

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 2019 amounted to HK\$52,326,000 (2018: HK\$67,850,000), decreased by HK\$15,524,000 as compared with corresponding period of the previous year.
- Profit attributable to owners of the Company for the three months ended 30 June 2019 amounted to HK\$4,576,000 while profits attributable to owners of the Company for the three months ended 30 June 2018 amounted to HK\$9,372,000.
- Basic earnings per share for the three months ended 30 June 2019 amounted to approximately HK\$0.293 cents while basic earnings per share for the three months ended 30 June 2018 amounted to approximately HK\$0.626 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 2019 together with the comparative unaudited figures for the corresponding period in 2018 as follows:

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

For the three months ended 30 June 2019

		(Unaudited) For the three months ended	
		30 June 2019 HK\$'000	30 June 2018 HK\$'000
	Notes		
Revenue	5	52,326	67,850
Direct costs		(32,782)	(39,447)
Gross profit		19,544	28,403
Other income	5	907	93
Share of results of associates		(16)	–
General and administrative expenses		(9,621)	(12,191)
Operating profit		10,814	16,305
Finance costs	6	(3,378)	(5,681)
Profit before income tax		7,436	10,624
Income tax expenses	7	(2,756)	(1,194)
Profit for the period		4,680	9,430
Profit for the period attributable to			
Owners of the Company		4,576	9,372
Non-controlling interest		104	58
		4,680	9,430
Total comprehensive income/(expense)			
for the period attributable to			
Owners of the Company		(35,951)	(42,620)
Non-controlling interest		(10)	(188)
		(35,961)	(42,808)
Earnings per share for profit			
attributable to owners of the			
Company			
– Basic (HK cent)	8	0.293	0.626
– Diluted (HK cent)	8	0.281	0.600



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2019

	Attributable to owners of the Company										Non-controlling interest	Total equity
	Share capital	Share premium	Convertible preference shares	Convertible bond reserve	Merger reserve	Investment revaluation reserve	Statutory reserve	Translation reserve	Retained earnings	Total		
	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 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	-	-	-	-	-	32,161	-	-	(24,694)	7,467	-	7,467
Adjusted balance at 1 April 2018	14,635	1,000,826	96,234	151	(213)	23,548	19,261	40,864	105,432	1,300,738	4,652	1,305,390
Profit for the period	-	-	-	-	-	-	-	-	9,372	9,372	58	9,430
Other comprehensive income for the period												
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	(51,992)	-	(51,992)	(246)	(52,238)
Total comprehensive income 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>23,548</u>	<u>19,261</u>	<u>(11,128)</u>	<u>114,804</u>	<u>1,290,653</u>	<u>4,464</u>	<u>1,295,117</u>
At 1 April 2019 (Audited)	15,435	1,032,536	96,234	-	(213)	(10,495)	25,065	(32,028)	136,028	1,262,562	4,402	1,266,964
Profit for the period	-	-	-	-	-	-	-	-	4,576	4,576	104	4,680
Other comprehensive income for the period												
Fair value loss on investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(588)	-	-	-	(588)	-	(588)
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	(39,939)	-	(39,939)	(114)	(40,053)
Total comprehensive income for the period	-	-	-	-	-	(588)	-	(39,939)	4,576	(35,951)	(10)	(35,961)
Issue of share upon acquisition of subsidiaries	901	27,022	-	-	-	-	-	-	-	27,923	-	27,923
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	2,372	2,372
At 30 June 2019 (Unaudited)	<u>16,336</u>	<u>1,059,558</u>	<u>96,234</u>	<u>-</u>	<u>(213)</u>	<u>(11,083)</u>	<u>25,065</u>	<u>(71,967)</u>	<u>140,604</u>	<u>1,254,534</u>	<u>6,764</u>	<u>1,261,298</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 2019 (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 2019 (“2019 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 2019 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 2019.



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 2019. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations.

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 2019. 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 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
Insurance services	–	provision of insurance related 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 HK\$'000	Credit consultancy services HK\$'000	Loan facilitation services HK\$'000	Asset management services HK\$'000	Loan financing services HK\$'000	Insurance services HK\$'000	Consolidated HK\$'000
For the three months ended 30 June 2019							
Segment revenue	35,791	1,230	6,526	745	7,862	172	52,326
Segment profit	(137)	536	3,566	43	4,147	118	8,273
Interest income							2
Unallocated corporate expenses							(839)
Profit before tax							7,436
For the three months ended 30 June 2018							
Segment revenue	38,973	5,766	13,970	963	8,178	-	67,850
Segment profit	283	2,118	8,556	(567)	1,738	-	12,128
Interest income							10
Unallocated corporate expenses							(1,514)
Profit before tax							10,624



Geographical information

The following table presents the revenue from external customers for the three months ended 30 June 2019 and 2018 by geographical locations:

	For the three months ended	
	30 June 2019 (Unaudited) HK\$'000	30 June 2018 (Unaudited) HK\$'000
Revenue from customers		
Hong Kong	43,653	47,151
PRC	8,673	20,699
	52,326	67,850

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 2019 HK\$'000	30 June 2018 HK\$'000
Revenue		
Staff outsourcing services	33,089	35,477
Executive/Staff search services	586	610
Other human resources support services	2,116	2,886
Credit consultancy services	1,230	5,766
Loan facilitation services	6,526	13,970
Asset management services	745	963
Interest income from loan financing services	7,862	8,178
Insurance training services	172	-
	52,326	67,850
Other income		
Bank interest income	2	10
Sundry income	905	83
	907	93
	53,233	67,943



6. FINANCE COSTS

	(Unaudited)	
	For the three months ended	
	30 June	30 June
	2019	2018
	HK\$'000	HK\$'000
Interest charges on:		
Bond payables	3,378	1,247
Convertible bond	–	997
Other borrowings	–	3,437
	3,378	5,681

7. INCOME TAX EXPENSE

	(Unaudited)	
	For the three months ended	
	30 June	30 June
	2019	2018
	HK\$'000	HK\$'000
Current tax		
– Hong Kong Profits Tax		
– charged for the period	984	1,137
– The PRC Enterprise Income Tax (“EIT”)		
– charged for the period	1,812	108
Deferred taxation	(40)	(51)
	2,756	1,194

Hong Kong profits tax have been provided for at 16.5% on the estimated assessable profits for the three months ended 30 June 2019 (2018: 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 2019 (2018: 25%) and 15% (2018: 15%) 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 2019 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 diluted earnings per share amounts for the three months ended 30 June 2018 was 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 had been made to the deemed conversion of convertible bonds as the impact of the convertible bonds outstanding during the period had an anti-dilutive effect on the basic earnings per share amount presented.

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 2019 HK\$ '000	30 June 2018 HK\$ '000
Earnings		
Profit for the period attributable to owners of the Company for the purposes of basic and dilutive earnings per share	4,576	9,372
	30 June 2019 '000	30 June 2018 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,562,288	1,496,888
Effect of dilutive potential ordinary shares:		
– Convertible preference shares	64,587	64,587
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,626,875	1,561,475



DIVIDENDS

The Board does not recommend the payment of a dividend for the three months ended 30 June 2019 (2018: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group recorded an unaudited revenue of approximately HK\$52,326,000 for the three months ended 30 June 2019, decreased by 22.9% as compared with approximately HK\$67,850,000 for the corresponding period of the previous year.

Gross profit for the three months ended 30 June 2019 was approximately HK\$19,544,000 representing a decrease of approximately 31.2% as compared with the last corresponding period (2018: approximately HK\$28,403,000).

The unaudited net profit attributable to owners of the Company for the three months ended 30 June 2019 was approximately HK\$4,576,000, representing a decrease of approximately 51.2% as compared with the last corresponding period (2018: HK\$9,372,000).

The Group's general and administrative expenses for the three months ended 30 June 2019 amounted to approximately HK\$9,621,000, which represented a decrease of approximately 21.1% as compared with the last corresponding period (2018: HK\$12,191,000).

The Group's finance cost for the three months ended 30 June 2019 amounted to approximately HK\$3,378,000 (2018: HK\$5,681,000), which was mainly attributable to the bonds and borrowings in issue during the year.

Total comprehensive expense for the three month ended 30 June 2019 was HK\$35,961,000 (2018: HK\$42,808,000) mainly comprised the exchange difference arising on transaction of foreign operations, resulted from the depreciation of renminbi of approximately 2.5% 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; (v) loan financing services; and (vi) insurance services.

Revenue from staff outsourcing services was approximately HK\$33,089,000 for the three months ended 30 June 2019, representing a decrease of approximately 6.7% as compared to approximately HK\$35,477,000 for the corresponding period of previous year.

Revenue from credit consultancy services in the PRC was approximately HK\$1,230,000 for the three months ended 30 June 2019, representing a decrease of approximately 78.7% as compared to approximately HK\$5,766,000 for the corresponding period of previous year.

Revenue from loan facilitation services was approximately HK\$6,526,000 for the three months ended 30 June 2019, representing an increase of approximately 53.3% as compared to approximately HK\$13,970,000 for the corresponding period of previous year.

Revenue from loan financing services was approximately HK\$7,862,000 for the three months ended 30 June 2019, representing a decrease of approximately 3.9% as compared to approximately HK\$8,178,000 for the corresponding period of previous year.

Acquisition of subsidiary

On 11 June 2019, we have completed the acquisition of entire issued share capital of the Affluent Accord Limited, and the loan owing by the Affluent Accord Limited and its subsidiaries (“Target Group”) to Chen Liyi at the date of completion and 90,074,193 consideration shares were issued. The Target Group was engaged in the insurance training industry.



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 and continue to diversify into related businesses which will create synergy with the existing businesses.

We have completed the acquisition of an insurance training business in June 2019. In addition, we have entered into a memorandum of understanding in relation to a possible acquisition of an insurance agency business in July 2019. The Board considers the acquisition and the possible acquisition can help the Group tap into the insurance related industry which has a growing prospect in China. It is also expected to achieve synergy with the Group's existing business which enables the Group to access to additional income and cash flow stream to the Group and further diversify the Group's overall business.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 June 2019, 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/ chief executive	Nature of interests	Number of Share held	Approximate percentage of Issued share capital
Li Ang	Interest in controlled corporation	141,764,039	8.68%
Cai Zhen Hui	Beneficially owned	62,970,000	3.85%



Save as disclosed above, as at 30 June 2019, 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 2019, 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
Upmost Corporation Limited ("Upmost")	Beneficial owner (Note 1)	207,200,000	12.68%
Zhang Jian	Interest in controlled corporation (Note 1)	207,200,000	12.68%
Li Ang	Interest in controlled corporation (Note 2)	141,764,039	8.68%
Elate Star Limited ("Elate Star")	Beneficial owner (Note 2)	141,764,039	8.68%



Notes:

- (1) 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.
- (2) 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 2019.

Short positions in underlying shares of the Company

As at 30 June 2019, 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 2019, 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 the Target Group and investment in an associate in mid of June 2019, the Company has not completed any other 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 2019. The Company had not redeemed any of its listed securities during the three months ended 30 June 2019.



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 2019.

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 2019.

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 2019.

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 2019 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
Li Ang
Chairman

Hong Kong, 14 August 2019