

FIRST QUARTERLY
REPORT 2018



銀合控股有限公司
YIN HE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8260

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

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This report, for which the directors (the “Directors”) of Yin He Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange 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 three months ended 30 June 2018 amounted to HK\$67,850,000 (2017: HK\$69,039,000), representing remained stable as compared with corresponding period of the previous year.
- Profit attributable to owners of the Company for the three months ended 30 June 2018 amounted to HK\$9,372,000 while profits attributable to owners of the Company for the three months ended 30 June 2017 amounted to HK\$10,005,000.
- Basic earnings per share for the three months ended 30 June 2018 amounted to approximately HK\$0.626 cents while basic earnings per share for the three months ended 30 June 2017 amounted to approximately HK\$0.685 cent.



FIRST QUARTERLY 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 three months ended 30 June 2018 together with the comparative unaudited figures for the corresponding period in 2017 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 June 2018

		(Unaudited)	
		For the three months ended	
		30 June	30 June
		2018	2017
		HK\$ '000	HK\$ '000
	Notes		
Revenue	5	67,850	69,039
Direct costs		(39,447)	(39,452)
Gross profit		28,403	29,587
Other income	5	93	81
General and administrative expenses		(12,191)	(16,443)
Operating profit		16,305	13,225
Finance costs	6	(5,681)	–
Profit before income tax		10,624	13,225
Income tax expense	7	(1,194)	(3,198)
Profit for the period		9,430	10,027
Profit for the period attributable to Owners of the Company		9,372	10,005
Non-controlling interest		58	22
		9,430	10,027
Total comprehensive income/(expense) for the period attributable to Owners of the Company		(42,620)	10,005
Non-controlling interest		(188)	22
		(42,808)	10,027
Earnings per share for profit attributable to owners of the Company			
– Basic (HK cent)	8	0.626	0.685
– Diluted (HK cent)	8	0.600	0.655



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2018

	Attributable to owners of the Company											
	Share capital	Share premium	Convertible preference shares	Convertible bond reserve	Merger reserve	Investment revaluation reserve	Statutory reserve	Translation reserve	Retained earnings	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	HK\$'000
At 1 April 2017 (Audited)	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	-	-	-	-	-	-	-	-	10,005	10,005	22	10,027
At 30 June 2017 (Unaudited)	<u>14,616</u>	<u>997,994</u>	<u>99,085</u>	<u>-</u>	<u>(213)</u>	<u>7,171</u>	<u>10,936</u>	<u>(16,229)</u>	<u>83,038</u>	<u>1,196,398</u>	<u>4,536</u>	<u>1,200,934</u>
At 1 April 2018 (Audited)	14,635	1,000,826	96,234	151	(213)	(8,613)	19,261	40,864	130,126	1,293,271	4,652	1,297,923
Effect on adoption of HKFRS 9	-	-	-	-	-	8,613	-	-	23,549	32,162	-	32,162
Adjusted balance at 1 April 2018	14,635	1,000,826	96,234	151	(213)	-	19,261	40,864	153,675	1,325,433	4,652	1,330,085
Profit for the period	-	-	-	-	-	-	-	-	9,372	9,372	58	9,430
Other comprehensive expense for the period	-	-	-	-	-	-	-	(51,992)	-	(51,992)	(246)	(52,238)
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	(51,992)	-	(51,992)	(246)	(52,238)
Total comprehensive income/(expense) for the period	-	-	-	-	-	-	-	(51,992)	9,372	(42,620)	(188)	(42,808)
Placing of shares	800	31,735	-	-	-	-	-	-	-	32,535	-	32,535
At 30 June 2018 (Unaudited)	<u>15,435</u>	<u>1,032,561</u>	<u>96,234</u>	<u>151</u>	<u>(213)</u>	<u>-</u>	<u>19,261</u>	<u>(11,128)</u>	<u>163,047</u>	<u>1,315,348</u>	<u>4,464</u>	<u>1,319,812</u>



NOTES TO THE CONDENSED CONSOLIDATED 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 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 AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated first quarterly financial statements for the three months ended 30 June 2018 (the “First 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 first 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 2018 (“2018 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 2018 Audited Financial Statements except for the new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA that are adopted for the first time for the current period’s financial statements.

It should be noted that accounting estimates and assumptions are used in preparation of First 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 First Quarterly Financial Statements are unaudited, but have been reviewed by the Audit Committee of the Company. The First Quarterly Financial Statements were approved for issue on 14 August 2018.



3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

During the Period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2018. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies and presentation of the Group's unaudited condensed consolidated financial statements, except for the adoption of HKFRS 9 Financial Instruments. Upon the adoption of HKFRS 9, the Group elected to classify equity securities investments of the Group which were previously classified as available-for-sale investments ("AFS Investments") into financial assets measured at fair value with subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of HKFRS 9, i) investments revaluation reserve of HK\$8,613,000 related to AFS Investments which were carried at fair value was transferred to retained profits at 1 April 2018; and ii) fair value gains of HK\$32,162,000 related to AFS Investments which were carried at cost less impairment representing the differences between cost less impairment and fair value was adjusted to retained profits as at 1 April 2018.

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial period beginning 1 January 2018. The Directors anticipate that the new and revised HKFRSs will be adopted in the Group's unaudited condensed consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.



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 segments 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, asset management firms and private equity funds and minority investments in private companies |
| Loan financing | – | provision of loan financing services |



5. REVENUE AND OTHER INCOME

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

	(Unaudited)	
	For the three months ended	
	30 June	30 June
	2018	2017
	HK\$'000	HK\$'000
Revenue		
Staff outsourcing services	35,477	39,868
Executive/Staff search services	610	1,690
Other human resources support services	2,886	1,975
Credit consultancy services	5,766	7,954
Loan facilitation services	13,970	13,754
Asset management services	963	1,358
Interest income from loan financing services	8,178	2,439
	67,850	69,039
Other income		
Bank interest income	10	1
Sundry income	83	80
	93	81
	67,943	69,120



6. FINANCE COSTS

	(Unaudited)	
	For the three months ended	
	30 June	30 June
	2018	2017
	HK\$'000	HK\$'000
Interest charges on:		
Bond payables	1,247	–
Convertible bond	997	–
Other borrowings	3,437	–
	<hr/>	<hr/>
	5,681	–
	<hr/> <hr/>	<hr/> <hr/>

7. INCOME TAX EXPENSE

	(Unaudited)	
	For the three months ended	
	30 June	30 June
	2018	2017
	HK\$'000	HK\$'000
Current tax		
– Hong Kong Profits Tax		
– charged for the period	1,137	–
– The PRC Enterprise Income Tax (“EIT”)		
– charged for the period	108	3,198
Deferred taxation	(51)	–
	<hr/>	<hr/>
	1,194	3,198
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong profits tax have been provided for at 16.5% on the estimated assessable profits for the three months ended 30 June 2018 (2017: 16.5%).

Pursuant to the income tax rules and regulations of the PRC, the subsidiaries in the PRC are subject to EIT at the rate of 25% for the three months ended 30 June 2018 (2017: 25%) and 15% (2017: 9%) is specifically for the PRC subsidiaries which are operating in Tibet Autonomous Region.



8. EARNINGS PER SHARE

The calculation of basic earnings per share amounts are based on the profit for the period attributable to shareholders of the Company, and the weighted average number of ordinary shares in issue during the period.

The calculation of the diluted earnings per share amounts for the three months ended 30 June 2018 is based on the profit for the period attributable to shareholders of the Company, adjusted to reflect the effect of the deemed exercise of all dilutive convertible preference shares at the beginning of the period. No adjustment has been made to the deemed conversion of convertible bonds as the impact of the convertible bonds outstanding during the period has an anti-dilutive effect on the basic earnings per share amount presented.

The calculation of the diluted earnings per share amounts for the three months ended 30 June 2017 is based on the profit for the period attributable to shareholders of the Company, adjusted to reflect the effect of the deemed exercise of all dilutive convertible preference shares at the beginning of the period.

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

	(Unaudited) For the three months ended	
	30 June 2018 HK\$ '000	30 June 2017 HK\$ '000
Earnings		
Profit for the period attributable to owners of the Company for the purposes of basic and dilutive earnings per share	<u>9,372</u>	<u>10,005</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,496,888	1,461,568
Effect of dilutive potential ordinary shares: – Convertible preference shares	<u>64,587</u>	<u>66,500</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,561,475</u>	<u>1,528,068</u>



DIVIDENDS

The Board does not recommend the payment of a dividend for the three months ended 30 June 2018 (2017: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group recorded an unaudited revenue of approximately HK\$67,850,000 for the three months ended 30 June 2018, representing revenue remained stable from approximately HK\$69,039,000 for the corresponding period of the previous year.

Gross profit for the three months ended 30 June 2018 was approximately HK\$28,403,000 representing a decrease of approximately 4.0% as compared with the last corresponding period (2017: approximately HK\$29,587,000).

The unaudited net profit attributable to owners of the Company for the three months ended 30 June 2018 was approximately HK\$9,372,000, representing a decrease of approximately 6.3% as compared with the last corresponding period (2017: HK\$10,005,000).

The Group's general and administrative expenses for the three months ended 30 June 2018 amounted to approximately HK\$12,191,000, which represented a decrease of approximately 25.9% as compared with the last corresponding period (2017: HK\$16,443,000). The decrease was mainly due to the professional fee incurred for issuing bond during the last corresponding period.

The Group's finance cost for the three months ended 30 June 2018 amounted to approximately HK\$5,681,000 (2017: Nil), which was mainly attributable to the bond, convertible bond and borrowings made during the second half of 2017.

Total comprehensive expense for the three month ended 30 June 2018 was HK\$42,808,000 (2017: income of 10,027,000) mainly comprised the exchange difference arising on transaction of foreign operations, resulted from the depreciation of renminbi of approximately 5% during the period.



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.

Revenue from staff outsourcing services was approximately HK\$35,477,000 for the three months ended 30 June 2018, representing a decrease of approximately 11.0% as compared to approximately HK\$39,868,000 for the corresponding period of previous year.

Revenue from credit consultancy services in the PRC was approximately HK\$5,766,000 for the three months ended 30 June 2018, representing a decrease of approximately 27.5% as compared to approximately HK\$7,954,000 for the corresponding period of previous year.

Revenue from loan facilitation services was approximately HK\$13,970,000 for the three months ended 30 June 2018, representing an increase of approximately 1.6% as compared to approximately HK\$13,754,000 for the corresponding period of previous year.

Revenue from loan financing services was approximately HK\$8,178,000 for the three months ended 30 June 2018, representing an increase of approximately 235.3% as compared to approximately HK\$2,439,000 for the corresponding period of previous year.



Placing of new shares

On 4 May 2018, the Company entered into a placing agreement with China Industrial Securities International Capital 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 80,000,000 placing shares at a price of HK\$0.41 per placing share (the “Placing”).

The Placing was completed on 24 May 2018 where 80,000,000 placing shares were subscribed for in full pursuant to the terms and conditions of the placing agreement. The net proceeds arising from the Placing were approximately HK\$32,500,000.

Prospects

The Group aims to create value for shareholders by broadening its credit consultancy services, loan facilitation, asset management services and loan financing services in the PRC. With the growth of the fin-tech industry, the Group’s financial services business will be benefited from the fast online intermediary services business and also expansion of the customer network at the same time. The Group will continue to focus on business developments in the PRC by expanding within its existing platform and services network in the PRC.

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS IN SECURITIES

As at 30 June 2018, 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 (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 Share held	Approximate percentage of Issued share capital
Li Ang (<i>note</i>)	Interest in controlled corporation	141,764,039	9.18%

Note:

Mr. Li Ang's interest in shares duplicates his interest in shares as substantial shareholder as disclosed in the section headed "INTERESTS AND SHORT POSITIONS DISCLOSABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS".

Save as disclosed above, as at 30 June 2018, 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 June 2018, 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 Share 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	13.49%
	Interest in controlled corporation (<i>Note 1</i>)	115,342,126	7.47%
China Construction Bank Corporation (“CCB”)	Person having a security interest in shares (<i>Note 1</i>)	208,264,039	13.49%
	Interest in controlled corporation (<i>Note 1</i>)	115,342,126	7.47%
Upmost Corporation Limited (“Upmost”)	Beneficial owner (<i>Note 2</i>)	207,200,000	13.42%
Zhang Jian	Interest in controlled corporation (<i>Note 2</i>)	207,200,000	13.42%
Li Ang	Interest in controlled corporation (<i>Note 3</i>)	141,764,039	9.18%
Elate Star Limited (“Elate Star”)	Beneficial owner (<i>Note 3</i>)	141,764,039	9.18%
Lv Xiang-yang	Beneficial owner	109,050,000	7.07%



Notes:

- (1) According to the Corporate Substantial Shareholder Notices filed by CHI and CCB on 24 May 2018 (the Notices¹), 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 57.11% 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) Elate Star is owned as to 100% by Mr. Li Ang. By virtue of the SFO, Mr. Li Ang is deemed to be interested in the same block of shares in which Elate Star is interested.

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 June 2018.

Short positions in underlying shares of the Company

As at 30 June 2018, 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 June 2018, 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 three months ended 30 June 2018. The Company had not redeemed any of its listed securities during the three months ended 30 June 2018.

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 June 2018.

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 three months ended 30 June 2018.

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 three months ended 30 June 2018.



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 three months ended 30 June 2018 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, 14 August 2018