)
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	701,099
	925,853
Gain on debt restructuring	844,894

6. PROFIT BEFORE INCOME TAX

	Unaudited Six months ended 30 June 2020	Audited Six months ended 31 December 2019
	HK$'000	*HK$'000*
Profit before income tax is arrived at after charging:		
Amortisation on intangible assets	**7,562**	6,303
Depreciation of		
– Owned property, plant and equipment	**88**	88
– Right-of-use assets	**757**	756
Employee benefit expense (including directors' emoluments)	**4,983**	14,105
Interest on lease liabilities	**32**	46
Impairment losses on trade receivables	**–**	149

7. INCOME TAX EXPENSE

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduced the two-tiered profits tax rates regime (the "Regime"). The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the Regime, the first HK$2 million of profits of qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the Regime will be continued to be taxed at a flat rate of 16.5%.

The Regime only allows a group of connected entities to nominate one entity to apply the reduced tax rate for a given year of assessment. The others would not qualify for the two-tiered profits tax rates.

Hong Kong profits tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits of the subsidiary of the Company and at 16.5% on the estimated assessable profits above HK$2 million of that subsidiary for both reporting periods.

	Unaudited Six months ended 30 June 2020	Audited Six months ended 31 December 2019
	HK$'000	*HK$'000*
Current tax		
– Hong Kong profits tax	**4,030**	4,464
Deferred tax	**(1,248)**	(1,040)
Income tax expense	**2,782**	3,424

8. 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:

	Unaudited Six months ended 30 June 2020 *HK$'000*	Audited Six months ended 31 December 2019 *HK$'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the period attributable to the owners of the Company)	**15,633**	842,334
Number of shares		
Weighted average number of ordinary shares in issue for the purpose of basic and diluted earnings per share	**1,139,330,190**	1,003,788,407

There were no dilutive potential ordinary share in issue for the six months ended 30 June 2020 and 31 December 2019. Accordingly, the diluted earnings per share presented are the same as the basic earnings per share.

9. DIVIDEND

At a Board meeting held on 28 August 2020, the Board resolved not to declare an interim dividend for the period (six months ended 31 December 2019: Nil).

10. GOODWILL

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

	HK$'000
Cost	
At 1 July 2019	–
Additions through acquisition of a subsidiary	302,965
At 31 December 2019, 1 January 2020 and 30 June 2020	**302,965**
Accumulated impairment	
At 1 July 2019	–
Impairment loss	–
At 31 December 2019, 1 January 2020 and 30 June 2020	–
Carrying amount	
At 31 December 2019	302,965
At 30 June 2020	**302,965**

11. INTANGIBLE ASSETS

	Investment management agreement *HK$'000*	**Backlog** *HK$'000*	**Trade name** *HK$'000*	**SFC licences** *HK$'000*	**Total** *HK$'000*
Cost					
At 1 July 2019	–	–	–	–	–
Additions through acquisition of a subsidiary	15,560	15,705	69,044	3,740	104,049
At 31 December 2019, 1 January 2020 and 30 June 2020	**15,560**	**15,705**	**69,044**	**3,740**	**104,049**
Amortisation and impairment					
At 1 July 2019	–	–	–	–	–
Amortisation	2,683	2,181	1,439	–	6,303
At 31 December 2019 and 1 January 2020	2,683	2,181	1,439	–	6,303
Amortisation	3,219	2,617	1,726	–	7,562
At 30 June 2020	**5,902**	**4,798**	**3,165**	**–**	**13,865**
Carrying amount					
At 31 December 2019	12,877	13,524	67,605	3,740	97,746
At 30 June 2020	**9,658**	**10,907**	**65,879**	**3,740**	**90,184**

12. TRADE AND OTHER RECEIVABLES, DEPOSITS PAID AND PREPAYMENTS

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2020	2019
	HK$'000	*HK$'000*
Trade receivables *(Note)*	**10,478**	15,672
Other receivables	**39**	164
Prepayments	**31**	289
Rental and utility deposits	**341**	341
	10,889	16,466

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

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

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2020	2019
	HK$'000	*HK$'000*
Within 30 days	**2,282**	7,174
Over 30 days but within 60 days	**1,484**	6,413
Over 60 days but within 90 days	**1,478**	296
Over 90 days but within 365 days	**4,553**	1,333
Over 365 days	**681**	456
	10,478	15,672

13. IMPACT OF NOVEL CORONAVIRUS OUTBREAK TO THE GROUP

Though Yu Ming has secured significant mandates during the six months ended 30 June 2020, the repercussions of the People's Republic of China ("PRC") travel restrictions caused by the coronavirus create low visibility to our corporate finance advisory operations:–

1. Since face to face meetings have been the common interface with clients, the challenges Yu Ming faces in 2020 will be the difficulties of meeting PRC clients in the corporate finance business, where client instructions and professional parties' discussions are most effective in physical meetings.

2. Some of our works involve reviewing recommendations or decisions of the Stock Exchange where we and clients physically attend to make effective representation at listing committee hearings. The imposition of a fourteen-day quarantine on PRC clients travelling to Hong Kong with a standard seven-day stay permit make it impossible for them to attend those hearings physically. If hearings are postponed, the income recognition of such mandates would likewise be postponed. If the hearings are held with a conference call, the clients would not be able to make an effective representation face-to-face with the listing committee members. Therefore, the travel restrictions are expected to affect revenue, but the extent is too early to conclude.

The Group applied for a government support program introduced in response to the global pandemic. Included in profit or loss is HK$351,000 (six months 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.

EXTRACT OF AUDITOR'S INDEPENDENT REVIEW REPORT ON THE GROUP'S INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The Company's auditor has issued a qualified conclusion on the report on review of interim financial information on the Group's interim condensed consolidated financial statements for the six months ended 30 June 2020. An extract from the auditor's independent review report is as follows:

BASIS FOR QUALIFIED CONCLUSION

1. Deconsolidation of companies

As set out in Note 6 to the Company's interim condensed consolidated financial statements, the Group 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.

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 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. 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"), 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 fairly stated 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 the 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.

Due to limitations on our scope of work on the Group's conclusion of loss of control over the Deconsolidated Companies and other audit scope limitations, we disclaimed our audit opinion on December 2019 Consolidated Financial Statements.

Our review conclusion on the Company's interim condensed consolidated financial statements was also qualified because of the possible effect of limitation of scope of our work on the comparability of the current period'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 6 and Note 16(i) to the Company's interim condensed 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 review conclusion on the Company's interim condensed consolidated financial statements was also qualified because of the possible effect of limitation of scope of our work on the comparability of the current period'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").

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

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 review conclusion on the Company's interim condensed consolidated financial statements was also qualified because of the possible effect of limitation of scope of our work on the comparability of the current period'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 6 to the Company's interim condensed 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 are 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 review conclusion on the Company's interim condensed consolidated financial statements was also qualified because of the possible effect of limitation of scope of our work on the comparability of the current period'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 16(i) to the Company's interim condensed 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, we disclaimed our opinion on December 2019 Consolidated Financial Statements on the above matters.

Our review conclusion on the Company's interim condensed consolidated financial statements was also qualified because of the possible effect of limitation of scope of our work on the comparability of the current period's figures and the corresponding figures.

QUALIFIED CONCLUSION

Except for the adjustments to the corresponding figures included in the interim condensed consolidated financial statements that we might have become aware of had it not been for the situation described in the "Basis for Qualified Conclusion" paragraphs above, based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2020 (the "Interim Period"), the Group is principally engaged in the provision of corporate finance advisory services and asset management services through its wholly-owned subsidiary, Yu Ming.

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 Securities and Futures Ordinance.

Corporate Finance Advisory

During the Interim 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 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 Interim Period, Yu Ming provided asset management services solely to SHK Hong Kong Industries Limited, the first investment company listed on the Stock Exchange.

Revenue

Revenue for the Interim Period mainly consisted of income from corporate finance advisory and related services of approximately HK$26.2 million (six months ended 31 December 2019 ("December 2019 reporting period"): approximately HK$37.4 million) and asset management services of approximately HK$7.9 million (December 2019 reporting period: approximately HK$8.1 million).

Employee Benefit Expense

The Group's employee benefit expense mainly consisted of salaries, bonuses and mandatory provident fund for the employees as well as fees for the Directors. Salaries, bonuses, mandatory provident fund and Directors' fee amounted to approximately HK$4.5 million (December 2019 reporting period: approximately HK$4.0 million), Nil (December 2019 reporting period: approximately HK$9.7 million), approximately HK$0.2 million (December 2019 reporting period: approximately HK$0.2 million) and approximately HK$0.2 million (December 2019 reporting period: approximately HK$0.2 million) respectively during the Interim Period.

Administrative and Other Expenses

Apart from the Group's administrative expenses, other expenses for the Interim Period included the amortisation on intangible assets of approximately HK$7.6 million (December 2019 reporting period: approximately HK$6.3 million).

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the Interim Period (December 2019 reporting period: Nil).

FINANCIAL REVIEW

Overall Results

The Group recorded a net profit of approximately HK$15.6 million for the Interim Period (December 2019 reporting period: approximately HK$842.3 million), representing a decrease in profit of approximately HK$826.7 million. The reasons are mainly due to the liquidation and restructuring of the Company during last financial period, deconsolidation of subsidiaries and incomplete books and records available as mentioned in the 2019 annual report.

Revenue and Financial Resources

For the Interim Period, the Group had revenue of approximately HK$34.6 million (December 2019 reporting period: approximately HK$46.8 million) and the Group's net profit was approximately HK$15.6 million (December 2019 reporting period: approximately HK$842.3 million (if excluding restructuring expenses and gain on debt restructuring, approximately HK$17.6 million)).

As at 30 June 2020, the Group had cash and cash equivalents of approximately HK$63.4 million (31 December 2019: approximately HK$39.9 million). As at 30 June 2020, the Group's current ratio (current assets to current liabilities) was approximately 296.5% (31 December 2019: approximately 192.3%).

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

Indebtedness and Banking Facilities

The Group had no bank and other borrowings as at 30 June 2020 and 31 December 2019.

The Group's gearing ratio, calculated by reference to the ratio of total bank borrowings (if any) to total equity attributable to the owners of the Company as at 30 June 2020 and 31 December 2019, was 0%.

Assets and Liabilities

As at 30 June 2020, the Group had total assets of approximately HK$473.7 million (31 December 2019: approximately HK$465.5 million) and total liabilities of approximately HK$41.6 million (31 December 2019: approximately HK$49.0 million). The net assets of the Group as at 30 June 2020 were approximately HK$432.2 million (31 December 2019: approximately HK$416.5 million).

Capital Structure

As part of the Group's restructuring, the Company completed a series of capital restructuring, including capital reduction, share consolidation, share premium cancellation and increase in authorised share capital during the six months ended 31 December 2019. There was no change to the share capital during the Interim Period.

Commitments

As at 30 June 2020 and 31 December 2019, the Group had no significant outstanding contracted capital commitments.

Charges on Group Assets

As at 30 June 2020 and 31 December 2019, the Group had no assets under pledge.

Significant Investments and Acquisition

There are no significant investments and acquisition during the Interim Period.

On 24 August 2016 and 7 February 2017, the Vendor, the Company and the Former Liquidators entered into the Acquisition Agreement and the Supplemental Acquisition Agreement respectively in relation to the Acquisition. Pursuant to the agreements, the Company would acquire the entire issued share capital of Yu Ming, now a wholly-owned subsidiary of the Company, free from all encumbrances, at the Acquisition Consideration of HK$400.0 million.

All the conditions to the agreements have been either fulfilled or waived and the Acquisition completion took place on 25 July 2019. Please refer to the 2019 annual report under "Business and Financial Review" section for details.

Contingent Liabilities

As at the date of this announcement and as at 30 June 2020 and 31 December 2019, the Board is not aware of any material contingent liabilities.

Events after the Reporting Date

There are no important events affecting the Group which have occurred after the end of financial period for the six months ended 30 June 2020 and up to the date of this interim results announcement.

COVID-19 Pandemic Response

The coronavirus disease 2019 ("COVID-19") spread globally during the first half of 2020. The Group has implemented, since January 2020, certain protocols below to protect the health and safety of our workforce, their families, local suppliers and neighbouring communities while ensuring a safe environment for operations to continue as usual:

- measures to maximize social distancing and staff protection within the offices;
- meetings are held off-site or by conference calls as far as possible;
- cancellation of all non-essential travel;
- flexible and remote working plans for employees;
- self-isolation following outbound travel, development of symptoms, or interaction with a confirmed case of COVID-19 and do coronavirus test as and when necessary at the Company's cost;
- increased inventory of face mask, hand sanitiser and hygiene supplies; and
- increased focus on cleaning and sanitation.

Remuneration Policies and Share Option Scheme

As at 30 June 2020, the Group, including its subsidiary but excluding associates, had 21 staff including Directors (31 December 2019: 19). The remuneration policy of the Group is to ensure that all staff, including Directors, are sufficiently compensated for their efforts and time dedicated to the Group and remuneration offered is appropriate for their duties and in line with market practice. No Director, or any of his associates, or executive is involved in deciding his own remuneration. In addition, share options may be granted to eligible employees of the Group in accordance with the terms of the approved share option scheme.

PROSPECT

A majority of Yu Ming's corporate finance business is non-recurrent in nature. In the past few years, corporate finance income surpassed asset management income, but asset management income is recurrent and stable and provides a stabilizing buffer. The profit sharing arrangement in asset management with its client above a certain threshold and high-watermark also gives a significant boost to the profits occasionally.

Some of the corporate finance transactions undertaken by Yu Ming are complex, some involve resolving shareholders' disputes, and some tangled in regulatory deadlocks. Whilst Yu Ming also advises straight forward corporate finance transactions, such transactions usually require mundane skill set and attract much competition from our peers, and command modest advisory fees. For complex transactions, completion depends on the attitude of the Stock Exchange, which can sometimes be overly conservative. Depending on the mandates, Yu Ming's terms of payment range from no-contingency, staged payment and some contingent payment. Therefore, the attitude of the Stock Exchange can affect the revenue of Yu Ming.

As at the date of this interim results announcement, Yu Ming's new mandates from corporate finance have been satisfactory, and less affected than initial public offering transactions which Yu Ming does not advise. Shareholders should note that according to the prevailing accounting standards, revenue recognition (the amount that can be reported in the financial statements), even for fully-paid fees, can be affected by the completion date of the transaction, and may or may not be fully reflected in the financial statements.

Yu Ming team is cautiously optimistic in sailing through the unprecedented challenges in 2020, and there is no lay-off, no pay-cut, and no head-count freeze.

AUDIT COMMITTEE

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

The Audit Committee has reviewed financial reporting matters and the 2020 Interim Report including a general review of the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2020. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants and representations from management. The Audit Committee has not undertaken detailed independent audit checks.

COMPLIANCE WITH THE CODE PROVISIONS OF THE CORPORATE GOVERNANCE CODE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

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

Hong Kong, 28 August 2020

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.