



銀合控股有限公司
YIN HE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8260



Interim Report
2016

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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This report, for which the directors of Yin He Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

SUMMARY

- Revenue for the six months ended 30 September 2016 amounted to HK\$146,496,000 (2015: HK\$114,159,000), representing an increase of approximately 28% as compared with corresponding period of the previous year.
- Profit attributable to owners of the Company for the six months ended 30 September 2016 amounted to HK\$31,749,000 while profits attributable to owners of the Company for the six months ended 30 September 2015 amounted to HK\$2,089,000.
- Basic earnings per share for the six months ended 30 September 2016 amounted to approximately HK\$2.65 cents while basic earnings per share for the six months ended 30 September 2015 amounted to approximately HK\$0.31 cent.



UNAUDITED INTERIM RESULTS

The board of Directors (the "Board") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2016 together with the comparative unaudited figures for the corresponding periods in 2015 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVES INCOME

For the six months ended 30 September 2016

	Notes	Three months ended 30 September		Six months ended 30 September	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Revenue	3	77,439	59,099	146,496	114,159
Direct costs		(44,720)	(50,213)	(96,175)	(99,290)
Gross profit		32,719	8,886	50,321	14,869
Other income	3	2,919	259	5,283	511
General and administrative expenses		(8,378)	(6,110)	(18,199)	(11,736)
Operating profit		27,260	3,035	37,405	3,644
Finance costs	4	(3)	(6)	(6)	(23)
Profit before income tax	5	27,257	3,029	37,399	3,621
Income tax expense	6	(4,176)	(1,067)	(5,627)	(1,532)
Profit for the period		23,081	1,962	31,772	2,089
Other comprehensive expense for the period					
Effect of foreign exchange rate change		(6,774)	–	(6,774)	(231)
Total comprehensive income for the period		16,307	1,962	24,998	1,858
Profit for the period attributable to					
Owners of the Company		23,077	1,962	31,749	2,089
Non-controlling interest		4	–	23	–
		23,081	1,962	31,772	2,089
Total comprehensive income/ (expense) for the period attributable to					
Owners of the Company		16,330	1,962	25,002	1,858
Non-controlling interest		(23)	–	(4)	–
Earnings per share for profit attributable to owners of the Company					
– Basic (HK cent(s))	8	1.88	0.29	2.65	0.31
– Diluted (HK cent(s))	8	1.78	N/A	2.51	N/A



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the six months ended 30 September 2016

Notes	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
ASSET AND LIABILITIES		
Non-current assets		
Property, plant and equipment	2,037	1,750
Goodwill	504,852	504,852
Intangible assets	6,311	6,486
Interest in associates	–	–
Available for sale investment	123,745	123,154
	636,945	636,242
Current assets		
Trade and other receivables	81,778	80,923
Loan and interest receivables	220,188	116,996
Amount due from a related company	50	50
Bank balance and cash	80,283	94,152
	382,299	292,121
Current liabilities		
Other payables and accrued expenses	34,472	40,619
Obligation under finance lease	168	168
Amount due to an associate	3	3
Tax payable	5,363	7,202
	40,006	47,992
Net current assets	342,293	244,129
Total assets less current liabilities	979,238	880,371



	<i>Notes</i>	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
Non-current liabilities			
Obligation under a finance lease		208	292
Deferred tax liabilities		1,568	1,569
		1,776	1,861
Net assets		977,462	878,510
CAPITAL AND RESERVE			
Share capital	11	12,486	11,521
Reserves		960,227	862,263
Equity attributable to the Company's owners		972,713	873,784
Non-controlling interest		4,749	4,726
Total equity		977,462	878,510

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	Convertible						Non-controlling			Total
	Share capital	Share premium	preference Shares	Merger Reserve	Statutory reserve	Translation reserve	Retained earnings	Total interest		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 March 2015 (Audited)	6,650	93,756	-	(213)	266	373	13,522	114,354	-	114,354
Total comprehensive income for the period	-	-	-	-	-	(231)	2,089	1,858	-	1,858
At 30 September 2015 (Unaudited)	6,650	93,756	-	(213)	266	142	15,611	116,212	-	116,212
At 31 March 2016 (Audited)	11,521	718,316	100,575	(213)	5,030	(3,379)	41,934	873,784	4,726	878,510
Total comprehensive income for the period	-	-	-	-	-	(6,774)	31,749	24,975	23	24,998
Issue of shares upon placing	965	72,989	-	-	-	-	-	73,954	-	73,954
At 30 September 2016 (Unaudited)	12,486	791,305	100,575	(213)	5,030	(10,153)	73,683	972,713	4,749	977,462



UNAUDITED CONDENSED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2016

	Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Net cash used in operating activities	(83,299)	(10,835)
Net cash (used in)/generated from investing activities	(1,195)	511
Net cash generated from/(used in) financing activities	73,870	(176)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(10,624)	(10,500)
Cash and cash equivalents at beginning of the period	94,152	71,674
Effect of foreign exchange rate changes	(3,245)	(231)
	<hr/> <hr/>	<hr/> <hr/>
Cash and cash equivalents at end of the period	80,283	60,943
	<hr/>	<hr/>
Analysis of cash and cash equivalents		
Bank balances and cash	80,283	60,943
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

Yin He Holdings Limited (the “Company”) is a limited liability company incorporated and domiciled in the Cayman Islands. The Company’s shares are listed on the GEM of the Stock Exchange since 10 April 2013.

The unaudited condensed consolidated financial information for the six months ended 30 September 2016 (“Interim Financial Information”) have been prepared in accordance with Hong Kong Accounting Standard (“HKASs”) 34 “Interim Financial Reporting” issued by the Hong Kong Institutes of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of the GEM Listing Rules.

The unaudited condensed consolidated financial information should be read in conjunction with audited financial statements and notes thereto for the year ended 31 March 2016 (“2016 Audited Financial Statements”). The significant accounting policies that have been used in the preparation of these unaudited consolidated results are consistent with those followed in the preparation of 2016 Audited Financial Statements. It should be noted that accounting estimates and assumptions are used in preparation of unaudited condensed consolidated financial information. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

The Interim Financial Information are unaudited, but have been reviewed by the Audit Committee of the Company. The Interim Financial Information were approved for issue on 11 November 2016.

2. SEGMENT INFORMATION

Information reported to the board of directors of the Company, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of services provided. No operating segment identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group’s reportable segments under HKFRS 8 are as follows:

Human resource services	–	provision of staff outsourcing services, executive/staff search services and other human resources support services
Credit consultancy services	–	provision of credit assessment and credit consultancy services
Loan facilitation services	–	operation of peer-to-peer (“P2P”) financing platform and other loan facilitation services
Asset management services	–	provision of financial advisory services for corporate



Revenue and expenses are allocated to the reportable segments with reference to revenue generated and the expenses incurred by those segments. The measurement of segment profit or loss is the same as those used in preparing these financial statements under HKFRSs except that finance costs, and other income and expenses not directly attributable to business activities of the operating segments are not included in arriving at the operating results of the operating segments. Unallocated corporate results comprise of administrative expenses of the Company for the six-month periods ended 30 September 2015 and 2016.

Segment revenue and results

For the six-month period ended 30 September 2016 (unaudited)	Human resources services HK\$'000	Credit consultancy services HK\$'000	Loan facilitation services HK\$'000	Asset management services HK\$'000	Consolidated HK\$'000
Segment revenue	104,986	5,851	20,457	15,202	146,496
Segment profit	2,316	4,342	16,505	13,128	36,291
Interest income					5,193
Unallocated corporate expenses					(4,085)
Profit before income tax					37,399
For the six-month period ended 30 September 2015 (Unaudited)	Human resource services HK\$'000	Credit consultancy services HK\$'000	Loan facilitation services HK\$'000	Asset management services HK\$'000	Consolidated HK\$'000
Reportable segment revenue	107,652	6,507	–	–	114,159
Reportable segment profit	1,668	4,899	–	–	6,567
Interest income					511
Unallocated corporate expenses					(3,457)
Profit before income tax					3,621

There is no inter-segment sale between different business segments during the period or prior year.

Geographical information

The following table presents the revenue from external customers for the six months ended 30 September 2016 and 2015 by geographical locations:

	For the six months ended	
	30 September 2016 (Unaudited) HK\$'000	30 September 2015 (Unaudited) HK\$'000
Revenue from customers		
Hong Kong	104,986	107,652
PRC	41,510	6,507
	146,496	114,159

3. REVENUE AND OTHER INCOME

The Company is principally engaged in the provision of staff outsourcing services. The Company also engaged in the provision of executive/staff search services and other human resources support services.

An analysis of the Group's revenue and other income is as follows:

	Three months ended 30 September		Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Revenue				
Staff outsourcing services	45,658	50,169	97,530	99,132
Executive/staff search services	1,843	2,730	4,252	4,517
Other human resources support services	1,597	2,194	3,204	4,003
Credit consultancy services	3,840	4,006	5,851	6,507
Loan facilitation services	12,157	–	20,457	–
Asset management services	12,344	–	15,202	–
	77,439	59,099	146,496	114,159
Other income				
Interest income	3,438	259	5,193	511
Sundry income/(expense)	(519)	–	90	–
	2,919	259	5,283	511
	80,358	59,358	151,779	114,670


4. FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Interest charges on:				
Bank borrowings, which contain a repayment on demand clause, wholly repayable within five years	–	–	–	–
Obligation under a finance lease	3	6	6	23
	<u>3</u>	<u>6</u>	<u>6</u>	<u>23</u>

5. PROFIT BEFORE INCOME TAX

	Three months ended 30 September		Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Cost of services rendered	44,720	50,213	96,175	99,290
Depreciation:				
– Owned assets	87	47	174	94
– Leased assets	71	133	142	266
	<u>158</u>	<u>180</u>	<u>316</u>	<u>360</u>
Employee benefits expenses (including directors' remuneration):				
Salaries, allowances and benefits in kind, included in:				
– Cost of services rendered	43,113	48,339	92,281	95,565
– General and administrative expenses	3,770	2,272	7,917	4,463
Retirement benefits – defined contribution plans, included in:				
– Cost of services rendered	1,903	1,847	3,766	3,682
– General and administrative expenses	192	44	385	153
	<u>48,978</u>	<u>52,502</u>	<u>104,349</u>	<u>103,863</u>

6. INCOME TAX EXPENSE

	Three months ended 30 September		Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Current tax				
– Hong Kong Profits Tax				
– charged for the period	224	252	382	277
– Enterprise Income Tax of The People's Republic of China (the "PRC")	3,952	815	5,245	1,255
	4,176	1,067	5,627	1,532

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits derived in Hong Kong for both periods.

Pursuant to the income tax rules and regulations of the PRC, the subsidiaries in the PRC are subject to China Enterprise Income Tax at the rate of 25% for both periods and 9% specifically for the PRC subsidiaries which are operating in Tibet Autonomous Region.

7. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2016 (2015: nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 September 2016 is based on the following data:

	2016 HK\$'000	2015 HK\$'000
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	31,749	2,089



	2016 '000	2015 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,195,913	665,000
Effect of dilutive potential ordinary shares: Convertible preference shares	67,500	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,263,413	665,000

For the period ended 30 September 2015, no diluted earnings per share has been presented as there was no dilutive potential ordinary share.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2016, the Group acquired items of property plant and equipment with a total cost of approximately HK\$745,000 (2015: HK\$Nil).

10. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

The Group normally allows credit periods of 30 days to its major customers.

Included in the trade and other receivables, prepayments and deposits of the Group and trade receivables of approximately HK\$29,493,000 (31 March 2016: HK\$42,598,000). The following is an aged analysis of trade receivables at the end of the financial reporting periods:

	As at 30 September 2016 (Unaudited) HK\$ '000	As at 31 March 2016 (Audited) HK\$ '000
0-30 days	26,824	22,779
31-60 days	92	14,241
61-90 days	2,577	4,022
91-180 days	-	1,556
	29,493	42,598

11. SHARE CAPITAL

	Period ended 30 September 2015 (Unaudited)	
	<i>Number of ordinary shares</i>	<i>HK\$ '000</i>
Authorised (HK\$0.01 each):		
At beginning and end of the period/year	<u>5,000,000,000</u>	<u>50,000</u>
Issued and fully paid (HK\$0.01 each):		
At 31 March 2016	1,152,076,923	11,521
Issue of ordinary shares upon placing	<u>96,500,000</u>	<u>965</u>
At 30 September 2016	<u>1,248,576,923</u>	<u>12,486</u>

- (a) On 6 May 2016, the Company entered into a placing agreement with China Industrial Securities International Brokerage Limited (the "Placing Agent"). Pursuant to the placing agreement, the Company appointed the Placing Agent to procure not less than six placees who are independent third parties to subscribe for up to 25,000,000 placing shares at a price of HK\$0.64 per placing share (the "First Placing").

The First Placing was completed on 20 May 2016 where 25,000,000 placing shares were subscribed for in full pursuant to the terms and conditions of the placing agreement. The net proceeds arising from the First Placing were approximately HK\$15,600,000.

- (b) On 27 May 2016, the Company entered into another placing agreement with the Placing Agent. Pursuant to the placing agreement, the Company appointed the Placing Agent to procure not less than six placees who are independent third parties to subscribe for up to 30,000,000 placing shares at a price of HK\$0.685 per placing share (the "Second Placing").

The Second Placing was completed on 13 June 2016 where 30,000,000 placing shares were subscribed for in full pursuant to the terms and conditions of the placing agreement. The net proceeds arising from the Second Placing were approximately HK\$20,100,000.

- (c) On 20 June 2016, the Company entered into another placing agreement with the Placing Agent. Pursuant to the placing agreement, the Company appointed the Placing Agent to procure not less than six placees who are independent third parties to subscribe for up to 11,500,000 placing shares at a price of HK\$0.671 per placing share (the "Third Placing").

The Third Placing was completed on 5 July 2016 where 11,500,000 placing shares were subscribed for in full pursuant to the terms and conditions of the placing agreement. The net proceeds arising from the Third Placing were approximately HK\$7,500,000.



- (d) On 26 August 2016, the Company entered into an placing agreement with Cinda International Securities Limited ("Cinda"). Pursuant to the placing agreement, the Company appointed Cinda to procure not less than six placees who are independent third parties to subscribe for up to 30,000,000 placing shares at a price of HK\$1.04 per placing share (the "Fourth Placing").

The Fourth Placing was completed on 19 September 2016 where 30,000,000 placing shares were subscribed for in full pursuant to the terms and conditions of the placing agreement. The net proceeds arising from the Fourth Placing were approximately HK\$30,500,000.

12. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

	Three months ended 30 September		Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Total remuneration of directors during the period				
– Short-term employee benefits	420	330	840	660
– Post-employment benefits	5	–	9	–
	<u>425</u>	<u>330</u>	<u>849</u>	<u>660</u>

The directors consider that other than themselves, the Group had no other key management personnel.

13. RESERVES

The amounts of the Group's unaudited reserves and the movements therein for the current and the same period of previous year are presented in the condensed consolidated statement of changes in equity of the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The Group recorded an unaudited revenue of approximately HK\$146,496,000 for the six months ended 30 September 2016, representing an increase of 28% from approximately HK\$114,159,000 for the corresponding period of the previous year.

The unaudited net profit attributable to shareholders for the six months ended 30 September 2016 was HK\$31,749,000 whereas the Group recorded a net profit of approximately HK\$2,089,000 for the corresponding period of the previous year. The increase was due to the increase in profit contributed by the Group's subsidiaries acquired during the year ended 31 March 2016.

The Group's gross profit for the six months ended 30 September 2016 was HK\$50,321,000, representing an increase of 238% as compared with the corresponding period (2015: HK\$14,869,000). The significant increase in the Group's gross profit was mainly attributable by the profits derived from the Group's provision of loan facilitation and asset management services, which accounted for approximately 71% of the Group's total gross profit. These business segments also placed a positive impact on the Groups gross profit margin. The gross profit margin of the Group for the six months ended 30 September 2016 was 34%, significantly higher when compared with the margin of 13% in last corresponding period.

The Group's general and administrative expense for the six months ended 30 September 2016 amounted to HK\$18,199,000, which represented an increase of approximately 55% as compared with the last corresponding period (2015: HK\$11,736,000). The increase is due to the inclusion of administrative expenses incurred by the Group's subsidiaries acquired during year ended 31 March 2016.

Business Review

The Group is principally engaged in the provision of (i) staff outsourcing services, executive/staff search and other human resources support services; (ii) credit assessment and credit counselling services in the PRC; (iii) loan facilitation business in the PRC; and (iv) asset management services in the PRC.

During the first half of the financial year, the Group continue to maintain its market position as the leading human resources services provider in Hong Kong with a moderate decrease in revenue of 2.5% when compared to the previous period.



For the six months ended 30 September 2016, the unaudited revenue from staff outsourcing services was approximately HK\$97,530,000, representing an decrease of approximately 1.6% when compared to approximately HK\$99,132,000 for the corresponding period of the previous year. The reason for the decrease was due to a reduction in demand for staff outsourcing services from existing clients.

Of the total unaudited turnover amount, approximately HK\$97,530,000 or 66.6% was generated from staff outsourcing services, approximately HK\$4,252,000 or 2.9% was generated from executive/staff search services, approximately HK\$3,204,000 or 2.2% was generated from other human resources support services and approximately HK\$5,851,000 or 4% was generated from credit consultancy services.

Revenue from executive/staff search services for the six months ended 30 September 2016, decreased by approximately 5.9%, the unaudited revenue being approximately HK\$4,252,000 when compared to approximately HK\$4,517,000 for the corresponding period of previous year. The decrease was mainly due to a drop in demand for executive/staff search in the banking industry.

The unaudited revenue from other human resources support decreased by approximately 20% when compared to the corresponding period of previous year, due to keen competition faced by the Company's human resources services. For the six months ended 30 September 2016, the unaudited revenue from other human resources support services was approximately HK\$3,204,000, while the corresponding period of previous year was approximately HK\$4,003,000.

The Group has successfully diversified into providing loan facilitation and asset management services to customers in the PRC and these new business segments have broaden the Group's revenue stream. The unaudited revenue from these segments for the six months ended 30 September 2016 was approximately HK\$35,659,000 which represented approximately 24% of the Group's total revenue.

Prospects

The Group aims to create value for shareholders by looking into new business synergies and exploring potential strategic partners to broaden its credit consultancy and counseling business. While maintaining their competitiveness in the market as the leading human resource services provider in Hong Kong, the Group will also focus strongly on their business developments in the PRC by expanding their expertise and services in staff outsourcing services in the PRC.



Liquidity and Finance Resources

During the period under review, the Group financed its operations by internally generated cash flow. As at 30 September 2016, the Group had net current assets of HK\$342,293,000 (31 March 2016: HK\$244,129,000) including bank balances and cash of approximately HK\$80,283,000 (31 March 2016: HK\$94,152,000). The current ratio, being the ratio of current assets to current liabilities, as at 30 September 2016 was approximately 9.56 (31 March 2016: 6.09).

As at 30 September 2016, the Group's gearing ratio was 0.04% (31 March 2016: 0.1%), which is calculated based on the Group's total borrowings of approximately HK\$376,000 (31 March 2016: HK\$460,000) and the Group's total equity of approximately HK\$977,462,000 (31 March 2016: HK\$878,510,000).

Capital Structure of the Group

Details of the movements in the Company's share capital are set out in note 11 to the consolidated financial statements in this report.

Save as disclosed, there was no material change in the Group's capital structure as compared to the most recent published annual report.

Foreign Exchange Exposure

As most of the Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars and Renminbi, the Group's exposure to exchange rate risk is limited. It is the Group's treasury policy to manage its foreign currency exposure only when its potential financial impact is material to the Group. The Group did not use any financial instrument to hedge against foreign currency risk.

**Charges on Group's Assets**

The Group had motor vehicle acquired under finance lease with a carrying value of approximately HK\$684,000 (31 March 2016: HK\$826,000).

Save as aforesaid, as at 30 September 2016, the Group did not have any mortgage or charge.

Contingent Liabilities

As at 30 September 2016, the Group did not have any material contingent liabilities.

Employees and Remuneration Policies

As at 30 September 2016, the Group's staff costs, including director's remuneration, were approximately HK\$104,349,000 (2015: HK\$103,863,000). It is the Group's policy to review its employee's pay levels and performance bonus system regularly to ensure the remuneration policy is competitive within the industry.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Since the Scheme has become effective, no share options were granted, exercised or cancelled by the Company under the Scheme during the period under review and there were no outstanding share options under the Scheme as at 30 September 2016.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 September 2016, the interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) ("SFO")) held by the Directors and chief executives of the Company which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the required standard of dealing by the Directors under the GEM Listing Rules relating to securities transactions by the Directors are as follows:

Long position in ordinary shares and underlying shares

Name of Directors	Nature of interests	Number of shares held	Approximate percentage of issued share capital
Li Si Cong	Beneficial owner	66,500,000	5.3%

Save as disclosed above, to the best knowledge of the Directors of the Company, as at 30 September 2016, none of the Directors or chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares of equity derivative and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the required standard of dealing by the Directors under the GEM Listing Rules relating to securities transactions by the Directors.



SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors or chief executives of the Company, as at 30 September 2016, the following persons/entities have an interest or a short position in the shares or the underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under section 336 of the SFO, or who will be, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

Name	<i>Notes</i>	Nature of interests	Number of shares held	Approximate percentage of issued share capital
Upmost Corporation Limited	1	Beneficial owner	207,200,000	16.60%
Zhang Jian		Interest in controlled corporation	207,200,000	16.60%
Zhan Yu Global Limited	2	Beneficial owner	75,000,000	6.01%
Ye Jun		Interest in controlled corporation	75,000,000	6.01%
Li Ang	3	Beneficial owner	22,000,000	1.76%
Elate Star Limited	3	Beneficial owner	49,746,039	3.99%

Notes:

1. Upmost Corporation Limited is a company owned as to 100% by Mr. Zhang Jian. By virtue of the SFO, Mr. Zhang Jian is deemed to be interested in the same block of shares in which Upmost Corporation Limited is interest.
2. Zhan Yu Global Limited is a company owned as to 100% by Mr. Ye Jun. By virtue of the SFO, Mr. Ye Jun is deemed to be interested in the same block of shares in which Zhan Yu Global Limited is interest.
3. Elate Star Limited is wholly and beneficially owned by Mr. Li Ang and therefore, Mr. Li Ang is deemed to be interested in 49,746,039 shares held by Elate Star Limited under the SFO.



Save as disclosed above, as at 30 September 2016, the Company had not been notified by any other persons (other than Directors and chief executive of the Company) who had interests and/or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of the Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Company has not completed any material acquisitions or disposal during the period.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased or sold any of the Company's listed securities during the six months ended 30 September 2016. The Company had not redeemed any of its listed securities during the six months ended 30 September 2016.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of all Directors who have confirmed their compliance with required standard set out in the Securities Code during the six months ended 30 September 2016.

CORPORATE GOVERNANCE

The Company has complied with the code provisions in the Corporate Governance Code (the "Code") as set out in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 September 2016, except for the following:

**CG Code provision A.2.1**

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate. Mr. Cheung Tin Duk, Victor resigned as the Company's chairman and chief executive officer on 31 August 2015 and was re-designated as a non-executive Director. Following his resignation, the Company has been seeking suitable candidate to fill up the vacancies. The Board will continue to review the current management structure from time to time and may make changes if and when appropriate.

CG Code provision A.6.7

Pursuant to the code provision A.6.7, independent non-executive directors and other non-executive directors, as equal Board members, should attend the general meetings of the Company.

The Company held its annual general meeting on 3 August 2016 (the "AGM") but one of the independent non-executive directors and the non-executive director of the Company were unable to attend the EGM due to their unavoidable business engagement.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to the requirements of Rule 13.51B(1) of the Listing Rules, the changes in Directors' information since the date of 2016 Annual Report are set out below:

With effective from 1 September 2016, Mr. Lam Tsz Chung has been re-designated as a non-executive Director of the Company.

COMPETITION AND CONFLICT OF INTEREST

None of the directors, the management shareholders or substantial shareholders of the Company or any of its respective associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during six months ended 30 September 2016.



AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Lam, Raymond Shiu Cheung, Mr. Wang En Ping and Dr. Cheung Wai Bun Charles, JP. Mr. Wang En Ping is the Chairman of the Audit Committee.

The Group's unaudited results for the six months ended 30 September 2016 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

By Order of the Board

Yin He Holdings Limited

Li Si Cong

Executive Director

Hong Kong, 11 November 2016