銀合控股有限公司
YIN HE HOLDINGS LIMITED

*(incorporated in the Cayman Islands with limited liability)*

(Stock code: 8260)

# UNAUDITED RESULTS ANNOUNCEMENT 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 announcement 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.*

## UNAUDITED FINANCIAL RESULTS

For the reasons explained below under "Review of Unaudited Annual Results", the auditing process for the annual results of the Company and its subsidiaries (the "**Group**") has not been completed. In the meantime, the board of directors (the "**Board**") of the Company is pleased to announce the unaudited consolidated financial statements of the Group for the year ended 31 March 2020 based on the management account, together with the comparative figures for the corresponding year in 2019 as follows:

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

*For the Year ended 31 March 2020*

| | *Notes* | **2020**<br>***HK$'000***<br>**(Unaudited)** | 2019<br>*HK$'000*<br>(Audited)<br>(Restated) |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| **Revenue** | *4* | **47,291** | 54,420 |
| Direct costs | | **(3,406)** | (1,961) |
| **Gross profit** | | **43,885** | 52,459 |
| Other income, gains and losses, net | *4* | **7,637** | 7,998 |
| General and administrative expenses | | **(19,763)** | (27,052) |
| Change in fair value of contingent consideration | | **–** | 1,447 |
| Impairment loss on goodwill | | **(459,688)** | (16,682) |
| Impairment losses on financial assets, net of reversal | | **–** | 4,255 |
| Share of results of associates | | **1,518** | (759) |
| **Operating (loss) profit** | | **(426,411)** | 21,666 |
| Finance costs | *5* | **(12,512)** | (16,373) |
| **(Loss) profit before tax** | | **(438,923)** | 5,293 |
| Income tax expense | *6* | **(1,472)** | (3,472) |
| **(Loss) profit for the year from continuing operations** | *7* | **(440,395)** | 1,821 |
| **DISCONTINUED OPERATIONS** | | | |
| **(Loss) profit for the year from discontinued operations** | | **(4,856)** | 29,098 |
| **(Loss) profit for the year** | | **(445,251)** | 30,919 |
| **Other comprehensive expense for the year** | | | |
| ***Items that may not be reclassified subsequently to profit or loss:*** | | | |
| Fair value loss on equity instruments at fair value through other comprehensive income | | **(2,389)** | (28,498) |

| | Notes | **2020** | 2019 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| | | **(Unaudited)** | (Audited) |
| | | | (Restated) |
| ***Items that may be reclassified subsequently to profit or loss:*** | | | |
| Exchange differences arising on translation of foreign operations | | **(58,779)** | (73,357) |
| Other comprehensive expense for the year, net of income tax | | **(61,168)** | (101,855) |
| **Total comprehensive expense for the year** | | **(506,419)** | (70,936) |
| **(Loss) profit for the year from continuing operation attributable to:** | | | |
| Owners of the Company | | **(441,241)** | 1,606 |
| Non-controlling interest | | **846** | 215 |
| | | **(440,395)** | 1,821 |
| **(Loss) profit for the year from discontinued operations attributable to:** | | | |
| Owner of the Company | *14* | **(4,856)** | 29,098 |
| **Total comprehensive (expense) income attributable to:** | | | |
| Owners of the Company | | **(507,012)** | (70,686) |
| Non-controlling interest | | **593** | (250) |
| | | **(506,419)** | (70,936) |
| **(Loss) earnings per share** | *9* | | |
| **Basic (HK cents)** | | | |
| From continuing and discontinued operations | | **(27.6)** | 2.0 |
| From continuing operations | | **(27.3)** | 0.1 |
| **Diluted (HK cents)** | | | |
| From continuing and discontinued operations | | **N/A** | 2.0 |
| From continuing operations | | **N/A** | N/A |

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 March 2020*

| | Notes | 2020<br>HK$'000<br>(Unaudited) | 2019<br>HK$'000<br>(Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Plant and equipment | | **195** | 664 |
| Right-of-use assets | | **1,819** | – |
| Goodwill | | **116,898** | 533,030 |
| Intangible assets | | **2,724** | 3,640 |
| Interests in associates | | **22,812** | 15,379 |
| Deferred tax assets | | **3,527** | 4,203 |
| Equity instruments at fair value through other comprehensive income | | **58,614** | 88,779 |
| Deposit paid for acquisition of an associate | | **–** | 7,869 |
| | | **206,589** | 653,564 |
| **Current assets** | | | |
| Financial assets at fair value through profit or loss | | **–** | 2,200 |
| Trade and other receivables | *10* | **58,997** | 53,593 |
| Loan and interest receivables | *11* | **630,866** | 648,863 |
| Contingent consideration receivable | | **–** | 3,710 |
| Amounts due from related parties | | **3,948** | 4,319 |
| Amount due from an associate | | **7,197** | 15,601 |
| Bank balances and cash | | **11,827** | 27,875 |
| | | **712,835** | 756,161 |
| Assets classified as held for sale | *14* | **59,701** | – |
| **Total current assets** | | **772,536** | 756,161 |

| | Notes | **2020** | 2019 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| | | **(Unaudited)** | (Audited) |
| **Current liabilities** | | | |
| Other payables and accrued expenses | | **20,830** | 19,129 |
| Contract liabilities | | **–** | 2,459 |
| Lease liabilities | | **3,013** | – |
| Amount due to an associate | | **8,225** | 3 |
| Bond payables – current portion | *12* | **45,233** | 24,746 |
| Other borrowing | | **–** | 8,365 |
| Tax payable | | **–** | 1,399 |
| | | **77,301** | 56,101 |
| Liabilities associated with assets classified as held for sale | *14* | **18,617** | – |
| **Total current liabilities** | | **95,918** | 56,101 |
| **Net current assets** | | **676,618** | 700,060 |
| **Total assets less current liabilities** | | **861,561** | 1,353,624 |
| **Non-current liabilities** | | | |
| Bond payables – non-current portion | *12* | **49,146** | 85,757 |
| Deferred tax liabilities | | **761** | 903 |
| | | **49,907** | 86,660 |
| **Net assets** | | **833,300** | 1,266,964 |
| **Capital and reserves** | | | |
| Share capital | | **17,236** | 15,435 |
| Reserves | | **808,666** | 1,247,127 |
| Equity attributable to owners of the Company | | **825,902** | 1,262,562 |
| Non-controlling interest | | **7,398** | 4,402 |
| **Total equity** | | **833,300** | 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 "**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 provisions of credit consultancy services, assets management services, loan financing services and insurance training services. Human resources services and P2P loan facilitation services were reclassified as discontinued operations during the year.

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

## 2. APPLICATION OF NEW AND REVISED 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 issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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

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

### *2.1 HKFRS 16 Leases*

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

*Definition of a lease*

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

*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 Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained earnings 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:

- elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong and in the People's Republic of China (the "**PRC**") were determined on a portfolio basis.

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.

**New and revised HKFRSs in issue but not yet effective**

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

| | |
|---|---|
| HKFRS 17 | Insurance Contracts[1] |
| Amendement to HKFRS 16 | COVID-19 – Related Rent Concessions[5] |
| Amendments to HKFRS 3 | Definition of 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] |

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 for annual periods beginning on or after a 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 (the "**Directors**") anticipate that the application of all the other new and amendments to HKFRSs will have no material impact on the unaudited 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 four 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:

| | | |
|---|---|---|
| Credit consultancy services | – | provision of credit assessment and credit consultancy 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 services | – | provision of insurance related services |

During the year, the following segments were classified as discontinued operations.

| | | |
|---|---|---|
| Human resources services | – | provision of staff outsourcing services, executive/staff search services and other human resources support services |
| P2P loan facilitation services | – | operation of peer-to-peer ("**P2P**") financing platform and other loan facilitation services |

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

## 4. REVENUE AND OTHER INCOME, GAINS AND LOSSES, NET

**For the year ended 31 March 2020**
***Continuing Operations***

*Disaggregation of revenue from contracts with customers*

| | Credit consultancy services | Asset management services | Insurance services | Total |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| **Type of service** | | | | |
| Credit consultancy services | | | | |
| Credit assessment services | **4,405** | **–** | **–** | **4,405** |
| Credit consultancy services | **4,696** | **–** | **–** | **4,696** |
| | **9,101** | **–** | **–** | **9,101** |
| Asset management services | **–** | **3,522** | **–** | **3,522** |
| Insurance services | **–** | **–** | **3,930** | **3,930** |
| **Total** | **9,101** | **3,522** | **3,930** | **16,553** |
| **Geographical markets** | | | | |
| PRC | **9,101** | **3,522** | **3,930** | **16,553** |
| **Total** | **9,101** | **3,522** | **3,930** | **16,553** |
| **Timing of revenue recognition** | | | | |
| At the point in time | **9,101** | **–** | **3,930** | **13,031** |
| Over time | **–** | **3,522** | **–** | **3,522** |
| **Total** | **9,101** | **3,522** | **3,930** | **16,553** |

**For the year ended 31 March 2019**

***Continuing Operations***

| | Credit consultancy services *HK$'000* (Audited) | Asset management services *HK$'000* (Audited) | Total *HK$'000* (Audited) |
|---|---|---|---|
| **Type of service** | | | |
| Credit consultancy services | | | |
| Credit assessment services | 8,123 | – | 8,123 |
| Credit consultancy services | 6,495 | – | 6,495 |
| | 14,618 | – | 14,618 |
| Asset management services | – | 5,661 | 5,661 |
| **Total** | 14,618 | 5,661 | 20,279 |
| **Geographical markets** | | | |
| PRC | 14,618 | 5,661 | 20,279 |
| **Total** | 14,618 | 5,661 | 20,279 |
| **Timing of revenue recognition** | | | |
| At the point in time | 14,618 | – | 14,618 |
| Over time | – | 5,661 | 5,661 |
| **Total** | 14,618 | 5,661 | 20,279 |

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| **Continuing Operations** | | |
| **Segment revenue:** | | |
| Credit consultancy services | **9,101** | 14,618 |
| Assets management services | **3,522** | 5,661 |
| Insurance services | **3,930** | – |
| | **16,553** | 20,279 |
| **Revenue from contracts with customers:** | | |
| Interest income from loan financing services | **30,738** | 34,141 |
| **Total revenue** | **47,291** | 54,420 |

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| | | (Restated) |
| **Continuing Operations** | | |
| **Other income and gains and losses, net** | | |
| Bank interest income | **3** | 32 |
| Sundry income | **10** | 2,286 |
| Dividends from equity instruments at FVTOCI | **–** | 13,243 |
| Change in fair values of financial assets at FVTPL | **–** | 90 |
| Exchange losses, net | **–** | (7,227) |
| Gain (loss) on disposal of financial assets at FVTPL | **7,624** | (426) |
| | **7,637** | 7,998 |

## 5. FINANCE COSTS

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| | | (Restated) |
| **Continuing Operations** | | |
| Interests on: | | |
| Obligation under finance lease | **–** | 1 |
| Other borrowing | **–** | 1,572 |
| Bond payables | **12,278** | 11,426 |
| Convertible bond | **234** | 3,374 |
| | **12,512** | 16,373 |

## 6. INCOME TAX EXPENSE

| | 2020 | 2019 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | (Unaudited) | (Audited) |
| | | (Restated) |
| **Continuing Operations** | | |
| Current tax: | | |
| – Hong Kong Profits Tax | | |
| – Current year | – | 223 |
| – PRC Enterprise Income Tax ("**EIT**") | | |
| – Current year | **1,201** | 2,320 |
| – Under provision in prior years | – | 100 |
| | **1,201** | 2,420 |
| | **1,201** | 2,643 |
| Deferred taxation | **271** | 829 |
| | **1,472** | 3,472 |

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, 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%.

Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

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 respectively.

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, is 9% for years 2015 to 2017 and from 2018 onwards, the corporate income tax rate will resume to 15% if no further announcement of preferential tax treatment is made. 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 Horgos 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.

## 7. (LOSS) PROFIT FOR THE YEAR

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| | | (Restated) |
| **Continuing Operations** | | |
| (Loss) profit for the year has been arrived at after charging (crediting): | | |
| Employee benefits expenses (including directors' and chief executive's emoluments: *(Note)* | | |
| – salaries, allowances and benefits in kind | **132,277** | 160,428 |
| – retirement benefit scheme contributions | **5,413** | 6,350 |
| | **137,690** | 166,778 |
| Auditor's remuneration | | |
| – Annual audit service | **680** | 759 |
| – Other audit service | **40** | 80 |
| | **720** | 839 |
| Depreciation of plant and equipment: | | |
| – Owned assets | **334** | 510 |
| – Leased assets | **–** | 260 |
| | **334** | 770 |
| Amortisation of intangible assets | **714** | 907 |
| Operating leases rentals in respect of rented premises | **3,661** | 3,974 |

*Note:* During the year ended 31 March 2020, employee benefits expenses of approximately HK$119,664,000 and HK$18,026,000 (2019: HK$143,017,000 and HK$23,761,000) are recognised as direct costs and general and administrative expenses respectively.

## 8. 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).

## 9. (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* |
| | **(Unaudited)** | (Audited) |
| **For continuing and discontinued operations** | | |
| (Loss) profit for the year attributable to owners of the Company for the purposes of basic earnings per share | **(446,097)** | 30,704 |
| Effect of dilutive potential ordinary shares: | | |
| Interest charge on convertible loan | **–** | 3,374 |
| (Loss) profit for the year attributable to owners of the Company for the purposes of dilutive earnings per share | **(446,097)** | 34,078 |

| | **2020** | 2019 |
|---|---|---|
| | ***'000*** | *'000* |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **1,617,559** | 1,531,865 |
| Effect of dilutive potential ordinary shares: | | |
| – Convertible preference shares | **64,587** | 66,587 |
| – Convertible bond | **–** | 15,939 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **1,682,146** | 1,614,391 |

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| | | (Restated) |
| **For continuing operations** | | |
| (Loss) profit for the year attributable to owners of the Company for the purposes of basic earnings per share | **(441,241)** | 1,606 |
| Effect of dilutive potential ordinary shares: | | |
| Interest charge on convertible loan | **–** | 3,374 |
| (Loss) profit for the year attributable to owners of the Company for the purposes of dilutive earnings per share | **(441,241)** | 4,980 |

For discontinued operations basic loss per share for the discontinued operations is HK0.3 cents per share (2019: earning per share HK1.9 cents per share); and diluted loss per share for the discontinued operations is HK0.3 cents per share (2019: diluted earning per share HK1.8 cents per share), based on the loss for the year from the discontinued operations of approximately HK$4,856,000 (2019: profit for the year from the discontinued operations of approximately HK$29,098,000).

For the year ended 31 March 2020, the computation of diluted loss 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.

## 10. TRADE AND OTHER RECEIVABLES

| | 2020 | 2019 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | (Unaudited) | (Audited) |
| Trade receivables *(Note)* | **5,469** | 44,339 |
| Less: Allowance for credit losses | **(52)** | (4,367) |
| | **5,417** | 39,972 |
| Deposits, prepayments and other receivables | **53,675** | 13,752 |
| Less: Accumulated impairment loss | **(95)** | (131) |
| Other receivables, net | **53,580** | 13,621 |
| **Total trade and other receivables** | **58,997** | 53,593 |

*Note:*

The Group normally allows credit periods of 30 days (2019: 30 days) to its major customers and the Group did not hold any collateral over the trade receivables.

The following is an aged analysis of trade receivables presented based on invoice date.

| | 2020 | 2019 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | (Unaudited) | (Audited) |
| 0-30 days | **7** | 16,161 |
| 31-60 days | **1** | 15,451 |
| 61-90 days | **–** | 3,730 |
| 91-180 days | **2,502** | 7,174 |
| 181-365 days | **2,959** | 1,268 |
| Over 365 days | **–** | 555 |
| | **5,469** | 44,339 |

## 11. LOAN AND INTEREST RECEIVABLES

| | 2020 | 2019 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | (Unaudited) | (Audited) |
| Fixed-rate loan and interest receivables: | **651,498** | 669,495 |
| Less: allowance for credit loss | **(20,632)** | (20,632) |
| | **630,866** | 648,863 |

## 12. BOND PAYABLES

| | 2020 | 2019 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | (Unaudited) | (Audited) |
| Bonds | **94,379** | 110,503 |
| Analysed for reporting purposes as: | | |
| Non-current liabilities | **49,146** | 85,757 |
| Current liabilities | **45,233** | 24,746 |
| | **94,379** | 110,503 |

## 13. ACQUISITION OF A SUBSIDIARY

On 8 May 2019, Wise Astute Limited (the "**Wise Astute**"), 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 has conditionally agreed to sell and the Purchaser, a direct wholly-owned subsidiary of the Company, has 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 to the Vendor at Completion at the consideration in the amount of not more than RMB48,230,000 on the terms and subject to the conditions of the Agreement. The consideration will be satisfied by the allotment and issuance of the new Shares to be allotted and issued to the Vendor at the issue price of HK$0.31 per share, credited as fully paid, for the purpose of settling the consideration (the "**Consideration Shares**").

Pursuant to the Agreement, the parties expect the actual audited net profit after tax of the PRC subsidiary for the financial year ending 31 December 2019 (for the period from 1 January 2019 to 31 December 2019) shall not be less than RMB4,000,000 ("**Profit Guarantee**"). The Profit Guarantee had been fulfilled and 180,148,386 Shares of Consideration Shares had been issued.

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

The acquisition was completed on 11 June 2019 and 180,148,386 shares in aggregate of the Consideration Shares was allotted and issued to the Vendor on 11 June 2019, and 23 March 2020. Further details of the acquisition are set out in the announcement of the Company dated 8 May 2019, 5 June 2019, 11 June 2019 and 22 January 2020.

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

| | *HK$'000* |
|---|---|
| Net assets acquisition | |
| Property, plant and equipment | 20 |
| Trade receivables | 1,241 |
| Prepayment, other receivables and other assets | 4,606 |
| Cash and cash equivalents | 2,744 |
| Other payables and accruals | (1,246) |
| Tax payables | (131) |
| Total identifiable net assets at fair value | 7,234 |
| Less: Non-controlling interest | (2,403) |
| Net assets acquired | 4,831 |
| Goodwill on acquisition | 48,043 |
| Consideration | 52,874 |
| Satisfied by: | |
| Shares | 52,874 |

The Group incurred transaction costs of HK$363,000 for this acquisition. These transaction costs have been charged to the share premium account in the consolidated statement of equity. An analysis of the cash flows in respect of the acquisition is as follow:

| | *HK$'000* |
|---|---|
| Cash and cash equivalents | 2,744 |
| Transaction costs of the Acquisition | (363) |
| Net inflow of cash and cash equivalents included in cash flows from investing activities | 2,381 |

## 14. DISCONTINUED OPERATIONS

The (loss) profit for the year from discontinued operations is set out below:

| | *Notes* | **2020** **HK$'000** **(Unaudited)** | 2019 *HK$'000* (Audited) |
|---|---|---|---|
| (Loss) profit for the year from: | | | |
| Human resources services operation | *(a)* | **(2,772)** | (730) |
| Loan facilitation services operation | *(b)* | **(2,084)** | 29,828 |
| | | **(4,856)** | 29,098 |

Assets classified as held for sale is set out below:

| | *Notes* | **2020** **HK$'000** **(Unaudited)** | 2019 *HK$'000* (Audited) |
|---|---|---|---|
| Assets classified as held for sale related to: | | | |
| Human resources services operation | *(a)* | **34,759** | – |
| Loan facilitation services operation | *(b)* | **24,942** | – |
| | | **59,701** | – |

Liabilities associated with assets classified as held for sale is set out below:

| | *Notes* | **2020** **HK$'000** **(Unaudited)** | 2019 *HK$'000* (Audited) |
|---|---|---|---|
| Liabilities associated with assets classified as held for sale related to: | | | |
| Human resources services operation | *(a)* | **10,065** | – |
| Loan facilitation services operation | *(b)* | **8,552** | – |
| | | **18,617** | – |

*Notes:*

**(a) Human Resources Services**

On 4 October 2019, the Company and the Just Young Limited (the "**Just Young**") entered into the memorandum of understanding, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire equity interest of the Orient Apex Investments Limited (the "**Orient Apex**"), a wholly owned subsidiary of the Company. The Orient Apex mainly (through its two wholly-owned subsidiaries) engaged in human resources business. the Orient Apex and its subsidiaries ("**Orient Apex Group**") were classified as disposal groups held for sale and the human resources segment is classified as a discontinued operation.

The loss for the year from the discontinued human resources services operation is set out below. The comparative figures in the unaudited condensed consolidated statement of profit or loss and other comprehensive income have been restated to re-present the human resources services operation as a discontinued operation.

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | ***(Unaudited)*** | *(Audited)* |
| **Revenue** | **133,753** | 156,698 |
| Direct costs | **(122,191)** | (142,067) |
| **Gross profit** | **11,562** | 14,631 |
| Other income | **581** | 356 |
| General and administrative expenses | **(14,866)** | (15,621) |
| **Operating loss from discontinued operation** | **(2,723)** | (634) |
| Finance costs | **(49)** | (1) |
| **Loss before tax from discontinued operation** | **(2,772)** | (635) |
| Income tax expense | **–** | (95) |
| **Loss for the year from discontinued operation** | **(2,772)** | (730) |

During the year ended 31 March 2020, the human resources services operation contributed HK$1,042,000 (2019: HK$4,549,000) to the Group's net operating cash flows, contributed HK$Nil (2019: paid HK$74,000) in respect of investing activities and contributed HK$5,000 (2019: paid HK$1,000) in respect of financing activities.

The major classes of assets and liabilities of the human resources services operation as at 31 March 2020, which have been presented separately in the unaudited consolidated statement of financial position, are as follows:

| | 2020 |
|---|---|
| | *HK$'000* |
| | *(Unaudited)* |
| **Assets** | |
| Plant and equipment | **150** |
| Right-of-use assets | **261** |
| Deferred tax assets | **256** |
| Trade and other receivables | **24,666** |
| Tax recoverable | **12** |
| Amounts due from related parties | **50** |
| Bank balances and cash | **9,364** |
| Assets classified as held for sale | **34,759** |
| **Liabilities** | |
| Other payables and accrued expenses | **10,062** |
| Amount due to an associate | **3** |
| Liabilities associated with assets classified as held for sale | **10,065** |

**(b) P2P Loan Facilitation Services**

On 24 June 2020, the Company had discontinued the loan facilitation services operation of Radiant Expert Limited and its subsidiaries ("**Radiant Expert Group**"). Radiant Expert Limited is a wholly owned subsidiary of the Company. Radiant Expert Group were principally engaged in the loan facilitation services though a P2P platform. Radiant Expert Group were classified as disposal groups held for sale and the P2P Loan Facilitation segment is classified as a discontinued operation.

The loss (profit) for the year from the discontinued P2P Loan Facilitation services operation is set out below. The comparative figures in the unaudited condensed consolidated statement of profit or loss and other comprehensive income have been restated to re-present the loan facilitation services operation as a discontinued operation.

| | **2020**<br>***HK$'000***<br>***(Unaudited)*** | 2019<br>*HK$'000*<br>*(Audited)* |
|---|---|---|
| **Revenue** | **13,334** | 45,182 |
| Direct costs | **(83)** | (2,772) |
| **Gross profit** | **13,251** | 42,410 |
| Other income | **69** | 357 |
| General and administrative expenses | **(14,526)** | (11,914) |
| **Operating (loss) profit from discontinued operation** | **(1,206)** | 30,853 |
| Finance costs | **(61)** | – |
| **(Loss) profit before tax from discontinued operation** | **(1,267)** | 30,853 |
| Income tax expense | **(817)** | (1,025) |
| **(Loss) profit for the year from discontinued operation** | **(2,084)** | 29,828 |

The major classes of assets and liabilities of the loan facilitation services operation as at 31 March 2020, which have been presented separately in the unaudited consolidated statement of financial position, are as follows:

| | **2020** |
|---|---|
| | ***HK$'000*** |
| | ***(Unaudited)*** |
| **Assets** | |
| Plant and equipment | **22** |
| Right-of-use assets | **751** |
| Intangible assets | **6** |
| Deferred tax assets | **420** |
| Trade and other receivables | **10,516** |
| Bank balances and cash | **13,227** |
| Assets classified as held for sale | **24,942** |
| **Liabilities** | |
| Other payables and accrued expenses | **7,758** |
| Deferred tax liabilities | **63** |
| Tax payable | **731** |
| Liabilities associated with assets classified as held for sale | **8,552** |

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group is principally engaged in (i) provision of credit assessment and credit consultancy services ("**Credit Consultancy Services**") in the People's Republic of China (the "**PRC**"); (ii) provision of asset management services ("**Asset Management Services**") business in the PRC; (iii) loan financing services ("**Loan Financing Services**"); and (iv) insurance training services ("**Insurance Services**").

Provision of staff outsourcing services, executive/staff search services and other human resources support services ("**Human Resources Services**") and operation of peer-to-peer ("**P2P**") financing platform and provision of other loan facilitation business in the PRC ("**P2P Loan Facilitation Services**") were classified as discontinued operations during the year.

The slowing down of economy and the COVID-19 pandemic had affected the overall performance of our business. Revenue for the year from continuing operations was HK$47,291,000, decreased by HK$7,129,000 or 13.1% from HK$54,420,000 in the year ended 31 March 2019.

Revenue recorded for the Credit Consultancy Services segment decreased by 5,517,000 or 37.7% to approximately HK$9,101,000 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 19.2% (2019: 26.9%) of the Group's total revenue.

Revenue recorded for the Assets Management Services segment decreased by 37.8% to approximately HK$3,522,000 for the year ended 31 March 2020 (FY2019: HK$5,661,000). In FY2020, the revenue generated from the Assets Management Service segment represented 7.4% (FY2019: 10.4%) 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 3,403,000 10.0% to approximately HK$30,738,000 for the year ended 31 March 2020 (FY2019: HK$34,141,000). The revenue generated from Loan Financing Services segment represented 65.0% (FY2019: 62.7%) 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 insurance companies. Revenue recorded for Insurance Services was HK$3,930,000 and represented 8.3% of the Group's total revenue.

## FINANCIAL REVIEW

### Continuing operations

Revenue decreased by 13.1% to approximately HK$47,291,000 (FY2019: HK$54,420,000) for the year ended 31 March 2020.

Direct costs increased by 73.7% to approximately HK$3,406,000 for the year ended 31 March 2020 (FY2019: HK$1,961,000).

Gross profit decreased by 16.3% to approximately HK$43,885,000 (FY2019: approximately HK$52,459,000) for the year ended 31 March 2020 mainly due to the decrease in revenue during the year. The gross profit margin was 92.8% for the year ended 31 March 2020 (FY2019: approximately 96.4%).

Other income and other gains and losses, net decreased by 4.5% to approximately HK$7,637,000 for the year ended 31 March 2020 (FY2019: approximately HK$7,998,000).

General and administrative expenses decreased by 26.9% to approximately HK$19,763,000 for the year ended 31 March 2020 (FY2019: HK$27,052,000). General and administrative expenses represented mainly staff related costs including directors' emoluments, rental expenses and marketing expenses.

Because of repayment of all convertible bond in the year ended 31 March 2019, finance costs decreased to approximately HK$12,512,000 for the year ended 31 March 2020 (FY2019: HK$16,373,000).

Since the P2P Loan Facilitation business segment was discontinued, the entire goodwill of the P2P Loan Facilitation business segment of HK$459,688,000 was written off.

Loss for the year from continuing operations was approximately HK$440,395,000 for the year ended 31 March 2020 (FY2019: profit of HK$1,821,000) as a result of the factors discussed above.

**Discontinued operations**

The Human Resources Services recorded a revenue of HK$133,753,000 and a net loss of HK$2,772,000 (FY2019: revenue of HK$156,698,000 and net loss of HK$730,000).

P2P Loan Facilitation Services segment recorded a revenue of HK$13,334,000 and a net loss of HK$2,084,000 (FY2019: revenue of HK$45,182,000 and net profit of HK$29,828,000).

## FINANCIAL POSITION

Goodwill decreased to approximately HK$116,898,000 as at 31 March 2020 (FY2019: HK$533,030,000). The decrease was mainly attributable to the combined effect of the impairment loss of HK$459,688,000 recognised for discontinued operations goodwill of HK$48,043,000 generating from the acquisition of an insurance training business and exchange fluctuation during the year exchange fluctuation. Goodwill represented 12.0% (FY2019: 42.1%) of the Group's total assets. The balance 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$17,997,000 or 2.8% to approximately HK$630,866,000 as at 31 March 2020 (FY2019: HK$648,863,000) and represented 65.9% (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 liabilities of the Group increased by approximately HK$3,064,000 to approximately HK$145,825,000 as at 31 March 2020 (FY2019: HK$142,761,000).

Net current assets as at 31 March 2020 was approximately HK$676,618,000 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$833,300,000 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$11,827,000 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 8.1 as at 31 March 2020 as compared to 13.5 as at 31 March 2019. The gearing ratio of the Group increased to 11.3% (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$94,379,000 (FY2019: approximately HK$118,868,000) and the Group's total equity of approximately HK833,300,000 (FY2019: approximately HK$$1,266,964,000).

## 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 of approximately HK$58,614,000, the Group did not have any significant investment (FY2019: Nil).

## 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 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$138 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).

## POST BALANCE SHEET EVENT

On 30 June 2020, the Company has entered into an agreement with Just Young to dispose of the Orient Apex and its subsidiaries. Orient Apex and its subsidiaries are engaged in the provision of Human Resources Services. Human Resources Services segment has been classified as discontinued operation in these unaudited consolidated financial statements.

## 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 discontinuance 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 Leading 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.

**The disposal of the 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 5.9% for the three months to May 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, the Directors consider the disposal of Human Resources Business allows the Group 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. The Group will also actively explore acquisition opportunities and pursue strategic alliances to diversify and broaden its revenue stream.

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 30 June 2020, 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 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.

## REVIEW OF UNAUDITED ANNUAL RESULTS

Due to the outbreak of coronavirus disease (COVID-19), the audit field works for the annual results for the year ended 31 March 2020 has not been completed due to travel restrictions and border control measures in force in many provinces and municipalities of the PRC.

The unaudited consolidated financial results hereby published have not been agreed with the Company's auditors. The Company will make appropriate announcements and disclosures as and when it is aware of any material adjustment to the unaudited consolidated financial results. It is expected that the audit field work of the auditors would be resumed as soon as practicable after the travel restriction measures in containing the COVID-19 outbreak are relaxed. The Company is in constant liaison with the auditors to monitor the situation. This will inevitably cause delay in the publication and despatch of the audited annual results announcement and the annual report of the Group for the year ended 31 March 2020.

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 March 2020 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcements as and when necessary if there are other material development in the completion of the auditing process.

Based on the preliminary discussions with the Company's auditors, it is currently expected that barring unforeseen circumstances, the audited annual results announcement and the annual report of the Group for the year ended 31 March 2020 will be published and despatched on or before 14 August 2020.

The unaudited annual results contained herein have been reviewed by the audit committee of the Company.

## SCOPE OF WORK PERFORMED BY AUDITOR

The financial figures in respect of this preliminary announcement of the Group's unaudited results for the year ended 31 March 2020 have not been agreed by the Company's auditors, Asian Alliance (HK) CPA Limited. The work performed by the Company's auditors in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the Company's auditor on this announcement.

## 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. The Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report 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, 30 June 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.*