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銀合控股有限公司
YIN HE HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock code: 8260)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

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

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

This announcement, for which the directors (the "Directors") of Yin He Holdings Limited (the "Company", together with its subsidiaries, the "Group") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, 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.

ANNUAL RESULT

The board of Directors (the "Board") of the Company is pleased to announce the audited consolidated results of the Group for the year ended 31 March 2020, together with the comparative audited figures for the year ended 31 March 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	**2020** **HK$'000**	2019 HK$'000
Revenue	4	**183,198**	256,300
Direct costs		**(122,684)**	(146,800)
Gross profit		**60,514**	109,500
Other income, gains and (losses), net	5	**17,900**	8,711
General and administrative expenses		**(50,746)**	(54,587)
Changes in fair value of contingent consideration receivable		**–**	1,447
Impairment loss on goodwill		**(547,724)**	(16,682)
Impairment loss on intangible assets		**(1,430)**	–
Impairment losses on financial assets, net of reversal	6	**(308,995)**	4,255
Share of results of associates		**249**	(759)
(Loss) profit from operations		**(830,232)**	51,885
Finance costs	7	**(12,332)**	(16,374)
(Loss) profit before tax		**(842,564)**	35,511
Taxation	8	**(2,462)**	(4,592)
(Loss) profit for the year	9	**(845,026)**	30,919

	Note	2020 HK$'000	2019 HK$'000
Other comprehensive expense			
Item that will not be reclassified to profit or loss:			
Fair value loss on equity instruments at fair value through other comprehensive income		**(25,604)**	(28,498)
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**(25,582)**	(73,357)
Other comprehensive expense for the year, net of income tax		**(51,186)**	(101,855)
Total comprehensive expense for the year		**(896,212)**	(70,936)
(Loss) profit for the year attributable to			
Owners of the Company		**(846,078)**	30,704
Non-controlling interests		**1,052**	215
		(845,026)	30,919
Total comprehensive (expense) income attributable to			
Owners of the Company		**(896,800)**	(70,686)
Non-controlling interests		**588**	(250)
		(896,212)	(70,936)
(Loss) earnings per share			
Basic (HK cents)	11	**(52.29)**	2.0
Diluted (HK cents)		**(52.29)**	2.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Plant and equipment		**362**	664
Goodwill		**49,305**	533,030
Deferred tax assets		**5,538**	4,203
Loan and interest receivables – non-current portion	13	**100,574**	–
Intangible assets		**1,300**	3,640
Interests in associates		**27,296**	15,379
Equity instruments at fair value through other comprehensive income		**15,905**	88,779
Right-of-use assets		**1,877**	–
Deposit paid for acquisition of an associate		**–**	7,869
		202,157	653,564
Current assets			
Financial assets at fair value through profit or loss		**281**	2,200
Trade and other receivables	12	**65,564**	53,593
Loan and interest receivables – current portion	13	**270,131**	648,863
Contingent consideration receivable		**–**	3,710
Amounts due from related parties		**4,287**	4,319
Amount due from an associate		**–**	15,601
Bank balances and cash		**29,982**	27,875
		370,245	756,161

	Notes	**2020** *HK$'000*	2019 *HK$'000*
Current liabilities			
Other payables and accrued expenses		**36,430**	19,129
Contract liabilities		**1,126**	2,459
Amount due to an associate		**10,154**	3
Bond payables – current portion	14	**45,619**	24,746
Other borrowing		**–**	8,365
Lease liabilities		**1,656**	–
Tax payable		**3,577**	1,399
		98,562	56,101
Net current assets		**271,683**	700,060
Total assets less current liabilities		**473,840**	1,353,624
Non-current liabilities			
Bond payables – non-current portion	14	**47,690**	85,757
Deferred tax liabilities		**323**	903
		48,013	86,660
Net assets		**425,827**	1,266,964
Capital and reserves			
Share capital		**17,236**	15,435
Reserves		**401,399**	1,247,127
Equity attributable to owners of the Company		**418,635**	1,262,562
Non-controlling interests		**7,192**	4,402
Total equity		**425,827**	1,266,964

Notes:

1. GENERAL

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 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.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are provision of human resources services, credit consultancy services, loan facilitation services, asset management services, loan financing services and insurance training services.

The functional currency of the Company is Hong Kong dollars ("HK$"). The functional currencies of the Group are HK$ and Renminbi ("RMB"). The consolidated financial statements are presented in HK$ for the convenience of the investors as its shares are listed on GEM of the Stock Exchange.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs and an interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs and an interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17"), and the related interpretations.

New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempted. As far as the Group is concerned, these newly capitalised leases primarily relate to property, plant and equipment and are disclosed as "right-of-use assets".

At the date of transition to HKFRS 16, the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rate.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

As at 1 April 2019, the Company recognised lease liabilities and right-of-use assets at carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

– relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review;

– elected not to recognise right-of-use assets and lease liabilities for leases with lease term ending within 12 months of the date of initial application; and

– excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

(a) *Measurement of lease liabilities*

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.9% p.a.

	At 1 April 2019 *HK$*
Operating lease commitments disclosed as at 31 March 2019	7,153
Lease liabilities discounted at relevant incremental borrowing rates	6,792
Less: Practical expedient – leases with lease term ending within 12 months from the date of initial application	(982)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 April 2019	5,810
Analysed as	
Current	3,429
Non-current	2,381
	5,810

(b) *Measurement of right-of-use assets*

The carrying amount of right-of-use assets for own use as at 1 April 2019 comprises the following:

	At 1 April 2019 *HK$*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	5,810

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2019	Adjustments	Carrying amounts under HKFRS 16 at 1 April 2019
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Right-of-use assets	–	5,810	5,810
Current liabilities			
Lease liabilities	–	3,429	3,429
Non-current liabilities			
Lease liabilities	–	2,381	2,381

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective.

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]
Amendments to HKFRS 16	COVID-19-Related Rent Concession[5]

1 Effective for annual periods beginning on or after 1 January 2021.

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3 Effective date to be determined.

4 Effective for annual periods beginning on or after 1 January 2020.

5 Effective for annual periods beginning on or after 1 June 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the *Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of above new and amendments to HKFRSs will have no material impact on the Group's consolidated financial statements in the foreseeable future.

3. SEGMENT INFORMATION

Information reported to the board of directors of the Company (the "Board"), being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

The Group now has six reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

Human resources 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 services	–	provision of loan financing services
Insurance training services	–	provision of insurance training services

No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

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$'000	Insurance training services HK$'000	Elimination HK$'000	Consolidated HK$'000
For the year ended 31 March 2020								
External revenue	**133,753**	**10,903**	**4,419**	**2,493**	**27,460**	**4,170**	**–**	**183,198**
Inter-segment revenue	**–**	**5,111**	**–**	**–**	**–**	**–**	**(5,111)**	**–**
Segment revenue	**133,753**	**16,014**	**4,419**	**2,493**	**27,460**	**4,170**	**(5,111)**	**183,198**
Segment (loss) profit	**(2,947)**	**4,917**	**(12,664)**	**(8,941)**	**(287,645)**	**2,710**	**–**	**(304,570)**
Bank interest income								**10**
Impairment loss on goodwill								**(547,724)**
Loss on settlement of contingent consideration receivable								**(3,710)**
Gain on settlement of contingent consideration payable								**16,619**
Unallocated corporate expenses								**(3,189)**
Loss before tax								**(842,564)**
For the year ended 31 March 2019								
Segment revenue	156,699	14,618	45,181	5,661	34,141	–	–	256,300
Segment (loss) profit	(1,005)	7,232	30,523	11,771	15,023	–	–	63,544
Bank interest income								40
Impairment loss on goodwill								(16,682)
Changes in fair value of contingent consideration receivable								1,447
Unallocated corporate expenses								(12,838)
Profit before tax								35,511

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3 to the consolidated financial statements. Segment (loss) profit represents the (loss from) profit earned by each segment without allocation of impairment loss in respect of goodwill, loss on settlement of contingent consideration receivable, gain on settlement of contingent consideration payable, changes in fair value of contingent consideration receivable, central administration costs, directors' emoluments and bank interest income. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment transactions between different business segments had been eliminated.

Segment assets and liabilities

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

	Human resources services	Credit consultancy services	Loan facilitation services	Asset management services	Loan financing services	Insurance training services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2020							
Segment assets	**25,296**	**14,587**	**2,694**	**117,566**	**321,235**	**6,007**	**487,385**
Goodwill							**49,305**
Deferred tax assets							**5,538**
Bank balances and cash							**29,982**
Unallocated assets							**192**
Consolidated assets							**572,402**
Segment liabilities	**10,121**	**2,890**	**11,693**	**13,205**	**104,353**	**226**	**142,488**
Tax payable							**3,577**
Deferred tax liabilities							**323**
Unallocated liabilities							**187**
Consolidated liabilities							**146,575**

	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
As at 31 March 2019						
Segment assets	28,216	12,336	12,527	145,042	642,521	840,642
Goodwill						533,030
Deferred tax assets						4,203
Contingent consideration receivable						3,710
Bank balances and cash						27,875
Unallocated assets						265
Consolidated assets						1,409,725
Segment liabilities	9,064	2,604	1,526	12,024	114,622	139,840
Tax payable						1,399
Deferred tax liabilities						903
Unallocated liabilities						619
Consolidated liabilities						142,761

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than goodwill, contingent consideration receivable, deferred tax assets, bank balances and cash, certain unallocated other receivables and plant and equipment; and

- all liabilities are allocated to operating segments other than certain unallocated accrued expenses, amount due to an associate, tax payable and deferred tax liabilities.

Other segment information

	Human resources services *HK$'000*	Credit consultancy services *HK$'000*	Loan facilitation services *HK$'000*	Asset management services *HK$'000*	Loan financing services *HK$'000*	Insurance training services *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
For the year ended 31 March 2020								
Amounts included in the measure of segment profit or loss or segment assets:								
Addition to plant and equipment	**–**	**–**	**11**	**–**	**–**	**–**	**–**	**11**
Depreciation of plant and equipment	**26**	**69**	**30**	**3**	**–**	**5**	**186**	**319**
Depreciation of right-of-use assets	**1,477**	**85**	**805**	**781**	**–**	**–**	**–**	**3,148**
Amortisation of intangible assets	**–**	**592**	**122**	**–**	**–**	**–**	**–**	**714**
Finance costs	**53**	**203**	**59**	**845**	**11,172**	**–**	**–**	**12,332**
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:								
Bank interest income	**–**	**–**	**–**	**–**	**–**	**–**	**(10)**	**(10)**
For the year ended 31 March 2019								
Amounts included in the measure of segment profit or loss or segment assets:								
Addition to plant and equipment	111	3	16	–	–	–	–	130
Depreciation of plant and equipment	382	73	71	58	–	–	186	770
Amortisation of intangible assets	–	632	275	–	–	–	–	907
Finance costs	1	–	–	211	15,317	–	845	16,374
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:								
Bank interest income	–	–	–	–	–	–	(40)	(40)

Geographical information

The Group's operations are located in Hong Kong and the People's Republic of China ("PRC").

Information about the Group's revenue from external customers is presented based on the location of the services provided. Information about the Group's non-current assets, excludes financial instruments and deferred tax assets, is presented based on the geographical location of the assets.

	Revenue from external customers		**Non-current assets**	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**161,213**	189,723	**493**	424
PRC	**21,985**	66,577	**79,647**	560,158
	183,198	256,300	**80,140**	560,582

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of total revenue of the Group, of which were all contributed from human resources services in Hong Kong, are as follows:

	2020	2019
	HK$'000	*HK$'000*
Customer A	**60,383**	53,811
Customer B	**35,565**	42,572

4. REVENUE

Disaggregation of revenue from contracts with customers

For the year ended 31 March 2020

	Human resources services *HK$'000*	Credit consultancy services *HK$'000*	Loan facilitation services *HK$'000*	Asset management services *HK$'000*	Insurance training services *HK$'000*	Total *HK$'000*
Types of service						
Human resources services						
Staff outsourcing services	127,732	–	–	–	–	127,732
Executive/staff search services	1,959	–	–	–	–	1,959
Other human resources support services	4,062	–	–	–	–	4,062
	133,753	–	–	–	–	133,753
Credit consultancy services						
Credit assessment services	–	732	–	–	–	732
Credit consultancy services	–	10,171	–	–	–	10,171
	–	10,903	–	–	–	10,903
Loan facilitation services	–	–	4,419	–	–	4,419
Assets management services	–	–	–	2,493	–	2,493
Insurance training services	–	–	–	–	4,170	4,170
Total	133,753	10,903	4,419	2,493	4,170	155,738
Geographical markets						
Hong Kong	133,753	–	–	–	–	133,753
PRC	–	10,903	4,419	2,493	4,170	21,985
Total	133,753	10,903	4,419	2,493	4,170	155,738
Timing of revenue recognition						
At point in time	6,021	10,903	4,419	508	4,170	26,021
Over time	127,732	–	–	1,985	–	129,717
Total	133,753	10,903	4,419	2,493	4,170	155,738

For the year ended 31 March 2019

	Human resources services *HK$'000*	Credit consultancy services *HK$'000*	Loan facilitation services *HK$'000*	Asset management services *HK$'000*	Total *HK$'000*
Types of service					
Human resources services					
Staff outsourcing services	148,503	–	–	–	148,503
Executive/staff search services	3,764	–	–	–	3,764
Other human resources support services	4,432	–	–	–	4,432
	156,699	–	–	–	156,699
Credit consultancy services					
Credit assessment services	–	8,123	–	–	8,123
Credit consultancy services	–	6,495	–	–	6,495
	–	14,618	–	–	14,618
Loan facilitation services	–	–	45,181	–	45,181
Assets management services	–	–	–	5,661	5,661
Total	156,699	14,618	45,181	5,661	222,159
Geographical markets					
Hong Kong	156,699	–	–	–	156,699
PRC	–	14,618	45,181	5,661	65,460
Total	156,699	14,618	45,181	5,661	222,159
Timing of revenue recognition					
At point in time	8,196	14,618	45,181	–	67,995
Over time	148,503	–	–	5,661	154,164
Total	156,699	14,618	45,181	5,661	222,159

Set out below is the reconciliation of the segment revenue with the total revenue disclosed in the segment information.

	2020 *HK$'000*	2019 *HK$'000*
Segment revenue:		
Revenue from contracts with customers:		
Human resources support services	**133,753**	156,699
Credit consultancy services	**10,903**	14,618
Loan facilitation services	**4,419**	45,181
Asset management services	**2,493**	5,661
Insurance training services	**4,170**	–
	155,738	222,159
Revenue from other sources:		
Interest income from loan financing services	**27,460**	34,141
Total revenue	**183,198**	256,300

5. OTHER INCOME, GAINS AND (LOSSES), NET

	2020 *HK$'000*	2019 *HK$'000*
Bank interest income	**10**	40
Interest income from other loan receivables	**2,233**	–
Sundry income	**98**	2,929
Gain on disposal of plant and equipment	**576**	–
Dividends from investments	**7,255**	13,243
Fair value (loss) gain on revaluation of financial assets at FVTPL	**(77)**	90
Gain on disposal of right-of-use assets	**10**	–
Exchange losses, net	**(5,483)**	(7,165)
Loss on settlement of contingent consideration receivable	**(3,710)**	–
Gain on settlement of contingent consideration payable	**16,619**	–
Realised gain (loss) on disposal of financial assets at FVTPL	**369**	(426)
	17,900	8,711

Note: The amounts represent the gain/loss on settlement of contingent consideration receivable/payable upon the completion of profit guarantees provided by the vendors.

6. IMPAIRMENT LOSSES ON FINANCIAL ASSETS, NET OF REVERSAL

	2020	2019
	HK$'000	*HK$'000*
Impairment losses recognised/(reversed) on:		
Trade receivables	**1,464**	(120)
Other receivables	**5,650**	(20)
Loan and interest receivables	**297,102**	(4,128)
Amounts due from related parties	**(2)**	(92)
Amount due from an associate	**4,781**	105
	308,995	(4,255)

7. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interests on:		
Obligation under a finance lease	**–**	2
Other borrowing	**791**	1,572
Bond payables	**11,172**	11,426
Convertible bond	**–**	3,374
Lease liabilities	**176**	–
Others	**193**	–
	12,332	16,374

8. TAXATION

	2020	2019
	HK$'000	*HK$'000*
Current tax:		
– Hong Kong Profits Tax		
– Current year	**721**	318
– Over-provision in prior years	**(81)**	–
	640	318
– PRC Enterprise Income Tax ("EIT")		
– Current year	**3,797**	3,702
– Under-provision in prior years	**–**	100
	3,797	3,802
	4,437	4,120
Deferred taxation	**(1,975)**	472
	2,462	4,592

Under the Hong Kong Profits Tax two-tiered profits tax rates regime, for the years ended 31 March 2020 and 2019, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries operating in the PRC is 25% for both years. The tax rates 15% are specifically for the PRC subsidiaries which are operated in Tibet Autonomous Region and Khorgas Special Economic Zone.

Based on the tax ruling announced by the PRC central tax authorities, the corporate income tax rate of Lhasa, which is located within Tibet Autonomous Region, the corporate income tax rate is 15%. The relevant deferred tax balances had been measured based on the expected tax rates applicable in the future.

The Group's subsidiaries operating in the PRC are eligible for certain tax holidays and concessions and were exempted from PRC income taxes for the year. Based on the tax ruling announced by the PRC central tax authorities, the corporate income tax of Khorgas is exempted for consecutive five years after the first assessable profits is made.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

9. (LOSS) PROFIT FOR THE YEAR

	2020	2019
	HK$'000	*HK$'000*
(Loss)/profit for the year has been arrived at after charging:		
Employee benefits expenses (including directors' and chief executive's emoluments): *(Note)*		
– salaries, allowances and benefits in kind	**137,793**	160,428
– retirement benefit scheme contributions	**5,289**	6,350
	143,082	166,778
Auditor's remuneration		
– Audit service	**1,274**	759
– Other service	**113**	80
	1,387	839
Depreciation of plant and equipment:		
– Owned assets	**319**	510
– Leased assets	**–**	260
	319	770
Depreciation of right-of-use assets	**3,148**	–
Amortisation of intangible assets	**714**	907
Exchange losses, net	**5,483**	7,165
Lease payments not included in the measurement of lease liabilities	**267**	–
Operating leases rentals in respect of rented premises	**–**	3,974

Note: During the year ended 31 March 2020, employee benefits expenses of approximately HK$121,571,000 and HK$21,511,000 (2019: HK$143,017,000 and HK$23,761,000) are recognised as direct costs and general and administrative expenses respectively.

10. DIVIDEND

No dividend was paid or proposed for ordinary and convertible preference shareholders of the Company during the year ended 31 March 2020, nor has any dividend been proposed since the end of the reporting period (2019: Nil).

11. (LOSS) EARNINGS PER SHARE

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

	2020	2019
	HK$'000	*HK$'000*
(Loss) earnings		
(Loss) profit for the year attributable to owners of the Company for the purposes of basic earnings per share	**(846,078)**	30,704
Effect of dilutive potential ordinary shares:		
Interest charge on convertible bond	**–**	3,374
(Loss) profit for the year attributable to owners of the Company for the purposes of dilutive earnings per share	**(846,078)**	34,078

	2020	2019
	In thousands	*In thousands*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**1,618,051**	1,531,865
Effect of dilutive potential ordinary shares:		
– Convertible preference shares	**64,587**	64,587
– Convertible bond	**–**	15,939
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**1,682,638**	1,612,391

For the year ended 31 March 2020, the calculation of diluted loss per share in the current year does not assume the conversion of convertible preference shares since their exercise would result in a decrease in loss per share. Accordingly, the diluted loss per share is same as the basic loss per share.

For the year ended 31 March 2019, the computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible bond and preference shares since the assumed exercise would result in an increase in earnings per share which is regarded as anti-dilutive.

12. TRADE AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**33,549**	44,339
Less: Allowance for credit losses	**(5,831)**	(4,367)
Trade receivables, net	**27,718**	39,972
Other receivables:		
Deposits	**1,151**	568
Dividend receivable	**5,064**	5,395
Prepayments	**760**	1,163
Others	**36,652**	6,626
	43,627	13,752
Less: Allowance for credit losses	**(5,781)**	(131)
Other receivables, net	**37,846**	13,621
Total trade and other receivables	**65,564**	53,593

The Group normally allows credit periods of 30 days (2019: 30 days) to its major customers. The following is an aged analysis of trade receivables presented based on the invoice dates.

	2020	2019
	HK$'000	*HK$'000*
0-30 days	**10,421**	16,161
31-60 days	**8,895**	15,451
61-90 days	**631**	3,730
91-180 days	**4,026**	7,174
181-365 days	**7,544**	1,268
Over 365 days	**2,032**	555
	33,549	44,339

As at 31 March 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$23,128,000 (2019: HK$28,178,000) which are past due as at the reporting date. Out of the past due balances, approximately HK$15,021,000 (2019: HK$7,488,000) has been past due 90 days or more and is not considered as default by considering the ongoing business relationship, repayment history and expected future settlement. The Group does not hold any collateral over these balances.

Subsequent to the reporting period, other receivables of approximately HK$5,472,000 had been settled.

13. LOAN AND INTEREST RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Fixed-rate loan and interest receivables:		
– Guaranteed		
Loan receivables	**197,400**	350,890
Interest receivables	**7,500**	8,717
	204,900	359,607
– Secured by collaterals		
Loan receivables	**275,081**	–
Interest receivables	**13,920**	–
	289,001	–
– Unsecured		
Loan receivables	**182,357**	295,626
Interest receivables	**12,181**	14,262
	194,538	309,888
	688,439	669,495
Less: allowance for credit losses	**(317,734)**	(20,632)
	370,705	648,863
Analysed for reporting purpose as:		
– Current assets	**270,131**	648,863
– Non-current assets	**100,574**	–
	370,705	648,863

14. BOND PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Bonds *(Note)*	**93,309**	110,503
Analysed for reporting purposes as:		
Non-current liabilities	**47,690**	85,757
Current liabilities	**45,619**	24,746
	93,309	110,503

Note:

All the bonds are unsecured with the fixed interest rate ranging from 6% – 9% per annum. These bonds will mature within one to eight years.

15. ACQUISITION OF SUBSIDIARIES

On 8 May 2019, Wise Astute Limited (the "Purchaser"), a direct wholly-owned subsidiary of the Company, and CHEN Liyi (the "Vendor") entered into the conditional sale and purchase agreement (the "Agreement"). Pursuant to the Agreement, the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares, representing the entire issued share capital of Affluent Accord Limited (the "Affluent Accord"), and the all amounts (whether principal, interest or otherwise) of the loan owing by the Affluent Accord and its subsidiaries ("Affluent Group") to the Vendor at completion for the consideration to be settled by the shares to be issued by the Company of not more than 180,148,386 shares on the terms and subject to the conditions of the Agreement. The consideration were satisfied by the allotment and issuance of the new shares to the Vendor, credited as fully paid, for the purpose of settling the consideration (the "Consideration Shares").

Pursuant to the Agreement, the parties expected the actual audited net profit after tax of the Affluent Group for the financial year ended 31 December 2019 (for the period from 1 January 2019 to 31 December 2019) to be not less than RMB4,000,000 ("Profit Guarantee"). The acquisition was completed on 11 June 2019 and Profit Guarantee had been fulfilled on 23 March 2020. 180,148,386 shares in aggregate of the Consideration Shares was allotted and issued to the Vendor during the year ended 31 March 2020.

The Affluent Accord, through its indirectly 70% owned subsidiary, is engaged in the provision of professional training in the financial industry, focusing on training for the insurance industry in the PRC.

The fair value of the identifiable assets and liabilities of Affluent Group as at the date of acquisition were as follows:

	HK$'000
Net assets acquired:	
Property, plant and equipment	20
Trade receivables	915
Prepayment, other receivables and other assets	4,606
Cash and cash equivalents	2,744
Other payables and accruals	(458)
Tax payables	(131)
Total identifiable net assets	7,696
Less: Non-controlling interest	(2,202)
Net assets acquired	5,494
Goodwill on acquisition	63,999
Consideration	69,493
Satisfied by:	
Shares consideration	35,129
Contingent consideration payable in shares of the Company	34,364
Total	69,493

An analysis of the cash flows in respect of the acquisition is as follow:

	HK$'000
Cash and cash equivalents	2,744
Net inflow of cash and cash equivalents included in cash flows from investing activities	2,744

16. EVENT AFTER THE REPORTING PERIOD

(a) On 30 June 2020, the Company and a purchaser entered into the sale and purchase agreement (the "Disposal Agreement"), pursuant to which the Company has conditionally agreed to sell and the purchaser has conditionally agreed to purchase the entire issued shares of Orient Apex Investments Limited ("Orient Apex"), a wholly owned subsidiary of the Company at the Consideration of HK$24,000,000. Pursuant to the Disposal Agreement, the completion of the disposal transaction is conditional upon and subject to the satisfaction of certain conditions precedent on or before 30 September 2020.

Subsequently , as the conditions precedent in the Disposal Agreement had not been fulfilled on or before the 30 September 2020 and the parties to the Disposal Agreement had not agreed on any further extension, the Disposal Agreement was lapsed on the 30 September 2020.

(b) After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been, and continue to be, implemented across the region. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 March 2020.

QUALIFIED OPINION

We were engaged to audit the consolidated financial statements of Yin He Holdings Limited (the "Company") and its subsidiaries (together, the "Group") which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

Scope limitation – impairment assessment of loan and interest receivables

As set out in the consolidated financial statements, as at 31 March 2020, the carrying amounts of the loan and interest receivables of the Group arising from its loan financing business amounted to approximately HK$370,705,000 in aggregate.

As at the reporting date, the management had performed impairment assessment on its outstanding loan and interest receivables. As a result of the assessment, a total impairment loss on loan and interest receivables of approximately HK$297,102,000 had been provided for the year ended 31 March 2020. Management has informed us that the impairment assessment had been performed based on an expected credit loss made on the outstanding loan and interest balances, taking into account the aging analysis, historical payment records including subsequent settlements with the Group and, where available to the Group, credit information of the debtors, including information of the debtors' wealth and financial resources and forward-looking information.

However, we have not been able to obtain sufficient appropriate audit evidence regarding the impairment assessments of the outstanding loan and interest receivables, including sufficiently documented credit risk assessments and bases of impairment assessment on the loan and interest receivables. Due to insufficient documentary evidence concerning the impairment assessment made available to us, and there were no alternate audit procedures we could perform to satisfy ourselves as to the recoverability of the net carrying amounts of the loan and interest receivables and the adequacy of the allowance for credit loss of the loan and interest receivables, we are unable to form an opinion as to whether the carrying amount of the loan and interest receivables balances as at 31 March 2020 and the amount reported as impairment loss on loan and interest receivables for the year ended 31 March 2020 were free from material misstatements. Any adjustments that might have been found to be necessary in relation to these matters might have significant effects on the Group's consolidated financial position as at 31 March 2020 and the Group's consolidated financial performance and cash flows for the year then ended, and the related disclosures thereof in the consolidated financial statements.

Management's response to the Qualified Opinion

The Company had provided the Company's auditor with all available information concerning loan and interest receivables recoverability assessment, including aging analysis and settlement information of overdue balances, information concerning repayment ability and wealth proof documents of borrowers, and/or other documents in support the judgements and assessment.

It is the intention of the Company to rectify the matters in relation to the qualified opinion. Going forward, the Company will allocate more resources in this segment to ensure client's information in relation to their credibility and risk assessment are sufficiently obtained and retained, monitoring of the borrowers' financial position, follow up actions on uncollected loan and interest receivables, including, negotiating with borrowers and/or guarantee companies to recover the outstanding loan principal and interest receivables and raised legal claims on uncollected loans.

With the above actions taken, the management of the Company believes that similar qualified opinion will not be issued in the Group's consolidated financial statements for the year ended 31 March 2021.

Audit committee's and Management's views

The audit committee of the Company had critically reviewed the major judgmental areas relating to the qualified opinion on the Group's audited consolidated financial statements for the year ended 31 March 2020. There is no disagreement between the views of the audit committee and the management of the Company and those of the auditor on the qualified opinion issued by the auditor.

MANAGEMENT DISCUSSION AND ANALYSIS

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 ("Credit Consultancy Services") in the People's Republic of China (the "PRC"); (iii) provision of asset management services ("Asset Management Services") business in the PRC; (iv) loan financing services ("Loan Financing Services"); (v) insurance training services ("Insurance Services"); and (vi) provision of loan facilitation business in the PRC ("P2P Loan Facilitation Services"). The operation of the P2P Loan Facilitation Services was suspended due to the change in government policy during the year.

The slowing down of global economy, suspension of operation of the P2P Loan Facilitation Business in PRC and the COVID-19 pandemic had affected the overall performance of our business. Revenue for the year was HK$183,198,000, decreased by HK$73,102,000 or 28.5% from HK$256,300,000 in the year ended 31 March 2019 ("FY2019").

Revenue recorded for the Human Resources Services segment included revenues generated from providing staff outsourcing services, executive/staff search services and other human resources support services. Revenue recorded for the Human Resources Services segment decreased by 14.6% to approximately HK$133,753,000 for the year ended 31 March 2020 (2019: approximately HK$156,699,000). In FY2020, the revenue generated from the Human Resources Services segment represented 73.0% (2019: 61%) of the Group's total revenue. This segment incurred a loss of HK$2,947,000, as compared with loss of HK$1,005,000 last year.

Revenue recorded for the Credit Consultancy Services segment decreased by HK$3,715,000 or 25.4% to approximately HK$10,903,000 for the year ended 31 March 2020 (2019: approximately HK$14,618,000). In 2020, the revenue generated from the Credit Consultancy Services segment represented 6.0% (2019: 5.7%) of the Group's total revenue.

Revenue recorded for the Assets Management Services segment decreased by 56.0% to approximately HK$2,493,000 for the year ended 31 March 2020 (FY2019: HK$5,661,000). In FY2020, the revenue generated from the Assets Management Service segment represented 1.4% (FY2019: 2.2%) of the Group's total revenue. Although the Asset Management Services segment was not the Group's major revenue generating unit, it had helped to balance the Group's financial performance after the downturn of the Group's Credit Consultancy Services segment. Its valuable network of funds and investors which allowed the Group to provide more value-added services to its all customers as a whole. As such, the underlying value of this business segment is not explicitly shown on its own financial performance but will implicitly benefit other business segments of the Group.

Revenue recorded for the Loan Financing Services decreased by HK$6,681,000 or 19.6% to approximately HK$27,460,000 for the year ended 31 March 2020 (FY2019: HK$34,141,000). The revenue generated from Loan Financing Services segment represented 15.0% (FY2019: 13.3%) of the Group's total revenue. It is expected that the loan financing service business development can enhance the Group's business diversification and financial services business spectrum.

Insurance Services represented the training services provided to insurance companies. Revenue recorded for Insurance Services was HK$4,170,000 and represented 2.3% of the Group's total revenue for the year ended 31 March 2020.

Revenue recorded for the Loan Facilitation Services segment decreased by 90.2% to approximately HK$4,419,000 for the year ended 31 March 2020 (FY2019: approximately HK$45,181,000). The revenue generated from the Loan Facilitation Services segment represented 2.4% (FY2019: 17.6%) of the Group's total revenue during the year. The decrease was mainly due to the suspension of operation during the year. The loss incurred for this segment was HK$12,664,000, as compared with profit of HK$30,523,000 last year.

FINANCIAL REVIEW

Revenue decreased by 28.5% to approximately HK$183,198,000 (FY2019: HK$256,300,000) for the year ended 31 March 2020.

Direct costs decreased by 16.4% to approximately HK$122,684,000 for the year ended 31 March 2020 (FY2019: HK$146,800,000).

Gross profit decreased by 44.7% to approximately HK$60,514,000 (FY2019: approximately HK$109,500,000) for the year ended 31 March 2020 mainly due to the decrease in revenue during the year. The gross profit margin was 33.0% for the year ended 31 March 2020 (FY2019: approximately 42.7%).

Other income and other gains and losses, net increased by 105.5% to approximately HK$17,900,000 for the year ended 31 March 2020 (FY2019: approximately HK$8,711,000).

General and administrative expenses decreased by 7.0% to approximately HK$50,746,000 for the year ended 31 March 2020 (FY2019: HK$54,587,000). General and administrative expenses represented mainly staff related costs including directors' emoluments, rental expenses and marketing expenses.

Because of partial repayment of bond payable during the year, finance costs decreased to approximately HK$12,332,000 for the year ended 31 March 2020 (FY2019: HK$16,374,000).

Since the operation of P2P Loan Facilitation business segment was suspended, the entire goodwill of the P2P Loan Facilitation business segment of HK$459,688,000 was written off. In addition, impairment of goodwill relating to the Beauty Sky Group which was engaged in the provision of credit consultancy services and Affluent Accord which was engaged in the provision of insurance training services in the amount of HK$50,211,000 and HK$37,825,000 were made during the year.

Loss for the year ended 31 March 2020 was approximately HK$845,026,000 (FY2019: profit of HK$30,919,000).

FINANCIAL POSITION

Goodwill decreased to approximately HK$49,305,000 as at 31 March 2020 (FY2019: HK$533,030,000). The decrease was mainly attributable to the combined effect of (i) the goodwill impairment of HK$459,688,000 for the P2P Loan Facilitation Services; (ii) net goodwill of HK$26,174,000 generating from the acquisition of an insurance training business; and (iii) goodwill impairment of HK$50,211,000 for the credit consultancy services. Goodwill represented 8.6% (FY2019: 37.8%) of the Group's total assets. The remaining balance of goodwill included the goodwill arising on acquisition of Sheng Zhuo Group Limited, goodwill arising on acquisition of Best Moon, goodwill on acquisition of Beauty Sky and goodwill on acquisition of Affluent Accord.

Loan and interest receivables decreased by HK$278,158,000 or 43% to approximately HK$370,705,000 as at 31 March 2020 (FY2019: HK$648,863,000) and represented 64.8% (FY2019: 46.0%) of the Group's total assets.

In assessing the recoverability of the carrying amounts of the loan and interest receivables, the management had carried out the following procedures:

(i) included a detailed analysis of the entire loan portfolio, performed on a regular basis;

(ii) identified loans to be evaluated for impairment on an individual basis and segment the remainder of the portfolio into groups of loans with similar credit risk characteristics such as loan type, product type, market segment, credit risk grading and classification, collateral type, geographical location and past-due status for evaluation and analysis on a collective basis;

(iii) based on update reliable data, incorporate management's experienced judgements about the credit quality of the loan portfolio and consider all known relevant internal and external factors that may affect loan collectability such as industry, geographical, economic and political factors;

(iv) included a systematic and logical method to consolidate the loan loss estimates and ensure the loan loss provision balance is made in accordance with the applicable accounting standards and relevant prudential requirements if necessary; and

(v) Addressed the methods used to validate models used for credit risk assessment and credit risk management tools such as stress tests and back tests.

The following factors are considered in estimating loan losses for the loans under assessment:

- Any significant financial difficulty of the borrower;

- Possibility of bankruptcy or other financial reorganisation of the borrower;

- Any breach of contract, such as a default or delinquency in interest or principal payments; or

- Any concession granted by the lender, for economic or legal reasons relating to the borrower's financial difficulty, which would not otherwise be considered.

The management regularly performs the above procedures to assess potential loan losses and ensure the recorded balances of loans reflects their current collectability of the loan portfolio.

The total assets of the Group decreased by approximately HK$837,323,000 to approximately HK$572,402,000 as at 31 March 2020 (FY2019: HK$1,409,725,000). The total liabilities of the Group increased by approximately HK$3,814,000 to approximately HK$146,575,000 as at 31 March 2020 (FY2019: HK$142,761,000).

Net current assets as at 31 March 2020 was approximately HK$271,683,000 as compared to approximately HK$700,060,000 in the previous year.

Net assets value of the Group as at 31 March 2020 was approximately HK$425,827,000 as compared to approximately HK$1,266,964,000 as at 31 March 2019. The decrease was mainly attributable to the impairment of goodwill during the year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operation by its own working capital and from equity fund raisings The Group's cash and cash equivalent was approximately HK$29,982,000 as at 31 March 2020 compared to approximately HK$27,875,000 as at 31 March 2019. The cash and cash equivalents is expected to be adequate to support the working capital of the Group.

The current ratio of the Group was 3.8 as at 31 March 2020 as compared to 13.5 as at 31 March 2019. The gearing ratio of the Group increased to 21.9% (FY2019: 9.4%) as at 31 March 2020 mainly due to impairment of goodwill during the year. The gearing ratio was based on the Group's total borrowings of approximately HK$93,309,000 (FY2019: approximately HK$118,868,000) and the Group's total equity of approximately HK$425,827,000 (FY2019: approximately HK$1,266,964,000).

CAPITAL STRUCTURE OF THE GROUP

Saved for the issue of share on acquisition of the insurance training business, there was no other movement in the Company's shares capital during the year.

FINANCIAL MANAGEMENT AND FOREIGN EXCHANGE EXPOSURE

The Group's finance division works closely with the executive directors and manages the financial risks of the Group. The key objectives of the Group's treasury policies are to manage the Group's onshore and offshore fund to support and facilitate the Group's future business and investment plans; to manage its exposure to fluctuations in foreign currency exchange rates and to reach the goals of corporate cash management. 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 exchange rates would impact the Group's net asset value. Currently, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

CHARGES ON GROUP'S ASSETS

As at 31 March 2020, there was no charge on the Group's assets (FY2019: Nil).

CONTINGENT LIABILITIES

As at 31 March 2020, the Group did not have any material contingent liabilities (FY2019: Nil).

COMMITMENTS

As at 31 March 2020, the Group did not have any material capital commitments (FY2019: Nil).

SIGNIFICANT INVESTMENT

During the year ended 31 March 2020, saved for the investment in financial assets at fair value thought profit or loss and financial assets at fair value through other comprehensive income of approximately HK$281,000 (FY2019: 2,200,000) and approximately HK$15,905,000 (FY2019: 88,779,000), respectively, the Group did not have any other significant investment.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 March 2020, saved for the acquisition of insurance training business, the Group did not have any other significant acquisition subsidiaries and affiliated companies (FY2019: Nil).

No material disposals of subsidiaries were made by the Group for the year ended 31 March 2020 (FY2019: Nil).

MATERIAL TRANSACTIONS

During the year ended 31 March 2020, saved for the issue of consideration shares of 180,148,386 Shares on 16 June 2019 and on 23 March 2020 for the acquisition of the insurance training business, there was no material transactions entered by the Group.

EMPLOYEES AND REMUNERATION POLICIES

During the year ended 31 March 2020, the Group's staff costs, including director's remuneration, were approximately HK$143 million (year ended 31 March 2019: approximately HK$167 million). 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.

FINAL DIVIDENDS

The Directors do not recommend the payment of the final dividend for year ended 31 March 2020 (FY2019: Nil).

EVENT AFTER THE REPORTING PERIOD

Saved for the lapse of the disposal of the entire issued shares capital of Orient Apex, and the Group did not have any material event after the reporting period.

PROSPECTS

In light of the slowdown in the global economy and the impact of the COVID-19 epidemic, we have proactively responded and conducted corporate restructuring activities to rebalance our business focus. We have commenced the disposal of the unprofitable businesses, namely the Human Resources Services and the P2P Loan Facilitation Services. And at the same time, we have expanded our business into the insurance services sector by acquiring an insurance training business during the year. We believed entering into the insurance training industry could 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 to confront the volatiled economic condition and environment.

The suspension of operation of the P2P Loan Facilitation Business

On 27 November 2019, the China's Internet Financial Risk Special Rectification Work Leadership Team Office had issued a notice《關於網路借貸信息中介機構轉型為小額貸款公司試點的指導意見》(Guiding Opinion on the Transformation of Online Lending Information Facilitation Institutions into Small Loan Providers#)("New P2P Transformation Guidance"). Such New P2P Transformation Guidance required the qualified institutes to transform into a small loan provider in two year period with a minimal capital requirement of RMB50 million, concerning to one of the Company's subsidiary, Guangzhou Da Tang Pu Hui Internet Financial Information Services Limited ("Da Tang"). As at 27 November 2019, the registered capital of Da Tang had already reached RMB50 million and thus had fulfilled the registered capital requirement and was prepared to transform itself into a small loan provider according to the requirement.

Due to the impact of the COVID-19 pandemic since the beginning of 2020, the transformation process had been moving slowly. The pandemic had also caused a great impact on the overall loan market in the PRC. The management had been continuously assessing the change in economic condition of the loan market. Considering the characteristics and typically higher risk profile of the small loan segment, the management had not been confident in carrying out the small loan business. After reviewing the adverse market condition in the small loan segment in the PRC and the fixed monthly overhead the Company had to bear in maintaining Da Tang, the Company has decided to discontinue the P2P Loan Facilitation Business with immediate effect and it is expected that the discontinuation of the P2P Loan Facilitation Business will allow the Group to reallocate its resources and effort in other business segments of the Group. The Board believes that it is in the best interest of the Company and its shareholders as a whole to discontinue the P2P Loan Facilitation Business.

Human Resources Business

In view of the impact from the series of social events happened in Hong Kong since mid-2019 and the high unemployment rate recorded at 6% for the three months to October 2020, the Directors expect the economy prospect of Hong Kong as well as the future development of the Human Resources Business may continue to face significant challenges. Therefore, on 30 June 2020 the Company had entered into an agreement to dispose of the Human Resources Business (the “Disposal Transaction”) to exit from bearing the burden to operate the nonperforming business of the Orient Apex Group and allow the Group to reallocate its resources and effort in other business segments of the Group. However, the Disposal Transaction had lapsed on 30 September 2020.

Looking forward, the global economic outlook continues to be uncertain and is overshadowed by the impact of the COVID-19. With the aim to create value to the Shareholders, we will continue to expand our business in profitable sector which are synergetic to our existing business while trimming down the underperforming business.

The English names of PRC nationals, enterprises, entities, departments, facilities, certificates, titles and the like are translations of their Chinese names and are for identification purpose only.

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

As far as the Directors are aware of, none of the Directors or any of their respective associates (as defined in the GEM Listing Rules) has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group during the year ended 31 March 2020.

NON-COMPETITION UNDERTAKING

All the independent non-executive Directors were delegated with the authority to review on an annual basis the non-competition undertaking given by Ms. Yeung Ka Fung, Queenie ("Ms. Yeung"), in the respective non-competition undertaking (the "Undertaking") entered into by Ms. Yeung and Zebra Strategic Outsource Solution Limited dated 1 March 2013 and the deed of non-competition (the "Deed of Non-competition") dated 19 March 2013 (an extract of the respective material terms of Undertaking and the Deed of Non-competition had been set out in the Prospectus). Ms. Yeung confirmed that (a) she has provided all information necessary for the enforcement of the Undertaking and the Deed of Non-competition, as requested by all independent non-executive directors from time to time; and (b) from the effective date of respective Undertaking and the Deed of Non-competition and up to 26 June 2018, Ms. Yeung had complied with the Undertaking and the Deed of Non-competition. All independent non-executive Directors also confirmed that they were not aware of any non-compliance with the Undertaking by Ms. Yeung or the Deed of Non-competition during the same period.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 March 2020, the Company did not redeem any of its listed securities, and neither did the Company nor any of its subsidiaries purchase or sell any of the Company's listed securities.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms which are the same as the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all of them have complied with the required standards of dealings regarding securities transactions throughout the year ended 31 March 2020.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 19 March 2013 with written terms of reference in compliance with Rule 5.28 and Rule 5.29 of the GEM Listing Rules and paragraphs C.3.3 and C.3.7 of the CG Code. The Audit Committee comprises three independent non-executive Directors, namely, Mr. Lam, Raymond Shiu Cheung, Mr. Wang En Ping and Mr. Cheung Wai Bun Charles, JP. Mr. Wang En Ping is the chairman of the Audit Committee.

The primary duties of the Audit Committee are, among other things, review the relationship with the external auditors by references to the work performed by the external auditors, their fees and terms of engagement and to make recommendation to the Board on the appointment, re-appointment and removal of external auditors, review the financial statements and material advice in respect of financial reporting, and oversee internal control procedures of the Company.

The Audit Committee reports to the Board and has held regular meetings during the year ended 31 March 2020 to review and make recommendations to improve the Group's financial reporting process and internal controls.

During the year ended 31 March 2020, the Audit Committee reviewed with the management of the Group's unaudited quarterly and interim results and annual unaudited results for the financial year ended 31 March 2020, and discussed internal controls and financial reporting matters. The Audit Committee also met with the external auditor. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment/re-appointment of the external auditor.

SCOPE OF WORK OF CONFUCIUS INTERNATIONAL CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2020 as set out in this preliminary announcement have been agreed by the Group's auditors, Confucius International CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Confucius International CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Confucius International CPA Limited on this preliminary announcement.

MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

Since financial information contained in the Unaudited Preliminary Announcement was neither audited nor agreed with Confucius International CPA Limited as at the date of the publication and subsequent adjustments have been made to such information, shareholders and potential investors of the Company are advised to pay attention to certain differences between the financial information of the unaudited and audited annual results of the Group. Set forth below are principal details and reasons for the material differences in such financial information in accordance with Rule 18.50A of the GEM Listing Rules.

	Notes	Audited	Unaudited	Reclassification	Unaudited After reclassification	Difference
		HK$'000	*HK$'000*	*HK$'000* *(Note 1)*	*HK$'000*	*HK$'000*
CONSOLIDATED STATEMENT OF PROFIT OR LOSS						
Revenue	2	183,198	47,291	147,087	194,378	(11,180)
Direct costs		(122,684)	(3,406)	(122,274)	(125,680)	2,996
Gross profit		60,514	43,885	24,813	68,698	(8,184)
Other income	3	17,900	7,637	650	8,287	9,613
General and administrative expenses		(50,746)	(19,763)	(29,392)	(49,155)	(1,591)
Impairment loss on goodwill	4	(547,724)	(459,688)	–	(459,688)	(88,036)
Impairment loss on intangible assets		(1,430)	–	–	–	(1,430)
Impairment losses on financial assets, net of reversal		(308,995)	–	–	–	(308,995)
Share of results of associates		249	1,518	–	1,518	(1,269)
Operating profit		(830,232)	(426,411)	(3,929)	(430,340)	(399,892)
Finance costs		(12,332)	(12,512)	(110)	(12,622)	290
Loss before taxation		(842,564)	(438,923)	(4,039)	(442,962)	(399,602)
Taxation		(2,462)	(1,472)	(817)	(2,289)	(173)
Loss for the year		(845,026)	(440,395)	(4,856)	(445,251)	(399,775)
Discontinued operations						
Loss for the year from discontinued operations		–	(4,856)	4,856	–	–
Loss for the year and attributable to shareholders of the Company		(845,026)	(445,251)	–	(445,251)	(399,775)

	Notes	Audited HK$'000	Unaudited HK$'000	Reclassification HK$'000 (Note 1)	Unaudited After reclassification HK$'000	Difference HK$'000
CONSOLIDATED STATEMENT OF FINANCIAL POSITION						
Non-current assets						
Plant and equipment		362	195	172	367	(5)
Goodwill	4	49,305	116,898	–	116,898	(67,593)
Deferred tax assets		5,538	3,527	676	4,203	1,335
Loan and interest receivables - non-current portion	5	100,574	–	–	–	100,574
Intangible assets	6	1,300	2,724	6	2,730	(1,430)
Interests in associates		27,296	22,812	–	22,812	4,484
Equity instruments at fair value through other comprehensive income	7	15,905	58,614	–	58,614	(42,709)
Right-of-use assets		1,877	1,819	1,012	2,831	(954)
Deposit paid for acquisition of an associate		–	–	–	–	–
		202,157	206,589	1,866	208,455	(6,298)
Current assets						
Financial assets at fair value through profit or loss	7	281	–	–	–	281
Trade and other receivables	8	65,564	58,997	35,182	94,179	(28,615)
Loan and interest receivables - current portion	5	270,131	630,866	–	630,866	(360,735)
Contingent consideration receivable - current portion		–	–	–	–	–
Tax recoverable		–	–	12	12	(12)
Amounts due from related parties		4,287	3,948	50	3,998	289
Amount due from an associate	9	–	7,197	–	7,197	(7,197)
Bank balances and cash	10	29,982	11,827	22,591	34,418	(4,436)
Assets classified as held for sale		–	59,701	(59,701)	–	–
		370,245	772,536	(1,866)	770,670	(400,425)

	Notes	Audited HK$'000	Unaudited HK$'000	Reclassification HK$'000 (Note 1)	Unaudited After reclassification HK$'000	Difference HK$'000
Current liabilities						
Other payables and accrued expenses		(36,430)	(20,830)	(17,820)	(38,650)	2,220
Contract liabilities		(1,126)	–	–	–	(1,126)
Amounts due to related parties		–	–	–	–	–
Amount due to an associate		(10,154)	(8,225)	(3)	(8,228)	(1,926)
Bond payable		(45,619)	(45,233)	–	(45,233)	(386)
Other borrowing		–	–	–	–	–
Tax payable		(3,577)	–	(731)	(731)	(2,846)
Lease liabilities - current portion		(1,656)	(3,013)	–	(3,013)	1,357
Liabilities associated with assets classified as held for sale		–	(18,617)	18,617	–	–
		(98,562)	(95,918)	63	(95,855)	(2,707)
Net current assets		271,683	676,618	(1,803)	674,815	(403,132)
Total assets less current liabilities		473,840	883,207	63	883,270	(409,430)
Non current liabilities						
Bond payables - non-current portion		(47,690)	(49,146)	–	(49,146)	1,456
Deferred tax liabilities		(323)	(761)	(63)	(824)	501
		(48,013)	(49,907)	(63)	(49,970)	1,957
Net assets		425,827	833,300	–	833,300	(407,473)

Notes:

1 Due to the lapse of the Disposal Agreement and the suspension of P2P Loan Facilitation Business instead of termination, all the discontinued operations previously classified were reclassified to continuing operations.

2 The decrease were mainly due to the waiver of platform fee receivable for the P2P Loan Facilitation Business of HK$8.9 million and the adjustment of the loan interest income of HK$3.4 million.

3 The net increase of approximately HK$9.6 million was mainly resulted from the following items:

	HK$'000
Interest income from other loan receivables	2,233
Exchange lossess, net	(5,483)
Loss on settlement of contingent consideration receivable	(3,710)
Gain on settlement of contingent consideration payable	16,619
	9,659

4 Goodwill

For the consolidated income statement, additional impairment of goodwill charged to profit or loss in relation to Affluent Accord of HK$37.8 million, and Beauty Sky of HK$50.2 million.

For the consolidated statement of financial position, the changes of HK$67.6 million mainly comprised i) additional goodwill on the acquisition of Affluent Accord Limited of approximately HK$16.0 million; ii) the additional impairment of HK$88.0 million and iii) exchange difference of HK$4.5 million.

5 Loan and interest receivables

Net decrease of HK$260.1 million was mainly due to i) the provision of ECL of HK$297.1 million; and (ii) reclassification of from other receivables of approximately HK$37 million.

6 Intangible assets

Decrease in amount of intangible assets was due to the amortisation and impairment of intangible asset recognised during the year.

7 Equity instruments at fair value through other comprehensive income ("FVTOCI")

Net decrease of HK$42.7 million was mainly comprised fair value adjustment of approximately HK$14 million and disposal of financial assets at FVTOCI of approximately HK$28 million

8 Trade and other receivables

Net decrease of HK$28.6 million was mainly due to reclassification of other receivables of approximately HK$37 million to loan receivables.

9 Amount due from an associate

Decrease was due to the provision of impairment loss.

10 Bank balances and cash

The balances were adjusted due to reclassification of other receivables and assets classified as held for sale

DELAY IN PUBLICATION OF ANNUAL RESULTS

References are made to the announcements of the Company dated 9 September 2020, 15 September 2020, 23 September 2020, 22 October 2020 and 24 November 2020 (collectively the "Announcements") in relation to, among other things, (i) resignation of auditor, (ii) suspension of trading, (iii) appointment of auditor, and (iv) further supplemental information on the delay in publication of audited annual results and despatch of annual report of the Group for the year ended 31 March 2020. Due to the effect of COVID-19, the Company was unable to publish the annual results of the Group for the year ended 31 March 2020 (the "Annual Results") before 30 June 2020. Pursuant to Rule 18.03 of the GEM Listing Rules, the Company was required to publish the Annual Results on a date not later than three months after the end of the financial year, i.e. 30 June 2020, hence the delay in the publication of the announcement of the Annual Results by the Company constituted a non-compliance with Rule 18.03 of the GEM Listing Rules. A waiver has been applied to and granted by the Stock Exchange for a waiver of GEM Rule 18.03 on the basis that the Company would publish the annual report for the year ended 31 March 2020 on or before 14 September 2020. However, due to the change in auditor, the Annual Results was further delay to 21 December 2020.

DELAY IN DESPATCH OF ANNUAL REPORT

Pursuant to Rule 18.48A of the GEM Listing Rules, the Company is required to send the annual report for the year ended 31 March 2020 (the "Annual Report") to its shareholders (the "Shareholders") not later than three months after the date upon which the financial period ended, that is, on or before 30 June 2020. As a result of the abovementioned delay in the publication of the Annual Results, the Company was unable to despatch the Annual Report to the Shareholders on or before 30 June 2020 pursuant to the GEM Listing Rules. The delay in the despatch of the Annual Report by the Company will constitute a non-compliance with Rule 18.48A of the GEM Listing Rules.

The Company is currently working towards finalising the Annual Report for publication and it is anticipated that the Annual Report will be despatched on or before 31 December 2020.

STATUS OF THE OUTSTANDING MATTERS IDENTIFIED BY THE PREVIOUS AUDITORS

As announced by the Company on 9 September 2020, Asian Alliance (HK) CPA Limited ("Asian Alliance") resigned as auditor of the Company with effect from 8 September 2020, due to the inability to reach a consensus with the management of the Group on the timetable of completing the audit and the major outstanding matters were summarized as follows:

The major outstanding matters included, i) the financial information, including the lists of details information of the lenders and borrowers, in relation to the Group's operation of peer-to-peer financing platform and provision of other loan facilitation business in the PRC which has been suspended since 15 January 2020 and the legal opinion regarding responsibility on the repayment of the loans and the potential liabilities; ii) the financial information of Beauty Sky Group Limited and its subsidiaries, which are engaged in providing credit consultancy services; iii) the financial information and the business model of Affluent Accord Limited and its subsidiaries, which was newly acquired during the year ended 31 March 2020 and are engaged in provision of professional training in the financial industry, focusing on training for the insurance industry in the PRC; and (iv) detailed assessment on the borrowers' financial situation in order to determine the recoverability and provision for expected credit loss on the loan and interest receivable (collectively "Major Outstanding Matters"). During the course of the audit by Confucius International, the Company has provided the relevant financial information and documents, including the relevant financial information, legal opinion and the assessment on the expected credit loss on the loan and interest receivable with reference to the valuation conducted by the independent professional valuer (the "Valuer") engaged by the Company to Confucius International.

Confucius International performed relevant audit procedures, including 1) conducting audit testing and reviewing the supporting documents and financial information, including but not limited to contracts, invoices, bank confirmations and audit confirmations; 2) reviewing the legal opinion regarding the P2P Loan Facilitation Business; 3) reviewing the valuation work schedules carried out by the Valuer regarding the expected credit loss on the loan and interest receivable.

The Directors and the Audit Committee believe the relevant audit procedures conducted by the Company and Confucius International are sufficient and adequate to address the Major Outstanding Matters raised by Asian Alliance.

CONTINUED SUSPENSION OF TRADING IN THE SHARES

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended since 15 September 2020 and will continue to be suspended until further notice.

PUBLICATION OF ANNUAL REPORT

The Company's annual report for the year ended 31 March 2020 will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

CORPORATE GOVERNANCE

The Company is committed to promoting good corporate governance, with the objectives of (i) the maintenance of responsible decision making; (ii) the improvement in transparency and disclosure of information to shareholders; (iii) the continuance of respect for the rights of shareholders and the recognition of the legitimate interests of the shareholders; and (iv) the improvement in management of risk and the enhancement of performance by the Group. The Company will continue to monitor and review its corporate governance practices to ensure compliance with the regulatory requirements and to meet the expectations of the shareholders and investors.

During the year ended 31 March 2020, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules.

By Order of the Board
Yin He Holdings Limited
Li Ang
Chairman

Hong Kong, 24 December 2020

As at the date of this announcement, the executive Directors are Mr. Li Ang and Mr. Zheng Zhong Qiang, the non-executive Director are Mr. Chang Tin Duk Victor and Mr. Lam Tsz Chung, and the independent non-executive Directors are Mr. Lam Raymond Shiu Cheung, Mr. Wang En Ping and Dr. Cheung Wai Bun Charles, JP.

This announcement will remain on GEM website on the "Latest Listed Company Information" page for at least seven days from the day of its posting and on the Company's website at www.yinhe.com.hk.