



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 **2017**



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 2017 amounted to HK\$135,482,000 (2016: HK\$146,496,000), representing a decrease of approximately 7.5% as compared with corresponding period of the previous year.
- Profit attributable to owners of the Company for the six months ended 30 September 2017 amounted to HK\$14,506,000 while profits attributable to owners of the Company for the six months ended 30 September 2016 amounted to HK\$31,749,000.
- Basic earnings per share for the six months ended 30 September 2017 amounted to approximately HK\$0.99 cent while basic earnings per share for the six months ended 30 September 2016 amounted to approximately HK\$2.65 cents.



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 2017 together with the comparative unaudited figures for the corresponding periods in 2016 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVES INCOME

For the six months ended 30 September 2017

| | Notes | Unaudited For the three months ended | | Unaudited For the six months ended | |
|---|-------|---|----------------------------------|---------------------------------------|----------------------------------|
| | | 30 September 2017 HK\$'000 | 30 September 2016 HK\$'000 | 30 September 2017 HK\$'000 | 30 September 2016 HK\$'000 |
| Revenue | 5 | 66,443 | 77,439 | 135,482 | 146,496 |
| Direct costs | | (33,541) | (44,720) | (72,993) | (96,175) |
| Gross profit | | 32,902 | 32,719 | 62,489 | 50,321 |
| Other income | 5 | 801 | 2,919 | 882 | 5,283 |
| General and administrative expenses | | (24,286) | (8,378) | (40,729) | (18,199) |
| Operating profit | | 9,417 | 27,260 | 22,642 | 37,405 |
| Finance costs | 6 | (3,215) | (3) | (3,215) | (6) |
| Profit before income tax | 7 | 6,202 | 27,257 | 19,427 | 37,399 |
| Income tax expense | 8 | (1,675) | (4,176) | (4,873) | (5,627) |
| PROFIT FOR THE PERIOD | | 4,527 | 23,081 | 14,554 | 31,772 |
| OTHER COMPREHENSIVE INCOME FOR THE PERIOD | | | | | |
| Release of investment revaluation reserve upon disposal of available-for-sale investments | | (738) | - | (738) | - |
| Effect of foreign exchange rate change | | 10,001 | (6,774) | 10,001 | (6,774) |
| Total comprehensive income for the period | | 13,790 | 16,307 | 23,817 | 24,998 |
| Profit for the period attributable to | | | | | |
| Owners of the Company | | 4,501 | 23,077 | 14,506 | 31,749 |
| Non-controlling interest | | 26 | 4 | 48 | 23 |
| | | 4,527 | 23,081 | 14,554 | 31,772 |
| Total comprehensive income/(expense) for the period attributable to | | | | | |
| Owners of the Company | | 13,764 | 16,330 | 23,769 | 25,002 |
| Non-controlling interest | | 26 | (23) | 48 | (4) |
| Earnings per share for profit attributable to owners of the Company | | | | | |
| - Basic (HK cent(s)) | | 0.308 | 1.880 | 0.992 | 2.650 |
| - Diluted (HK cent(s)) | | 0.295 | 1.780 | 0.949 | 2.510 |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the six months ended 30 September 2017

| | As at 30 September 2017 (Unaudited) HK\$'000 | As at 31 March 2017 (Audited) HK\$'000 |
|--|---|--|
| <i>Notes</i> | | |
| ASSET AND LIABILITIES | | |
| Non-current assets | | |
| Property, plant and equipment | 1,453 | 1,771 |
| Goodwill | 574,556 | 574,556 |
| Contingent consideration receivable – non-current portion | 3,018 | 3,018 |
| Loan and interest receivables – non-current portion | – | 11,913 |
| Intangible assets | 5,183 | 5,291 |
| Interests in associates | – | – |
| Available-for-sale investments | 105,976 | 108,195 |
| | 690,186 | 704,774 |
| Current assets | | |
| Held for trading investments | 306 | 286 |
| Trade and other receivables | 69,090 | 64,413 |
| Loan and interest receivables – current portion | 643,750 | 389,316 |
| Contingent consideration receivable – current portion | 280 | 280 |
| Amounts due from related parties | 59 | 3,740 |
| Amount due from an associate | – | – |
| Bank balances and cash | 44,389 | 65,253 |
| | 757,874 | 523,288 |

| | As at 30 September 2017 (Unaudited) HK\$'000 | As at 31 March 2017 (Audited) HK\$'000 |
|---|---|---|
| <i>Notes</i> | | |
| Current liabilities | | |
| Other payables and accrued expenses | 39,862 | 31,787 |
| Obligation under finance lease | 220 | 174 |
| Amount due to an associate | – | 3 |
| Bonds payable | 108,000 | – |
| Tax payable | 1,361 | 3,742 |
| | 149,443 | 35,706 |
| Net current assets | 608,431 | 487,582 |
| Total assets less current liabilities | 1,298,617 | 1,192,326 |
| Non-current liabilities | | |
| Obligation under finance lease | – | 118 |
| Bonds payable | 82,700 | – |
| Deferred tax liabilities | 1,193 | 1,301 |
| | 83,893 | 1,419 |
| Net assets | 1,214,724 | 1,190,907 |
| Capital and reserves | | |
| Share capital | 14,616 | 14,616 |
| Reserves | 1,195,546 | 1,171,777 |
| Equity attributable to owners of the Company | 1,210,162 | 1,186,393 |
| Non-controlling interest | 4,562 | 4,514 |
| Total equity | 1,214,724 | 1,190,907 |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

| | Share capital | Share premium | Convertible preference shares | Merger reserve | Investment revaluation reserve | Statutory reserve | Translation reserve | Retained earnings | Total | Non-controlling interest | Total equity |
|---|---------------|----------------|-------------------------------|----------------|--------------------------------|-------------------|---------------------|-------------------|------------------|--------------------------|------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| As at 31 March 2016 | 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 share upon placing | 965 | 72,989 | - | - | - | - | - | - | 73,954 | - | 73,954 |
| At 30 September 2016 (Unaudited) | <u>12,486</u> | <u>791,305</u> | <u>100,575</u> | <u>(213)</u> | <u>-</u> | <u>5,030</u> | <u>(10,153)</u> | <u>73,683</u> | <u>972,713</u> | <u>4,749</u> | <u>977,462</u> |
| As at 31 March 2017 | 14,616 | 997,994 | 99,085 | (213) | 7,171 | 10,936 | (16,229) | 73,033 | 1,186,393 | 4,514 | 1,190,907 |
| Total comprehensive income for the period | - | - | - | - | (738) | - | 10,001 | 14,506 | 23,769 | 48 | 23,817 |
| At 30 September 2017 (Unaudited) | <u>14,616</u> | <u>997,994</u> | <u>99,085</u> | <u>(213)</u> | <u>6,433</u> | <u>10,936</u> | <u>(6,228)</u> | <u>87,539</u> | <u>1,210,162</u> | <u>4,562</u> | <u>1,214,724</u> |

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

| | Six months ended 30 September | |
|---|--|-------------|
| | 2017 | 2016 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Net cash used in operating activities | (225,154) | (83,299) |
| Net cash generated from (used in) investing activities | 3,729 | (1,195) |
| Net cash generated from financing activities | 190,628 | 73,870 |
| Net decrease in cash and cash equivalents | (30,797) | (10,624) |
| Cash and cash equivalents at beginning of the period | 65,253 | 94,152 |
| Effect of foreign exchange rate changes | 9,933 | (3,245) |
| Cash and cash equivalents at end of the period | 44,389 | 80,283 |
| Analysis of cash and cash equivalents | 44,389 | 80,283 |



NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Yin He Holdings limited (the “Company”) was incorporated in the Cayman Islands on 24 February 2012 as an exempted company with limited liability under the Companies law of the Cayman Islands. The Company’s shares are listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong limited (the “Stock Exchange”) on 10 April 2013.

The Company’s registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company’s principal place of business is located at Room 2418A, Wing On Centre, 111 Connaught Road Central, Hong Kong.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial information for the six months ended 30 September 2017 (“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 2017.

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 13 November 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on historical cost basis. Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2017 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2017.

In the current interim period, the Group has applied for the first time in the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

| | |
|-----------------------|--|
| Amendments to HKAS 7 | Disclosure Initiative |
| Amendments to HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses |
| Amendments to HKFRSs | Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014-2016 Cycle |

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in the condensed consolidated financial statements and/or on the disclosures set out in these condensed consolidated financial statements.

4. 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 |
| Loan financing services | – | provision of loan financing services |



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 2016 and 2017.

Segment revenue and results

For the six-month period ended 30 September 2017 (unaudited)

| | Human resources services HK\$ '000 | Credit consultancy services HK\$ '000 | Loan facilitation services HK\$ '000 | Asset management services HK\$ '000 | Loan financing services HK\$ '000 | Consolidated HK\$ '000 |
|--------------------------------|---|--|---|--|--|---------------------------|
| Segment revenue | 81,522 | 13,549 | 29,682 | 3,122 | 7,607 | 135,482 |
| Segment profit | 1,575 | 8,406 | 22,597 | 1,332 | 7,597 | 41,507 |
| Interest income | | | | | | 3 |
| Unallocated corporate expenses | | | | | | (22,083) |
| Profit before income tax | | | | | | <u>19,427</u> |

For the six-month period ended 30 September 2016 (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 | 104,956 | 5,851 | 20,457 | 15,202 | 146,496 |
| Reportable 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 | | | | | <u>37,399</u> |

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 2017 and 2016 by geographical locations:

| | For the six months ended | |
|-------------------------------|---|---|
| | 30 September 2017 (Unaudited) HK\$'000 | 30 September 2016 (Unaudited) HK\$'000 |
| Revenue from customers | | |
| Hong Kong | 81,522 | 104,986 |
| PRC | 53,960 | 41,510 |
| | 135,482 | 146,496 |

5. REVENUE AND OTHER INCOME

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

| | Three months ended 30 September | | Six months ended 30 September | |
|--|------------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | 2017 (Unaudited) HK\$'000 | 2016 (Unaudited) HK\$'000 | 2017 (Unaudited) HK\$'000 | 2016 (Unaudited) HK\$'000 |
| Revenue | | | | |
| Staff outsourcing services | 33,986 | 45,658 | 73,855 | 97,530 |
| Executive/staff search services | 2,164 | 1,843 | 3,854 | 4,252 |
| Other human resources support services | 1,838 | 1,597 | 3,813 | 3,204 |
| Credit consultancy services | 5,595 | 3,840 | 13,549 | 5,851 |
| Loan facilitation services | 15,928 | 12,157 | 29,682 | 20,457 |
| Asset management services | 1,764 | 12,344 | 3,122 | 15,202 |
| Loan financing services | 5,168 | – | 7,607 | – |
| | 66,443 | 77,439 | 135,482 | 146,496 |
| Other income | | | | |
| Interest income | 3 | 3,438 | 3 | 5,193 |
| Sundry income/(expense) | 798 | (519) | 879 | 90 |
| | 801 | 2,919 | 882 | 5,283 |
| | 67,244 | 80,358 | 136,364 | 151,779 |

6. FINANCE COSTS

| | Three months ended 30 September | | Six months ended 30 September | |
|----------------------------------|------------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | 2017 (Unaudited) HK\$'000 | 2016 (Unaudited) HK\$'000 | 2017 (Unaudited) HK\$'000 | 2016 (Unaudited) HK\$'000 |
| Interest charges on: | | | | |
| Bonds payable | 3,212 | – | 3,212 | – |
| Obligation under a finance lease | 3 | 3 | 3 | 6 |
| | <u>3,215</u> | <u>3</u> | <u>3,215</u> | <u>6</u> |

7. PROFIT BEFORE INCOME TAX

| | Three months ended 30 September | | Six months ended 30 September | |
|--|------------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | 2017 (Unaudited) HK\$'000 | 2016 (Unaudited) HK\$'000 | 2017 (Unaudited) HK\$'000 | 2016 (Unaudited) HK\$'000 |
| Cost of services rendered | 33,541 | 44,720 | 72,993 | 96,175 |
| Depreciation: | | | | |
| – Owned assets | 30 | 87 | 61 | 174 |
| – Leased assets | 71 | 71 | 142 | 142 |
| | <u>101</u> | <u>158</u> | <u>203</u> | <u>316</u> |
| Employee benefits expenses (including directors' remuneration): | | | | |
| Salaries, allowances and benefits in kind, included in | | | | |
| – Cost of services rendered | 31,038 | 43,113 | 66,712 | 92,281 |
| – General and administrative expenses | 6,679 | 3,770 | 11,213 | 7,917 |
| Retirement benefits – defined contribution plans, included in | | | | |
| – Cost of services rendered | 2,563 | 1,903 | 5,252 | 3,766 |
| – General and administrative expenses | 204 | 192 | 367 | 385 |
| | <u>40,484</u> | <u>48,978</u> | <u>83,544</u> | <u>104,349</u> |

8. INCOME TAX EXPENSE

| | Three months ended 30 September | | Six months ended 30 September | |
|---|------------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | 2017 (Unaudited) HK\$'000 | 2016 (Unaudited) HK\$'000 | 2017 (Unaudited) HK\$'000 | 2016 (Unaudited) HK\$'000 |
| Current tax | | | | |
| – Hong Kong Profits Tax – charged for the period | – | 224 | – | 382 |
| – Enterprise Income Tax of The People's Republic of China (the "PRC") | 1,675 | 3,952 | 4,873 | 5,245 |
| | <u>1,675</u> | <u>4,176</u> | <u>4,873</u> | <u>5,627</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.

9. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2017 (2016: nil).

10. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 September 2017 is based on the following data:

| | 2017 HK\$'000 | 2016 HK\$'000 |
|---|------------------|------------------|
| Earnings | | |
| Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share | <u>14,506</u> | <u>31,749</u> |

| | 2017 '000 | 2016 '000 |
|--|----------------------------|---------------------|
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 1,461,568 | 1,195,913 |
| Effect of dilutive potential ordinary shares: Convertible preference shares | 66,500 | 67,500 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 1,528,068 | 1,263,413 |

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2017, the Group acquired items of property plant and equipment with a total cost of approximately HK\$44,000 (2016: HK\$745,000).

12. 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\$40,838,000 (31 March 2017: HK\$39,781,000). The following is an aged analysis of trade receivables at the end of the financial reporting periods:

| | As at 30 September 2017 (Unaudited) HK\$ '000 | As at 31 March 2017 (Audited) HK\$ '000 |
|-------------|--|--|
| 0–30 days | 25,893 | 22,148 |
| 31–60 days | 3,077 | 8,791 |
| 61–90 days | 6,631 | 4,212 |
| 91–180 days | 5,237 | 4,630 |
| | 40,838 | 39,781 |

13. SHARE CAPITAL

| | Period ended 30 September 2017 (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 2017 | <u>1,461,568,000</u> | <u>14,616</u> |
| At 30 September 2017 | <u>1,461,568,000</u> | <u>14,616</u> |

14. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

| | Three months ended 30 September | | Six months ended 30 September | |
|---|--|---------------------------------|--|---------------------------------|
| | 2017 (Unaudited) HK\$'000 | 2016 (Unaudited) HK\$'000 | 2017 (Unaudited) HK\$'000 | 2016 (Unaudited) HK\$'000 |
| Total remuneration of directors during the period | | | | |
| – Short-term employee benefits | 400 | 420 | 775 | 840 |
| – Post-employment benefits | 5 | 5 | 9 | 9 |
| | <u>405</u> | <u>425</u> | <u>784</u> | <u>849</u> |

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

15. 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\$135,482,000 for the six months ended 30 September 2017, representing a decrease of 7.5% from approximately HK\$146,496,000 for the corresponding period of the previous year.

The unaudited net profit attributable to shareholders for the six months ended 30 September 2017 was HK\$14,506,000 whereas the Group recorded a net profit of approximately HK\$31,749,000 for the corresponding period of the previous year. The decrease was mainly due to the decrease in turnover of asset management services. In addition, a professional fee of Bond issuance incurred during the six months ended 30 September 2017.

The Group's gross profit for the six months ended 30 September 2017 was approximately HK\$62,489,000, representing an increase of approximately 24% as compared with the corresponding period (2016: HK\$50,321,000). The increase in the Group's gross profit was mainly due to attributable by the profits derived from the Group's provision of loan facilitation and credit consultancy services, which accounted for approximately 57% of the Group's total gross profit.

The Group's general and administrative expense for the six months ended 30 September 2017 amounted to HK\$40,729,000, which represented an increase of approximately 123% as compared with the last corresponding period (2016: HK\$18,199,000). The increase is mainly due to the inclusion of administrative expenses incurred a professional fee of Bond issuance during the six months ended 30 September 2017.

Business Review

The Group is principally engaged in (i) provision of staff outsourcing services, executive/staff search services and other human resources support services ("Human Resources Services"); (ii) provision of credit assessment and credit consultancy services in the People's Republic of China (the "PRC"); (iii) operation of peer-to-peer ("P2P") financing platform and provision of other loan facilitation business in the PRC; (iv) provision of asset management services business in the PRC; and (v) loan financing services.



For the six months ended 30 September 2017, the unaudited revenue from staff outsourcing services was approximately HK\$73,855,000, representing a decrease of approximately 24% when compared to approximately HK\$97,530,000 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.

Revenue from credit consultancy services in the PRC was approximately HK\$13,549,000 for the year ended 30 September 2017, representing an increase of approximately 131.6% as compared to approximately HK\$5,851,000 for the corresponding period of previous year.

Revenue from loan facilitation services was approximately HK\$29,682,000 for the year ended 30 September 2017, representing an increase of approximately 45.1% as compared to approximately HK\$20,457,000 for the corresponding period of previous year.

Revenue from new classified loan financing services was approximately HK\$7,607,000 for the year ended 30 September 2017. The Group believes extending this business segment and will further diversify the Group's business and widen its existing financial services spectrum.

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, asset management business and loan financing service in the PRC. The Group will focus strongly on business developments in the PRC by expanding within its existing platform and services network 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 2017, the Group had net current assets of HK\$608,431,000 (31 March 2017: HK\$487,582,000) including bank balances and cash of approximately HK\$44,389,000 (31 March 2017: HK\$65,253,000). The current ratio, being the ratio of current assets to current liabilities, as at 30 September 2017 was approximately 5.07 (31 March 2017: 14.65).

As at 30 September 2017, the Group's gearing ratio was approximately 15.72% (31 March 2017: 0.03%), which is calculated based on the Group's total borrowings of approximately HK\$190,920,000 (31 March 2017: HK\$292,000) and the Group's total equity of approximately HK\$1,214,724,000 (31 March 2017: HK\$1,190,907,000).

Capital Structure of the Group

Details of the movements in the Company's share capital are set out in note 13 to the consolidated financial statements in this announcement.

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\$401,000 (31 March 2017: HK\$543,000).

Save as aforesaid, as at 30 September 2017, the Group did not have any mortgage or charge.

Contingent Liabilities

As at 30 September 2017, the Group did not have any material contingent liabilities.

Employees and Remuneration Policies

As at 30 September 2017, the Group's staff costs, including director's remuneration, were approximately HK\$83,544,000 (2016: HK\$104,349,000). 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 on 10 April 2013 and up to 30 September 2017, no share options were granted, exercised or cancelled by the Company under the Scheme and there were no outstanding share options under the Scheme as at 30 September 2017.

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS IN SECURITIES

As at 30 September 2017, 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 SFO) held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules are as follows:

Long position in the Shares

| Name of Director | Nature of interests | Number of Shares held | Approximate percentage of Issued share capital |
|----------------------------|------------------------------------|-----------------------|--|
| Li Ang (<i>note</i>) | Interest in controlled corporation | 141,764,039 | 9.70% |
| Li Si Cong (<i>note</i>) | Beneficial owner | 66,500,000 | 4.55% |

Note: Mr. Li Si Cong and Mr. Li Ang pledged their 200,000,000 Shares to Harvest Progress International Limited. Harvest Progress International Limited is 100% controlled by Li Han Fa, Hong Pei Hua is spouse of Li Han Fa. By virtue of the SFO, Hong Pei Hua is deemed to be interested in the same blocks of shares in which Li Han Fa is interested.



Save as disclosed above, as at 30 September 2017, none of the Directors and Chief Executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

INTERESTS AND SHORT POSITIONS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 September 2017, the persons/entities (other than directors and chief executive of the Company) 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 are as follows:

Long position in the Shares

| Name | Nature of interests | Number of Shares held | Approximate percentage of Issued share capital |
|--|---|-----------------------|--|
| Central Huijin Investment Ltd. ("CHI") | Person having a security interest in shares (<i>Note 1</i>) | 208,264,039 | 14.25% |
| | Interest in controlled corporation (<i>Note 1</i>) | 115,342,126 | 7.89% |

| Name | Nature of interests | Number of Shares held | Approximate percentage of Issued share capital |
|---|---|------------------------------|---|
| China Construction Bank Corporation ("CCB") | Person having a security interest in shares (<i>Note 1</i>) | 208,264,039 | 14.25% |
| | Interest in controlled corporation (<i>Note 1</i>) | 115,342,126 | 7.89% |
| Upmost Corporation Limited ("Upmost") | Beneficial owner (<i>Note 2</i>) | 207,200,000 | 14.18% |
| Zhang Jian | Interest in controlled corporation (<i>Note 2</i>) | 207,200,000 | 14.18% |
| Li Ang | Interest in controlled corporation (<i>Note 3</i>) | 141,764,039 | 9.70% |
| Elate Star Limited ("Elate Star") | Beneficial owner (<i>Note 3</i>) | 71,764,039 | 4.91% |
| Gao Tong Limited ("Gao Tong") | Beneficial owner (<i>Note 3</i>) | 70,000,000 | 4.79% |
| Lv Xiang-yang | Beneficial owner | 109,050,000 | 7.46% |
| Zhan Yu Global Limited ("Zhan Yu") | Beneficial owner (<i>Note 4</i>) | 75,000,000 | 5.13% |
| Ye Jun | Interest in controlled corporation (<i>Note 4</i>) | 75,000,000 | 5.13% |



Notes:

- (1) According to the Corporate Substantial Shareholder Notices filed by CHI and CCB on 29 December 2016 (the "Notices"), each of CHI and CCB, as person having a security in shares, is interested in 208,264,039 Shares and also, having interest in controlled corporation, interested in 115,342,126 Shares. As set out in the Notices, Chance Talent Management Limited ("Chance Talent") has a direct interest in 323,606,165 Shares. Since Chance Talent is wholly-owned by CCBI Investments Limited ("CCBII") who in turn is wholly-owned by CCB International (Holdings) Limited ("CCBIH") who in turn is wholly-owned by CCB Financial Holdings Limited ("CCBF") who in turn is wholly-owned by CCB International Group Holdings Limited ("CCBIG") who in turn is wholly-owned by CCB who in turn is owned as to 57.31% by CHI, CCBII, CCBIH, CCBF, CCBIG, CCB and CHI are deemed to be interested in 323,606,165 Shares.
- (2) Upmost 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 is interested.
- (3) Both Elate Star and Gao Tong are owned as to 100% by Mr. Li Ang. By virtue of the SFO, Mr. Li Ang is deemed to be interested in the same blocks of shares in which Elate Star and Gao Tong are interested.
- (4) Zhan Yu 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 is interest.

Save as disclosed above, no other parties (other than Directors and chief executive of the Company) has disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of SFO or were recorded in the register kept by the Company under section 336 of the SFO as having an interest or a short position in the shares or underlying shares of the Company as at 30 September 2017.

Short positions in underlying shares of the Company

As at 30 September 2017, no short positions of other persons or substantial shareholders in the underlying shares of equity derivatives of the Company and its associated corporations were recorded in the register.

As at 30 September 2017, the Directors were not aware of any person who had an interest or short position in the underlying shares (including interests in options, if any) of the Company as recorded in the register required to be kept 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 2017. The Company had not redeemed any of its listed securities during the six months ended 30 September 2017.

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 three months ended 30 September 2017.

CORPORATE GOVERNANCE

The Company has complied with all 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 2017.

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 2017.

EVENTS AFTER THE REPORTING PERIOD

As disclosed in the Company's announcement dated 18 September 2017. The Subscriber (by way of the Bondholder's Resolutions) and the Company agreed to change the terms of the Tranche B Bond into Convertible Bonds by way of the Supplemental Bond Instrument, which was subsequently executed on 17 October 2017.

Conversion price was initially set at HK\$0.954 per share, subject to adjustments. Upon exercise of the conversion rights under the Convertible Bonds in full at the Conversion Price of HK\$0.954 per Conversion Share, a total of 52,410,901 Conversion Shares will be allotted and issued to the Subscriber.

REVIEW BY 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 2017 and this report have been reviewed by the audit committee. The Board is of the opinion that such financial information has been prepared in compliance with the applicable accounting standards, the requirements under the GEM Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

By Order of the Board
Yin He Holdings Limited
Zheng Zhong Qiang
Executive Director

Hong Kong, 13 November 2017

