



Interim 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

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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 six months ended 30 September 2018 amounted to HK\$128,942,000 (six months ended 30 September 2017: HK\$135,482,000), decreased by 5% as compared with corresponding period of the previous year.
- Profit attributable to owners of the Company for the six months ended 30 September 2018 amounted to HK\$17,727,000 while profits attributable to owners of the Company for the six months ended 30 September 2017 amounted to HK\$14,506,000.
- Basic earnings per share for the six months ended 30 September 2018 amounted to approximately HK1.17 cents while basic earnings per share for the six months ended 30 September 2017 amounted to approximately HK0.99 cent.



UNAUDITED INTERIM RESULTS

The board of Directors (the "Board") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 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 six months ended 30 September 2018

	Notes	(Unaudited) For the three months ended		(Unaudited) For the six months ended	
		30 September 2018 HK\$'000	30 September 2017 HK\$'000	30 September 2018 HK\$'000	30 September 2017 HK\$'000
Revenue	5	61,092	66,443	128,942	135,482
Direct costs		(34,555)	(33,541)	(74,002)	(72,993)
Gross profit		26,537	32,902	54,940	62,489
Other income	5	430	801	523	882
General and administrative expenses		(10,747)	(24,286)	(22,938)	(40,729)
Operating profit		16,220	9,417	32,525	22,642
Finance costs	6	(6,096)	(3,215)	(11,777)	(3,215)
Profit before tax	7	10,124	6,202	20,748	19,427
Income tax expense	8	(1,679)	(1,675)	(2,873)	(4,873)
Profit for the period		8,445	4,527	17,875	14,554
OTHER COMPREHENSIVE INCOME FOR THE PERIOD					
Release of investment revaluation reserve upon disposal of available-for-sale investments		-	(738)	-	(738)
Effect of foreign exchange		(38,779)	10,001	(91,017)	10,001
Other comprehensive income for the period, net of income tax		(38,779)	9,263	(91,017)	9,263
Total comprehensive income for the period		(30,334)	13,790	(73,142)	23,817
Profit for the period attributable to					
Owners of the Company		8,355	4,501	17,727	14,506
Non-controlling interest		90	26	148	48
		8,445	4,527	17,875	14,554
Total comprehensive income/(expense) for the period attributable to					
Owners of the Company		(30,237)	13,764	(72,857)	23,769
Non-controlling interest		(97)	26	(285)	48
		(30,334)	13,790	(73,142)	23,817
Earnings per share for profit attributable to owners of the Company					
Basic (HK cent)	10	0.550	0.308	1.17	0.992
Diluted (HK cent)	10	0.527	0.295	1.12	0.949



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

	Notes	30 September 2018 (Unaudited) HK\$ '000	31 March 2018 (Audited) HK\$ '000
Non-current assets			
Plant and equipment		974	1,328
Goodwill		535,631	589,741
Contingent consideration receivable			
– non-current portion		1,272	1,272
Loan and interest receivables			
– non-current portion	13	–	6,430
Intangible assets		3,973	4,834
Interest in associates		–	–
Available-for-sale investments		–	101,407
		541,850	705,012
Current assets			
Held for trading investments		2,412	2,716
Trade and other receivables	12	57,252	50,661
Loan and interest receivables			
– current portion	13	692,598	737,550
Contingent consideration receivable			
– current portion		991	991
Tax recoverable		–	101
Amounts due from related parties		4,938	16,496
Financial assets at fair value through profit or loss		144,421	–
Bank balances and cash		31,687	39,490
		934,299	848,005



	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
Current liabilities		
Other payables and accrued expenses	27,340	30,208
Obligation under a finance lease		
– current portion	45	118
Amount due to an associate	3	3
Convertible bond	40,000	49,945
Bond payables – current portion	21,723	58,057
Other borrowing	7,955	8,759
Tax payable	4,494	2,578
	101,560	149,668
Net current assets	832,739	698,337
Total assets less current liabilities	1,374,589	1,403,349
Non-current liabilities		
Bond payables – non-current portion	84,134	104,252
Deferred tax liabilities	977	1,174
	85,111	105,426
Net assets	1,289,478	1,297,923
Capital and reserves		
Share capital	15,435	14,635
Reserves	1,269,676	1,278,636
Equity attributable to owners of the Company	1,285,111	1,293,271
Non-controlling interest	4,367	4,652
Total equity	1,289,478	1,297,923

Note

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Convertible preference shares HK\$'000	Convertible bond reserve HK\$'000	Merger reserve HK\$'000	Investment revaluation reserve HK\$'000	Statutory reserve HK\$'000	Translation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non- controlling interest HK\$'000	Total equity 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	-	-	-	-	-	(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>-</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>
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	<u>14,635</u>	<u>1,000,826</u>	<u>96,234</u>	<u>151</u>	<u>(213)</u>	<u>-</u>	<u>19,261</u>	<u>40,864</u>	<u>153,675</u>	<u>1,325,433</u>	<u>4,652</u>	<u>1,330,085</u>
Profit for the period	-	-	-	-	-	-	-	-	17,727	17,727	148	17,875
Other comprehensive income for the period	-	-	-	-	-	-	-	(90,584)	-	(90,584)	(433)	(91,017)
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	(90,584)	-	(90,584)	(433)	(91,017)
Total comprehensive income for the period	-	-	-	-	-	-	-	(90,584)	17,727	(72,857)	(285)	(73,142)
Placing of shares	800	31,735	-	-	-	-	-	-	-	32,535	-	32,535
At 30 September 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>(49,720)</u>	<u>171,402</u>	<u>1,285,111</u>	<u>4,367</u>	<u>1,289,478</u>



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	For the six months ended	
	30 September 2018 (Unaudited) HK\$'000	30 September 2017 (Unaudited) HK\$'000
Net cash generated from (used in) operating activities	85,991	(225,154)
Net cash generated from (used in) investing activities	(10,843)	3,729
Net cash generated from (used in) financing activities	(44,251)	190,628
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	30,897	(30,797)
Cash and cash equivalents at beginning of the period	39,490	65,253
Effect of foreign exchange rate changes	(38,700)	9,933
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	31,687	44,389
	<hr/>	<hr/>
Analysis of cash and cash equivalents, represented by bank balances and cash	31,687	44,389
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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 interim condensed consolidated financial statements for the six months ended 30 September 2018 have been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* 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 interim condensed consolidated 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 interim condensed consolidated financial statements 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 interim condensed consolidated 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 interim condensed consolidated financial statements are unaudited, but have been reviewed by the audit committee of the Company. The interim condensed consolidated financial statements were approved for issue on 12 November 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 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 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 |



Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments:

	Human resources services <i>HK\$'000</i>	Credit consultancy services <i>HK\$'000</i>	Loan facilitation services <i>HK\$'000</i>	Asset management services <i>HK\$'000</i>	Loan financing services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
For the six months ended 30 September 2018						
Segment revenue	79,254	10,435	20,712	3,481	15,060	128,942
Segment profit	378	4,930	15,209	11	404	20,932
Interest income						10
Unallocated corporate expenses						(194)
Profit before tax						20,748
For the six months ended 30 September 2017						
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 tax						19,427



Segment assets and liabilities

	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
At 30 September 2018						
Segment assets	<u>24,345</u>	<u>25,328</u>	<u>5,120</u>	<u>155,309</u>	<u>692,622</u>	<u>902,724</u>
Goodwill						535,631
Contingent consideration receivable						2,263
Bank balances and cash						31,687
Unallocated assets						<u>3,844</u>
Total assets						<u><u>1,476,149</u></u>
Segment liabilities	<u>10,473</u>	<u>2,814</u>	<u>1,435</u>	<u>15,077</u>	<u>149,604</u>	<u>179,403</u>
Tax payable						4,494
Deferred tax liabilities						977
Unallocated liabilities						<u>1,797</u>
Total liabilities						<u><u>186,671</u></u>
	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
At 31 March 2018						
Segment assets	<u>30,976</u>	<u>25,609</u>	<u>6,804</u>	<u>113,410</u>	<u>744,004</u>	<u>920,803</u>
Goodwill						589,741
Contingent consideration receivable						2,263
Bank balances and cash						39,490
Tax recoverable						101
Unallocated assets						<u>619</u>
Total assets						<u><u>1,553,017</u></u>
Segment liabilities	<u>11,505</u>	<u>8,263</u>	<u>2,623</u>	<u>11,236</u>	<u>212,257</u>	<u>245,884</u>
Tax payable						2,578
Deferred tax liabilities						1,174
Unallocated liabilities						<u>5,458</u>
Total liabilities						<u><u>255,094</u></u>



Geographical information

The following table presents the revenue from external customers for the six months ended 30 September 2018 and 2017 by geographical locations:

	For the six months ended	
	30 September 2018 (Unaudited) HK\$'000	30 September 2017 (Unaudited) HK\$'000
Revenue from customers		
Hong Kong	87,864	81,522
PRC	41,078	53,960
	128,942	135,482

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		(Unaudited) For the six months ended	
	30 September 2018 HK\$'000	30 September 2017 HK\$'000	30 September 2018 HK\$'000	30 September 2017 HK\$'000
Revenue				
Staff outsourcing services	35,107	33,986	70,584	73,855
Executive/Staff search services	2,241	2,164	2,853	3,854
Other human resources support services	2,933	1,838	5,817	3,813
Credit consultancy services	3,812	5,595	10,435	13,549
Loan facilitation services	7,597	15,928	20,712	29,682
Asset management services	1,846	1,764	3,481	3,122
Interest income from loan financing services	7,556	5,168	15,060	7,607
	61,092	66,443	128,942	135,482
Other income				
Bank interest income	-	3	10	3
Sundry income	430	798	513	879
	430	801	523	882
	61,522	67,244	129,465	136,364



6. FINANCE COSTS

	(Unaudited) For the three months ended		(Unaudited) For the six months ended	
	30 September 2018 HK\$'000	30 September 2017 HK\$'000	30 September 2018 HK\$'000	30 September 2017 HK\$'000
Interest charges on:				
Bond payables	356	3,212	1,603	3,212
Convertible bond	2,537	–	3,534	–
Other borrowings	3,203	3	6,640	3
	<u>6,096</u>	<u>3,215</u>	<u>11,777</u>	<u>3,215</u>

7. PROFIT BEFORE TAX

	(Unaudited) For the three months ended		(Unaudited) For the six months ended	
	30 September 2018 HK\$'000	30 September 2017 HK\$'000	30 September 2018 HK\$'000	30 September 2017 HK\$'000
Depreciation				
Owned assets	44	30	88	61
Leased assets	102	71	206	142
	<u>146</u>	<u>101</u>	<u>294</u>	<u>203</u>
Amortisation of intangible assets	229	–	459	–
Impairment of trade receivables	540	–	540	–
Employee benefits expenses (including directors' remuneration):				
Salaries, allowances and benefits in kinds				
– Cost of services rendered	31,483	31,038	64,530	66,712
– General and administrative expenses	2,388	6,679	8,968	11,213
Retirement benefit scheme contribution				
– Cost of services rendered	3,461	2,563	4,725	5,252
– General and administrative expenses	205	204	423	367
	<u>37,537</u>	<u>40,484</u>	<u>78,646</u>	<u>83,544</u>



8. INCOME TAX EXPENSE

	(Unaudited) For the three months ended		(Unaudited) For the six months ended	
	30 September 2018 HK\$'000	30 September 2017 HK\$'000	30 September 2018 HK\$'000	30 September 2017 HK\$'000
Current tax				
Hong Kong Profits Tax	1,280	–	2,417	–
The PRC Enterprise Income Tax ("EIT")	351	1,675	357	4,873
Deferred taxation	48	–	99	–
	<u>1,679</u>	<u>1,675</u>	<u>2,873</u>	<u>4,873</u>

Hong Kong profits tax have been provided for at 16.5% on the estimated assessable profits for the six months ended 30 September 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 six months ended 30 September 2018 (2017: 25%) and 15% (2017: 9%) is specifically for the PRC subsidiaries which are operating in Tibet Autonomous Region.

9. DIVIDEND

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

10. 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 and six months ended 30 September 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 and six months ended 30 September 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		(Unaudited) For the six months ended	
	30 September 2018 HK\$'000	30 September 2017 HK\$'000	30 September 2018 HK\$'000	30 September 2017 HK\$'000
Earnings				
Profit for the period attributable to owners of the Company for the purposes of basic and dilutive earnings per share	8,355	4,501	17,727	14,506
Number of shares				
Weighted average number of ordinary shares in issue during the period, used in basic earnings per share calculation	1,520,312	1,461,568	1,520,312	1,461,568
Effect of dilutive potential ordinary shares: Convertible preference shares	64,587	66,500	64,587	66,500
Weighted average number of ordinary shares in issue during the period, used in diluted earnings per share	1,584,899	1,528,068	1,584,899	1,528,068



11. MOVEMENTS IN PLANT AND EQUIPMENT

During the six months ended 30 September 2018, the Group did not acquire any material item of plant and equipment (six months ended 30 September 2017: HK\$44,000).

12. TRADE AND OTHER RECEIVABLES

The Group normally allows credit periods of 30 days to its major customers. Included in the trade and other receivables of the Group, trade receivables was approximately HK\$30,173,000 (31 March 2018: HK\$36,637,000). An aged analysis of trade receivables, based on invoice date and net of impairment as at the end of the reporting period, is as follows:

	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
0–30 days	20,693	18,249
31–60 days	1,904	9,792
61–90 days	4,793	6,160
91–180 days	1,007	468
181–365 days	–	938
Over 365 days	1,776	1,030
	30,173	36,637



13. LOAN AND INTEREST RECEIVABLES

	30 September 2018 (Unaudited) HK\$ '000	31 March 2018 (Audited) HK\$ '000
Fixed rate loan and interest receivables:		
Secured by corporate guarantee		
– Loans receivable	337,746	322,375
– Interest receivables	6,973	6,370
	344,719	328,745
Unsecured		
– Loan receivables	338,800	406,239
– Interest receivables	9,079	8,996
	347,879	415,235
	692,598	743,980
Portion classified as current assets	692,598	737,550
Non-current portion	–	6,430

As at 30 September 2018, the loan and interest receivables bear interest rate at fixed interest rate ranging from 4% to 6% (as at 31 March 2018: 4% to 6%). The Group seeks to maintain strict control over its outstanding loans receivable to minimise credit risk. All the loan and interest receivables were neither past due nor impaired and were related to a large number of diversified customers for whom there was no recent history of default.



14. SHARE CAPITAL

	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
Issued and fully paid: 1,543,481,581 (31 March 2018: 1,463,481,581) ordinary shares	<u>15,435</u>	<u>14,635</u>

A summary of the movements in the Company's share capital during the period is as follows:

	Number of ordinary shares in issue	Share capital HK\$'000	Share premium HK\$'000
At 1 April 2018	1,463,481,581	14,635	1,000,826
Placing of shares*	<u>80,000,000</u>	<u>800</u>	<u>31,735</u>
At 30 September 2018	<u>1,543,481,581</u>	<u>15,435</u>	<u>1,032,561</u>

- * 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 ordinary shares at a price of HK\$0.41 per share (the "Placing"). The Placing was completed on 24 May 2018 where 80,000,000 placing shares were subscribed for in full by six placees pursuant to the terms and conditions of the placing agreement. The net proceeds arising from the Placing were approximately HK\$32,500,000. The net proceeds from the Placing were utilized as general working capital of the Group and for the liquid capital pool of the Group to provide loans to customers when opportunities may arise from time to time.



15. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

	(Unaudited) For the three months ended		(Unaudited) For the six months ended	
	30 September 2018 HK\$'000	30 September 2017 HK\$'000	30 September 2018 HK\$'000	30 September 2017 HK\$'000
Total remuneration of directors during the period				
Short-term employee benefits	375	400	750	775
Post-employment benefits	5	5	9	9
	380	405	759	784

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



MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group recorded an unaudited revenue of approximately HK\$128,942,000 for the six months ended 30 September 2018, decreased by HK\$6,540,000 or 5% from approximately HK\$135,482,000 for the corresponding period of the previous year.

Gross profit for the six months ended 30 September 2018 was approximately HK\$54,940,000 representing a decrease of approximately HK\$7,549,000 or 12% as compared with the last corresponding period (six months ended 30 September 2017: approximately HK\$62,489,000).

The unaudited net profit attributable to owners of the Company for the six months ended 30 September 2018 was approximately HK\$17,727,000, representing an increase of approximately HK\$3,221,000 or 22% as compared with the last corresponding period (six months ended 30 September 2017: HK\$14,506,000).

The Group's general and administrative expenses for the six months ended 30 September 2018 amounted to approximately HK\$22,938,000, which represented a decrease of approximately HK\$17,791,000 or 44% as compared with the last corresponding period (six months ended 30 September 2017: HK\$40,729,000). 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 six months ended 30 September 2018 amounted to approximately HK\$11,777,000 (six months ended 30 September 2017: HK\$3,215,000), which was mainly attributable to the bond, convertible bond and borrowings made during the second half of 2017.

Total comprehensive expense for the six months ended 30 September 2018 was HK\$73,142,000 (six months ended 30 September 2017: income of 23,817,000) mainly comprised the exchange difference arising on transaction of foreign operations, resulted from the depreciation of renminbi of approximately 10% during the period.



Financial Position

As at 30 September 2018, the Group had total assets and total liabilities amounted to HK\$1,476,149,000 and HK\$186,671,000, respectively, decreased by HK\$76,868,000 and HK\$68,423,000 as compared with those as at 31 March 2018, respectively. The decrease was mainly resulted from the exchange effect arising on transaction of foreign operations, as a result of the depreciation of renminbi.

Financial assets at fair value through profit or loss

During the period under review, available-for-sale investments has been reclassified to financial assets at fair value through profit or loss with fair value adjustment of HK\$32,162,000 upon the initial adoption of HKFRS 9. An addition of approximately HK\$10,853,000 was made during the period.

Loan and interest receivables

Loan and interest receivables decreased by HK\$51,382,000 or 6% to HK\$692,598,000. The decrease was mainly attributable to the combined effect of depreciation of RMB and the Company increased effect in selecting quality loan customers during the period.

Convertible bonds and bond payables

The bond payables have reduced by HK\$56,452,000 or 35% to HK\$105,857,000 mainly due to the repayment of the Tranche A bond of HK\$50,000,000 during the period.

Besides, HK\$10,000,000 convertible bonds has been repaid during the period. In addition, the Company has entered into and supplemental agreement with the subscriber to extend the maturity date of the remaining HK\$40,000,000 convertible bonds to 30 November 2018.

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 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\$79,254,000 for the six months ended 30 September 2018, representing a decrease of approximately 3% as compared to approximately HK\$81,522,000 for the corresponding period of previous year.

Due to the change in the economic condition in the PRC, the performance of the credit and financing business in PRC has slowdown during the period under review. Revenue from credit consultancy services in the PRC was approximately HK\$10,435,000 for the six months ended 30 September 2018, representing a decrease of approximately 23% as compared to approximately HK\$13,549,000 for the corresponding period of previous year.

Revenue from loan facilitation services was approximately HK\$20,712,000 for the six months ended 30 September 2018, representing a decrease of approximately 30% as compared to approximately HK\$29,682,000 for the corresponding period of previous year.

Revenue from assets management services was approximately HK\$3,481,000 for the six months ended 30 September 2018, which was approximately the same as compared to approximately HK\$3,122,000 for the corresponding period of previous year.

Revenue from loan financing services was approximately HK\$15,060,000 for the six months ended 30 September 2018, representing an increase of approximately 98% as compared to approximately HK\$7,607,000 for the corresponding period of previous year.

Placing of new shares

On 4 May 2017, 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. The net proceeds from the Placing were utilized as general working capital of the Group and for the liquid capital pool of the Group to provide loans to customers when opportunities may arise from time to time.



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. Due to change in the operating environment in the internet financing industry, a slowdown in the industry was observed. In response to the uncertainties and challenges, the Group will put more effort in strengthening the quality of the loan portfolio by selecting only quality loan customers.

While there might be a slowdown in the industry in the short run, the Group will continue to focus on business developments in the PRC by expanding within its existing platform and services network in the PRC with its strong financial strength.

Liquidity and Finance Resources

During the period under review, the Group financed its operations by internally generated cash flow. As at 30 September 2018, the Group had net current assets of HK\$832,739,000 (31 March 2018: HK\$698,337,000) including bank balances and cash of approximately HK\$31,687,000 (31 March 2018: HK\$39,490,000). The current ratio, being the ratio of current assets to current liabilities, as at 30 September 2018 was approximately 9.20 (31 March 2018: 5.65).

As at 30 September 2018, the Group's gearing ratio was approximately 11.9% (31 March 2018: 17.1%), which is calculated based on the Group's total borrowings of approximately HK\$153,857,000 (31 March 2018: HK\$221,131,000) and the Group's total equity of approximately HK\$1,289,478,000 (31 March 2018: HK\$1,297,923,000).

Capital Structure of the Group

Details of the movements in the Company's share capital are set out in note 14 to the consolidated financial statements in this report.

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



Foreign Exchange Exposure

Most of the Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars and Renminbi. As the financial statements of the Group are presented in Hong Kong dollars, which is the Company's functional and presentation currency, any fluctuation of exchanges rates would impact the Group's net asset value. During the six months ended 30 September 2018, the exchange loss arising on retranslation of foreign operations of HK\$91,017,000 are recognised in the exchange fluctuation reserve. Currently, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

Charges on Group's Assets

The Group had motor vehicle acquired under finance lease with a carrying value of approximately HK\$118,000 (31 March 2018: HK\$260,000).

Save as aforesaid, as at 30 September 2018, the Group did not have any material mortgage or charge.

Contingent Liabilities

As at 30 September 2018, the Group did not have any material contingent liabilities.

Capital Commitments

As at 30 September 2018, the Group did not have any material capital commitments.

Employees and Remuneration Policies

As at 30 September 2018, the Group's staff costs, including director's remuneration, were approximately HK\$78,646,000 (2017: HK\$83,544,000). 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 2018, 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 2018.



DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 September 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 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	Interest in controlled corporation	141,764,039	9.18%

Save as disclosed above, as at 30 September 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 September 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%



Notes:

- (1) According to the Corporate Substantial Shareholder Notices filed by CHI and CCB on 29 December 2016 (the Notices⁽¹⁾), 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 September 2018.

Short positions in underlying shares of the Company

As at 30 September 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 September 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

Saved for the acquisition of investment in financial assets at fair value through profit or loss of approximately HK\$10,853,000, 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, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2018.

CHANGE IN DIRECTOR'S INFORMATION

Dr. Cheung Wai Bun Charles, JP has resigned as an independent non-executive director of China Taifeng Beddings Holdings Limited (stock code: 873) on 31 July 2018 and China Financial International Investments Limited (stock code: 721) on 24 September 2018, both which are listed on the main board of the Stock Exchange.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the period under review, the Company has adopted the standards set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding the Directors' dealings in the securities of the Company. Having made specific enquiry to all Directors, the Company was not aware of any non-compliance with the required standards of dealings and such code of conduct regarding securities transactions by Directors during the six months ended 30 September 2018.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions in the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 September 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 six months ended 30 September 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 six months ended 30 September 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, 12 November 2018