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HUIYIN SMART COMMUNITY CO., LTD.

汇银智慧社区有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1280)

ANNOUNCEMENT IN RESPECT OF

(1) PUBLICATION OF UNAUDITED MANAGEMENT ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2017

(2) CONTINUED SUSPENSION OF TRADING

Reference is made to the announcements (the “**Announcements**”) made by the board (the “**Board**”) of directors (the “**Directors**”) of Huiyin Smart Community Co., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 26 March 2018, 2 April, 6 April, 12 April, 26 April 2018, 4 May and 16 May 2018, relating to, among other things, the delay in the publication of the 2017 Annual Results and the dispatch of the 2017 Annual Report. Capitalised terms used in this announcement shall bear the same meanings as those defined in the Announcements unless the context requires otherwise.

As disclosed in the Announcements, the Board and the Audit Committee are considering the written advice from the Auditor dated 23 March 2018 on the Prepayments made by the Group to two of its suppliers during the year ended 31 December 2017. In this connection, the Independent Investigation Committee has been established and the Internal Control Consultant has been engaged by the Independent Investigation Committee to conduct the Investigation.

In order to keep the shareholders of the Company (the “**Shareholders**”) and the public informed of the Group’s operating results and financial position, the Board wishes to set forth below the preliminary unaudited financial information of the Group for the year ended and as of 31 December 2017, together with the audited comparative figures for the year ended 31 December 2016. The Directors confirm that the following unaudited financial information is prepared on the same basis as used in the audited financial information of the Group for the year ended and as of 31 December 2016.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	For the year ended	
	31 December	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(audited)
Revenue	1,369,024	1,384,029
Cost of sales	(1,221,696)	(1,327,070)
Gross profit	147,328	56,959
Other income	31,317	20,221
Other losses — net	(105)	(90,676)
Selling and marketing expenses	(197,747)	(188,474)
Administrative expenses (<i>Note</i>)	(440,212)	(456,516)
Operating loss	(459,419)	(658,486)
Finance income	6,096	11,807
Finance costs	(35,870)	(54,122)
Finance costs — net	(29,774)	(42,315)
Share of loss of a joint venture	(3,253)	(1,148)
Share of loss of an associate	(122)	(211)
Loss before income tax	(492,568)	(702,160)
Income tax expense	(655)	(28,026)
Loss for the year	(493,223)	(730,186)
Attributable to:		
— Equity holders of the Company	(507,316)	(722,752)
— Non-controlling interests	14,093	(7,434)
	(493,223)	(730,186)

Note: An impairment loss amounting to approximately RMB387 million has been made in respect of full amount of the Prepayments made by the Group mentioned in the announcement dated 26 March 2018. The relevant deferred income tax impact of the impairment has not been taken.

CONSOLIDATED BALANCE SHEET (UNAUDITED)

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(audited)
ASSETS		
Non-current assets		
Land use rights	38,984	45,857
Property, plant and equipment	216,478	225,737
Investment properties	5,235	5,405
Intangible assets	6,107	3,744
Investment in a joint venture	30,247	—
Investment in an associate	847	934
Deferred income tax assets	16,285	11,486
	314,183	293,163
Current assets		
Inventories	244,152	228,547
Trade and bills receivables	51,460	68,524
Prepayments, deposits and other receivables	574,924	499,756
Restricted bank deposits	278,350	646,712
Cash and cash equivalents	56,504	159,118
	1,205,390	1,602,657
Total assets	1,519,573	1,895,820
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	13,739	11,462
Reserves	28,911	302,852
	42,650	314,314
Non-controlling interests in equity	81,524	22,436
Total equity	124,174	336,750

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(audited)
LIABILITIES		
Non-current liabilities		
Borrowings	7,061	7,358
Deferred income tax liabilities	211	211
Deferred government grants	<u>2,643</u>	<u>2,701</u>
	<u>9,915</u>	<u>10,270</u>
Current liabilities		
Trade and bills payables	655,584	850,852
Accruals and other payables	468,643	326,047
Borrowings	194,842	305,084
Current income tax liabilities	12,855	13,257
Other current liabilities	<u>53,560</u>	<u>53,560</u>
	<u>1,385,484</u>	<u>1,548,800</u>
Total liabilities	<u>1,395,399</u>	<u>1,559,070</u>
Total equity and liabilities	<u>1,519,573</u>	<u>1,895,820</u>

The Board wishes to emphasise that the unaudited financial information set out above is subject to, among others, further review by the Company and any potential adjustments that might be proposed by the Auditor pending the completion of the Investigation, and has therefore not been reviewed by the Audit Committee, nor has it been reviewed, audited or approved by the Auditor. The unaudited financial information above is only based on the preliminary assessment by the Board on the unaudited management accounts of the Group for the year ended 31 December 2017, and is not based on any data or information that has been audited, reviewed or approved by the Auditor, the Audit Committee and the Company. The Board cannot guarantee the unaudited financial information set out above truly reflects the financial performance and condition of the Group and such information might be misleading if any potential adjustments have not been taken into account.

Shareholders and potential investors should exercise extreme caution when considering the unaudited financial information disclosed above and when dealing in the shares of the Company.

CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 26 March 2018 and will remain suspended until further notice.

By order of the Board
Huiyin Smart Community Co., Ltd.
Yuan Li
Chairman

Hong Kong, 17 May 2018

As of the date of this announcement, the Board of Directors comprises four executive Directors, namely Mr. Yuan Li, Mr. Cao Kuanping (suspended), Mr. Xu Xinying and Ms. Liu Simei; two non-executive Directors, namely Mr. Shen Xingpeng and Mr. Wang Cai; and three independent non-executive Directors, namely Mr. Li Michael Hankin, Mr. Tam Chun Chung and Mr. Zhao Jinyong.