



# 銀合控股有限公司 YIN HE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8260



*Third Quarterly Report*

# 2016

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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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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 nine months ended 31 December 2016 amounted to HK\$207,595,000 (2015: HK\$190,878,000), representing an increase of approximately 8.8% as compared with corresponding period of the previous year.
- Profit attributable to owners of the Company for the nine months ended 31 December 2016 amounted to HK\$35,869,000 while profits attributable to owners of the Company for the nine months ended 31 December 2015 amounted to HK\$13,846,000.
- Basic earnings per share for the nine months ended 31 December 2016 amounted to approximately HK\$2.93 cents while basic earnings per share for the nine months ended 31 December 2015 amounted to approximately HK\$1.95 cent.



## UNAUDITED THIRD QUARTERLY RESULTS

The board of Directors (the "Board") of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the nine months ended 31 December 2016, together with the comparative unaudited figures for the corresponding periods in 2015 as follows:

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVES INCOME

For the three months and nine months ended 31 December 2016

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
<b>Revenue</b>	3	<b>61,099</b>	76,208	<b>207,595</b>	190,878
Direct costs		<b>(44,499)</b>	(54,081)	<b>(140,674)</b>	(153,371)
<b>Gross profit</b>		<b>16,600</b>	22,127	<b>66,921</b>	37,507
Other income	3	<b>3,063</b>	29	<b>8,346</b>	29
General and administrative expenses		<b>(14,086)</b>	(8,434)	<b>(32,284)</b>	(20,170)
<b>Operating profit</b>		<b>5,577</b>	13,722	<b>42,983</b>	17,366
Finance costs	4	<b>(3)</b>	(4)	<b>(9)</b>	(27)
<b>Profit before income tax</b>		<b>5,574</b>	13,718	<b>42,974</b>	17,339
Income tax expense	5	<b>(1,462)</b>	(1,961)	<b>(7,089)</b>	(3,493)
<b>Profit for the period</b>		<b>4,112</b>	11,757	<b>35,885</b>	13,846
<b>Other comprehensive expense for the period</b>					
Effect of foreign exchange rate change		-	-	<b>(6,774)</b>	(231)
<b>Total comprehensive income for the period</b>		<b>4,112</b>	11,757	<b>29,111</b>	13,615
<b>Profit/(loss) for the period attributable to</b>					
Owners of the Company		<b>4,119</b>	11,757	<b>35,869</b>	13,846
Non-controlling interest		<b>(7)</b>	-	<b>16</b>	-
		<b>4,112</b>	11,757	<b>35,885</b>	13,846
<b>Total comprehensive income/(expense) for the period attributable to</b>					
Owners of the Company		<b>4,119</b>	11,757	<b>29,122</b>	13,615
Non-controlling interest		<b>(7)</b>	-	<b>(11)</b>	-
<b>Earnings per share for profit attributable to owners of the Company</b>					
— Basic (HK cent(s))	6	<b>0.32</b>	1.48	<b>2.93</b>	1.95
— Diluted (HK cent(s))	6	<b>0.30</b>	1.22	<b>2.78</b>	1.88

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2016

	Share capital	Share premium	Convertible preference Shares	Merger Reserve	Statutory reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
<b>At 1 April 2015 (Audited)</b>	6,650	93,756	-	(213)	266	373	13,522	114,354	-	114,354
Total comprehensive income for the period	-	-	-	-	-	(231)	13,846	13,615	-	13,615
Conversion of preference shares	2,025	119,475	-	-	-	-	-	121,500	-	121,500
Issue of subscription shares	665	77,805	-	-	-	-	-	78,470	-	78,470
	<u>9,340</u>	<u>291,036</u>	<u>-</u>	<u>(213)</u>	<u>266</u>	<u>142</u>	<u>27,368</u>	<u>327,939</u>	<u>-</u>	<u>327,939</u>
<b>At 31 December 2015 (Unaudited)</b>										
<b>At 31 March 2016 (Audited)</b>	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	-	-	-	-	-	(6,747)	35,869	29,122	(11)	29,111
Issue of shares upon placing	2,056	171,897	-	-	-	-	-	173,953	-	173,953
Issue of consideration shares	1,029	86,471	-	-	-	-	-	87,500	-	87,500
Conversion of preference shares	10	1,480	(1,490)	-	-	-	-	-	-	-
	<u>14,616</u>	<u>978,164</u>	<u>99,085</u>	<u>(213)</u>	<u>5,030</u>	<u>(10,126)</u>	<u>77,803</u>	<u>1,164,359</u>	<u>4,715</u>	<u>1,169,074</u>
<b>At 31 December 2016 (Unaudited)</b>										



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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 third quarterly financial statements for the nine months ended 31 December 2016 (the “Third Quarterly Financial Statements”) have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”).

The unaudited condensed consolidated third quarterly financial statements should be read in conjunction with the Group’s annual audited financial statements and notes thereto for the year ended 31 March 2016 (“2016 Audited Financial Statements”). The principal 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 third quarterly financial statements. 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 Third Quarterly Financial Statements are unaudited, but have been reviewed by the Audit Committee of the Company. The Third Quarterly Financial Statements were approved for issue on 9 February 2017.

### 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 nine-month periods ended 31 December 2015 and 2016.

Inter-company transactions and balances between Group companies are eliminated.

### 3. REVENUE AND OTHER INCOME

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

	Three months ended 31 December		Nine months ended 31 December	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
<b>Revenue</b>				
Staff outsourcing services	45,896	52,290	143,426	151,422
Executive/staff search services	587	1,203	4,839	5,720
Other human resources support services	1,278	2,826	4,482	6,829
Credit consultancy services	1,484	3,704	7,335	10,211
Loan facilitation services	10,702	15,336	31,159	15,336
Asset management services	1,152	-	16,354	-
	<b>61,099</b>	75,359	<b>207,595</b>	189,517
<b>Other income</b>				
Interest income	2,926	878	8,119	1,390
Sundry income	137	-	227	-
	<b>3,063</b>	878	<b>8,346</b>	1,390
	<b>64,162</b>	76,237	<b>215,941</b>	190,907



#### 4. FINANCE COSTS

	Three months ended 31 December		Nine months ended 31 December	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Interest charges on:				
Bank loans, which contain a repayment on demand clause, wholly repayable within five years	-	-	-	-
Obligation under finance lease	3	4	9	27
	<u>3</u>	<u>4</u>	<u>9</u>	<u>27</u>
	<u><u>3</u></u>	<u><u>4</u></u>	<u><u>9</u></u>	<u><u>27</u></u>

#### 5. INCOME TAX EXPENSE

	Three months ended 31 December		Nine months ended 31 December	
	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	26	23	408	300
- Enterprise Income Tax of The People's Republic of China (the "PRC")	1,436	1,938	6,681	3,193
	<u>1,462</u>	<u>1,961</u>	<u>7,089</u>	<u>3,493</u>
	<u><u>1,462</u></u>	<u><u>1,961</u></u>	<u><u>7,089</u></u>	<u><u>3,493</u></u>

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% is specifically for the PRC subsidiaries which are operating in Tibet Autonomous Region.



**6. EARNINGS PER SHARE**

The calculation of the basic and diluted earnings per share are based on the following data:

	Three months ended 31 December		Nine months ended 31 December	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
<b>Earnings</b>				
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	<b>4,119</b>	11,757	<b>35,869</b>	13,846
	<b>'000</b>	'000	<b>'000</b>	'000
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,277,800</b>	792,196	<b>1,223,308</b>	707,553
Effect of dilutive potential ordinary shares:				
Convertible preference shares	<b>66,500</b>	170,434	<b>66,500</b>	28,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>1,344,301</b>	962,630	<b>1,289,808</b>	735,553



## **DIVIDENDS**

The Board does not recommend the payment of a dividend for the nine months ended 31 December 2016 (2015: nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Review**

The Group recorded an unaudited revenue of approximately HK\$207,595,000 for the nine months ended 31 December 2016, representing an increase of approximately 8.8% from approximately HK\$190,878,000 for the corresponding period of the previous year. Of the total unaudited revenue amount, approximately HK\$143,426,000 or 69.1% was generated from staff outsourcing services, approximately HK\$4,839,000 or 2.3% was generated from executive/staff search services, approximately HK\$4,482,000 or 2.2% was generated from other human resources support services, approximately HK\$7,335,000 or 3.5% was generated from credit assessment and consultancy services, approximately HK\$31,159,000 or 15% was generated from loan facilitation business in the PRC and approximately HK\$16,354,000 or 7.9% was generated from asset management services.

The unaudited net profit attributable to shareholders for the nine months ended 31 December 2016 was approximately HK\$35,869,000 whereas the Group recorded a net profit of approximately HK\$13,846,000 for the corresponding period of the previous year.

During the period under review, the Group's gross profit for the nine months ended 31 December 2016 was approximately HK\$66,921,000, representing an increase of approximately 78.4% as compared with the last corresponding period (2015: HK\$37,507,000). The gross profit margin of the Group for the nine months ended 31 December 2016 was approximately 32.2%, notably higher when compared with the last corresponding period (2015: 19.7%).

The Group's general and administrative expenses for the nine months ended 31 December 2016 amounted to approximately HK\$32,284,000, which represented an increase of approximately 60.1% as compared with the last corresponding period (2015: HK\$20,170,000).



## 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 nine months of the financial year, the Group continues to maintain its market position as the leading human resources services provider in Hong Kong with a moderate decrease in revenue of approximately 6.8% when compared to that of the previous period.

For the nine months ended 31 December 2016, the unaudited revenue from staff outsourcing services was approximately HK\$143,426,000, representing a decrease of approximately 5.3% when compared to approximately HK\$151,422,000 for the corresponding period of the previous year. The reason for the decrease was due to a decrease in demand for staff outsourcing services from existing clients.

Revenue generated from executive/staff search services for the nine months ended 31 December 2016 was approximately HK\$4,839,000, representing a decrease of approximately 15.4% when compared to approximately HK\$5,720,000 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 generated from other human resources support services for the nine months ended 31 December 2016 decreased by approximately 34.4% when compared to the corresponding period of previous year. The decrease was due to the decrease in demand from existing clients for its other human resources support services. For the nine months ended 31 December 2016, the unaudited revenue generated from other human resources support services was approximately HK\$4,482,000, while the corresponding period of previous year was approximately HK\$6,829,000.

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 generated from these segments for the nine months ended 31 December 2016 was approximately HK\$47,513,000, representing approximately 22.9% 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 assessment and credit counselling services, loan facilitation and asset management business in the PRC. While maintaining their competitiveness in the market as the leading human resource services provider in Hong Kong, the Group will also focus strongly on business developments in the PRC by expanding within its existing platform and services network in the PRC.

## Capital Structure of the Group

On 20 May 2016, the Company has allotted and issued 25,000,000 placing shares following the completion of placing of shares with net proceeds of approximately HK\$15,600,000.

On 13 June 2016, the Company has allotted and issued 30,000,000 placing shares following the completion of placing of shares with net proceeds of approximately HK\$20,100,000.

On 5 July 2016, the Company has allotted and issued 11,500,000 placing shares following the completion of placing of shares with net proceeds of approximately HK\$7,500,000.

On 19 September 2016, the Company has allotted and issued 30,000,000 placing shares following the completion of placing of shares with net proceeds of approximately HK\$30,500,000.

On 2 November 2016, a CPS owner has converted 1,000,000 CPS into ordinary shares.

On 16 December 2016, the Company has allotted and issued 102,941,177 ordinary shares following the completion of acquisition of the entire issued capital of Beauty Sky Group Limited.

On 23 December 2016, the Company has allotted and issued 109,050,000 placing shares following the completion of placing of shares with net proceeds of approximately HK\$99,200,000.

As at 31 December 2016, there were 1,461,568,100 ordinary shares in issued. Save as disclosed above, 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.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 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	4.55%

Save as disclosed above, to the best knowledge of the Directors of the Company, as at 31 December 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 31 December 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:

<b>Name</b>	<i>Notes</i>	<b>Nature of interests</b>	<b>Number of shares held</b>	<b>Approximate percentage of issued share capital</b>
Upmost Corporation Limited	1	Beneficial owner	207,200,000	14.18%
Zhang Jian		Interest in controlled corporation	207,200,000	14.18%
Zhan Yu Global Limited	2	Beneficial owner	75,000,000	5.13%
Ye Jun		Interest in controlled corporation	75,000,000	5.13%
Li Ang		Interest in controlled corporation	141,764,089	9.70%
Gao Tong Limited	3	Beneficial owner	70,000,000	4.79%
Elate Star Limited	3	Beneficial owner	71,764,039	4.91%
Lu Xiang-yang		Beneficial owner	109,050,000	7.46%

*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 and Gao Tong Limited are 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 and 70,000,000 shares held by Gao Tong Limited under the SFO.

Save as disclosed above, as at 31 December 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**

On 7 December 2016, the Group has entered into a conditional agreement with an independent third party for the acquisition of entire issued share capital of Beauty Sky Group Limited at a consideration of RMB70,000,000 (equivalent to approximately HK\$87,500,000) which will be satisfied by the allotment and issuance of 102,941,177 ordinary shares of the Company. Beauty Sky is an investment holding company while its PRC subsidiary is principally engaged in the provision of financing counselling and financing referral services to the institutional lenders with borrowers mainly in the real estate property market in the PRC. For further details, please refer to the announcements of the Company dated 7 December 2016 and 13 December 2016.

The acquisition was completed on 13 December 2016. Subsequent to the acquisition, Beauty Sky and its subsidiaries became wholly-owned subsidiaries of the Company.



## **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 nine months ended 31 December 2016. The Company had not redeemed any of its listed securities during the nine months ended 31 December 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 nine months ended 31 December 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 nine months ended 31 December 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.



## 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 nine months ended 31 December 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 nine months ended 31 December 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, 9 February 2017