HUIYIN HOUSEHOLD APPLIANCES (HOLDINGS) CO., LTD.
汇银家电（控股）有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1280)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2010

HIGHLIGHTS

1 Revenue in the first half of 2010 was RMB785.8 million, an increase of 43.07% compared with the first half of 2009.

2 Gross profit increased 59.16% to RMB139.1 million (first half of 2009: RMB87.4 million).

3 Gross profit margin in the first half of 2010 was 17.70%, while that of 2009 was 15.91%.

4 Operating profit was approximately RMB59.2 million for the six months ended 30 June 2010. If the impact of Pre-IPO Option Scheme expenses and professional fees for the Listing of the Company is excluded, operating profit would be approximately RMB72.7 million for the six months ended 30 June 2010, increased by RMB23.1 million compared with the same period in 2009.

5 Profit for the period was approximately RMB36.9 million. If the impact of Pre-IPO Option Scheme expenses and professional fees for the Listing of the Company is excluded, profit for the period would be approximately RMB50.4 million, increased by 36.59% from RMB36.9 million of the same period in 2009.

6 As at 30 June 3010, we have a total of 34 self-operated stores, an increase of 25.9% from 27 stores for the corresponding period of 2009. Retail revenue represented 43.1% of the total revenue of the Group for the first half of 2010 (35.9% for the same period in 2009).

The board (the "Board") of directors (the "Directors") of Huiyin Household Appliances (Holdings) Co., Ltd. (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2010 together with the comparative figures for the corresponding period in 2009. These condensed consolidated interim financial information have not been audited, but have been reviewed by the audit committee of the board of directors of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30 June	
	Note	**2010** **RMB'000**	2009 RMB'000
Revenue	7	**785,815**	549,256
Cost of sales		**(646,705)**	(461,854)
Gross profit		**139,110**	87,402
Other income		**10,643**	3,059
Other losses — net		**(963)**	(13)
Selling and marketing expenses		**(43,485)**	(26,209)
Administrative expenses		**(46,137)**	(16,224)
Operating profit		**59,168**	48,015
Finance income		**1,320**	1,903
Finance costs		**(3,307)**	(1,463)
Finance (costs)/income — net		**(1,987)**	440
Profit before income tax		**57,181**	48,455
Income tax expense	8	**(20,292)**	(13,094)
Profit for the period		**36,889**	35,361
Attributable to:			
- Equity holders of the Company		**36,271**	34,667
- Non-controlling interests		**618**	694
		36,889	35,361
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB cents per share)			
- Basic	9	**3.99**	4.62
- Diluted	9	**3.94**	4.62
Dividend	10	**40,980**	—

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Profit for the period	**36,889**	35,361
Other comprehensive income	**—**	—
Total comprehensive income for the period	**36,889**	35,361
Attributable to:		
- Equity holders of the Company	**36,271**	34,667
- Non-controlling interests	**618**	694
	36,889	35,361

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
ASSETS			
Non-current assets			
Land use rights		**18,446**	18,664
Property, plant and equipment		**122,367**	116,587
Investment properties		**24,410**	24,728
Intangible assets		**3,654**	3,303
Deferred income tax assets		**13,031**	11,169
		181,908	174,451
Current assets			
Inventories		**165,404**	163,096
Trade and bills receivables	5	**146,765**	102,604
Prepayments, deposits and other receivables		**511,459**	352,896
Restricted bank deposits		**244,975**	134,347
Cash and cash equivalents		**175,073**	18,150
		1,243,676	771,093
Total assets		**1,425,584**	945,544
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**7,162**	142
Reserves		**984,858**	572,813
		992,020	572,955
Non-controlling interests in equity		**3,126**	2,508
Total equity		**995,146**	575,463
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**60,507**	39,352
Current liabilities			
Trade and bills payables	6	**265,394**	196,167
Accruals and other payables		**61,302**	60,889
Dividend payable	10	**40,980**	—
Borrowings		**—**	70,000
Current income tax liabilities		**2,255**	3,673
		369,931	330,729
Total liabilities		**430,438**	370,081
Total equity and liabilities		**1,425,584**	945,544
Net current assets		**873,745**	440,364
Total assets less current liabilities		**1,055,653**	614,815

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB thousands unless otherwise stated)

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 5 February 2008 as an exempted company with limited liability under the Companies Law (2009 Revision as amended, supplemented or otherwise modified) of the Cayman Islands. The address of its registered office is Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112, Cayman Islands. The Company changed its name from China Yinrui Investment Holding Co., Ltd. to Huiyin Household Appliances (Holdings) Co., Ltd. on 8 December 2009.

The Company is principally engaged in investment holding. The principal activities of the Company and its subsidiaries (together, the "Group") are engaged in the retail and bulk distribution sales of household appliances, franchise operations and provision of maintenance and installation services for household appliances in the People's Republic of China (the "PRC").

The Group's businesses were primarily carried out by Yangzhou Huiyin Household Appliance Co., Ltd. ("Yangzhou Huiyin"). In preparation for the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited, the following reorganisation steps (the "Reorganisation") were carried out:

(i) The Company was incorporated on 5 February 2008 by the major equity holder of Yangzhou Huiyin, Mr. Cao Kuanping, who subsequently transferred his 100% ownership in the Company on 17 March 2008 to his another wholly owned company, China Houde Investment Co., Ltd. ("China Houde").

(ii) China Yinrui (HK) Investment Holding Company Limited ("China Yinrui (HK)") was incorporated on 14 March 2008 as a wholly owned subsidiary of the Company.

(iii) Pursuant to an equity transfer agreement dated 3 April 2008, China Yinrui (HK) acquired 52.47%, 22.35% and 25.18% equity interests (totalling 100%) in Yangzhou Huiyin from the then shareholders of Yangzhou Huiyin, namely China Houde, New Dame Limited ("New Dame") and New Fellow Holdings Limited ("New Fellow") respectively, at a total consideration of US$46,417,000, (equivalent to RMB346,413,000) based on the then registered and paid-up capital of Yangzhou Huiyin. In consideration of such acquisition and pursuant to a subscription agreement dated 3 April 2008, the Company issued and allotted 10,493,999 shares, 4,470,000 shares, and 5,036,000 shares to the then shareholders of Yangzhou Huiyin, namely China Houde, New Dame and New Fellow, at a consideration of US$24,355,000, US$10,374,200 and US$11,687,800 respectively (totalling US$46,417,000). The amounts payable by China Houde, New Dame and New Fellow for the subscription of the aforementioned shares were set off against the amounts payable by China Yinrui (HK) to them for the acquisition of the entire equity interest in Yangzhou Huiyin.

After the completion of the Reorganisation on 3 April 2008, the Company became the holding company of the subsidiaries now comprising the Group. As further explained in Note 2, the Reorganisation has been accounted for as a reverse acquisition. For accounting purposes, the total cost for acquisition of Yangzhou Huiyin by China Yinrui (HK) and the total monetary value of the shares issued by the Company as described in note (iii) above are both regarded as amounted to RMB435,330,000, being the historical carrying amount of the net assets of Yangzhou Huiyin prior to the Reorganisation. The total cost for acquisition of Yangzhou Huiyin is recorded as a debit in other reserve under equity and resulted in a net debit of RMB88,917,000 after netting with the paid-up capital of Yangzhou Huiyin of RMB346,413,000 which is also recorded in other reserve. The excess of the monetary value over the nominal value of the shares issued amounting to RMB435,188,000 is recorded in share premium under equity.

The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 25 March 2010.

2 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2010 are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The condensed consolidated interim financial information should be read in conjunction with the accountant's report (the "Accountant's Report") set out in Appendix I to the prospectus of the Company dated 12 March 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

These condensed consolidated interim financial information are presented in thousands of Renminbi ("RMB'000"), unless otherwise stated and were approved by the Company's board of directors on 25 August 2010. These condensed consolidated interim financial information have not been audited.

The Reorganisation as described in Note 1 above has been accounted for as a reverse acquisition under Hong Kong Financial Reporting Standard 3 "Business Combinations" since the completion of the Reorganisation on 3 April 2008 resulted in the Company becoming the holding company of Yangzhou Huiyin, through its wholly owned subsidiary China Yinrui (HK). For accounting purposes, in preparing the financial information, Yangzhou Huiyin is treated as the acquirer while the Company and China Yinrui (HK) were deemed to have been acquired by Yangzhou Huiyin. The financial information of the Group has been prepared as a continuation of the consolidated financial information of Yangzhou Huiyin and of the Group. Accordingly upon the Reorganisation:

(a) The assets and liabilities of Yangzhou Huiyin are recognised and measured in the financial information at their historical carrying amounts prior to the Reorganisation;

(b) The retained earnings and other equity balances of Yangzhou Huiyin prior to the Reorganisation are retained in the equity balances in the financial information;

(c) The equity structure appearing in the financial information (being the number and type of equity instruments issued) reflects the equity structure of the Company (the legal parent) and includes the shares issued for the Reorganisation;

(d) The cost for acquisition of Yangzhou Huiyin (the legal subsidiary) by China Yinrui (HK) (the legal acquirer) is recorded as a debit in other reserve under equity. The cost of acquisition is determined using the historical carrying amount of the net assets of Yangzhou Yinrui prior to the Reorganisation.

3 ACCOUNTING POLICIES

Except as stated below, the accounting policies applied are consistent with those used for and described in the Accountant's Report.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New/revised standards, amendmentsand interpretations to existing standards mandatoryfor the financial year beginning on 1 January 2010 that are relevant to the Group's operations

- HKFRS 3 (Revised) 'Business Combinations', and consequential amendments to HKAS 27 'Consolidated and Separate Financial Statements', HKAS 28 'Investments in Associates', and HKAS 31 'Interests in Joint Ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

- HKAS 27 (Revised) "Consolidated and Separate Financial Statements" (effective from annual period beginning on or after 1 July 2009). The revised standard requires changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in the income statements. Any investment retained in the former subsidiary is measured at its fair value as at the date when control is lost.

The adoption of the above revised standards starting from 1 January 2010 did not give rise to any significant impact on the Group's results of operations and financial position for the six months ended 30 June 2010.

(b) New/revised standards, amendments and interpretations to existing standards effective in 2010 but are not relevant to the Group

- HK(IFRIC)-Int 17 'Distributions of Non-cash Assets to Owners' is effective for annual periods beginning on or after 1 July 2009.

- 'Additional Exemptions for First-time Adopters' (Amendment to HKFRS 1) is effective for annual periods beginning on or after 1 January 2010.

- HKAS 39 (Amendment) 'Eligible Hedged Items' is effective for annual periods beginning on or after 1 July 2009.

- HKFRS 2 (Amendment) 'Group Cash-settled Share-based Payment Transactions' is effective for annual periods beginning on or after 1 January 2010.

- First improvements to Hong Kong Financial Reporting Standards (2008) were issued in October 2008 by the HKICPA. The improvement related to HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" is effective for annual periods beginning on or after 1 July 2009.

- Second improvements to Hong Kong Financial Reporting Standards (2009) were issued in May 2009 by the HKICPA. All improvements are effective in the financial year of 2010.

(c) The following new/revised standards, new amendments and interpretations to existing standards have been issued and are relevant to the Group but they are not effective for the financial year beginning on 1 January 2010 and have not been early adopted by the Group

- HKFRS 9 'Financial Instruments' addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption.

- HKAS 24 (Revised) 'Related Party Disclosures' supersedes HKAS 24 'Related Party Disclosures' issued in 2003. The revised HKAS 24 is required to be applied from 1 January 2011. Earlier application, for either the entire standard or the government-related entity, is permitted.

- Under 'Classification of Rights Issues' (Amendment to HKAS 32), for rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to all the entity's existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment should be applied for annual periods beginning on or after 1 February 2010. Earlier application is permitted.

- Amendments to HK(IFRIC) Int-14 'Prepayments of a Minimum Funding Requirement' corrects an unintended consequence of HK(IFRIC) Int-14, 'HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'. Without the amendments, entities are not permitted to recognise as an asset for any surplus arising from the voluntary prepayment of minimum funding contributions in respect of future service. This was not intended when HK(IFRIC) Int-14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning on or after 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented.

- HK(IFRIC) –Int 19 'Extinguishing Financial Liabilities with Equity Instruments' clarifies the requirements of HKFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1 July 2010. Earlier application is permitted.

- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by HKICPA. All improvements are effective in the financial year of 2011.

The Group will apply the new/revised standards, amendments and interpretations to existing standards described above starting from 1 January 2011. The Group is in the process of making an assessment on the impact of these new/revised standards, amendments and interpretations and does not anticipate that the adoption will result in any material impact on the Group's results of operations and financial position.

4 SEGMENT INFORMATION

The chief operating decision-maker ("CODM"), being the board of directors of the Company, reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on the reports reviewed by the board of directors that are used to make strategic decisions.

Geographical segment is not presented as 100% of the Group's sales and business activities are conducted in the PRC.

The principal operation of the Group is organised into two main operating segments:

- Retail sales operation

- Bulk distribution sales operation which includes sales to franchisees and other retailers and distributors

Other operations of the Group mainly comprise provision of maintenance and installation services to customers.

The unaudited segment results for the six months ended 30 June 2010 are as follows:

Segment results	**Retail RMB'000**	**Bulk distribution RMB'000**	**Other RMB'000**	**Unallocated* RMB'000**	**Group RMB'000**
Segment revenue	**338,777**	**851,431**	**6,790**	**—**	**1,196,998**
Inter-segment revenue	**—**	**(411,183)**	**—**	**—**	**(411,183)**
Revenue	**338,777**	**440,248**	**6,790**	**—**	**785,815**
Operating profit/(loss)	**40,125**	**26,225**	**2,949**	**(10,161)**	**59,168**
Finance costs - net					**(1,987)**
Profit before income tax					**57,181**
Income tax expense					**(20,292)**
Profit for the period					**36,889**
Other segment items are as follows:					
Capital expenditure	**6,814**	**5,399**	**—**	**—**	**12,213**
Depreciation charge	**3,380**	**2,318**	**—**	**—**	**5,698**
Amortisation charge	**583**	**317**	**—**	**—**	**900**

The unaudited segment results for the six months ended 30 June 2009 are as follows:

Segment results	Retail RMB'000	Bulk distribution RMB'000	Other RMB'000	Unallocated RMB'000	Group RMB'000
Segment revenue	196,895	563,880	4,231	—	765,006
Inter-segment revenue	—	(215,750)	—	—	(215,750)
Revenue	196,895	348,130	4,231	—	549,256
Operating profit	26,150	20,688	1,177	—	48,015
Finance income- net					440
Profit before income tax					48,455
Income tax expense					(13,094)
Profit for the period					35,361
Other segment items are as follows:					
Capital expenditure	9,444	8,308	—	—	17,752
Depreciation charge	3,196	1,407	—	—	4,603
Amortisation charge	319	1,271	—	—	1,590

* Unallocated mainly represented the expenses incurred in the Company, such as Pre-IPO Option Scheme expenses, losses arising from the exercise of the warrants, auditor's remuneration, exchange losses arising from the bank deposits denominated in foreign currencies.

Unaudited segment assets and liabilities as at 30 June 2010 are as follows:

Segment assets and liabilities	**Retail RMB'000**	**Bulk distribution RMB'000**	**Other RMB'000**	**Group RMB'000**
2010				
Segment assets	**135,099**	**1,208,093**	**7,667**	**1,350,859**
Unallocated assets				**74,725**
Total assets				**1,425,584**
Segment liabilities	**33,535**	**289,159**	**1,826**	**324,520**
Unallocated liabilities				**105,918**
Total liabilities				**430,438**

The audited segment assets and liabilities as at 31 December 2009 are as follows:

Segment assets and liabilities	Retail RMB'000	Bulk distribution RMB'000	Other RMB'000	Group RMB'000
2009				
Segment assets	104,616	824,336	5,423	934,375
Unallocated assets				11,169
Total assets				945,544
Segment liabilities	21,442	234,200	1,414	257,056
Unallocated liabilities				113,025
Total liabilities				370,081

Segment assets consist primarily of property, plant and equipment, land use rights, intangible assets, inventories, trade and bills receivables, prepayments, deposits and other receivables and operating cash and mainly exclude deferred tax assets.

Segment liabilities comprise operating liabilities and exclude items such as deferred income tax liabilities, current income tax liabilities and borrowings.

Capital expenditure comprises additions to property, plant and equipment, land use rights and intangible assets.

5 TRADE AND BILLS RECEIVABLES

	As at	
	30 June 2010 RMB'000	31 December 2009 RMB'000
Trade receivables	**109,089**	101,418
Less: Provision for impairment	**(1,261)**	(2,504)
Trade receivables, net	**107,828**	98,914
Bills receivable	**38,937**	3,690
Trade and bills receivables, net	**146,765**	102,604

The average credit terms granted to customers by the Group range from 30 days to 90 days. The bills receivable are collected when they fall due.

The ageing analysis of trade receivables, before provision for impairment, as at 30 June 2010 and 31 December 2009 are as follows:

	As at	
	30 June 2010 RMB'000	31 December 2009 RMB'000
0 - 30 days	**94,967**	82,942
31 - 90 days	**9,794**	13,443
91 - 365 days	**3,067**	2,529
1 year - 2 years	**518**	1,447
2 years - 3 years	**542**	260
Over 3 years	**201**	797
Total	**109,089**	101,418

All trade and bills receivables are denominated in RMB and their carrying amounts approximate their fair values as at 30 June 2010 and 31 December 2009.

The maximum exposures of the Group to credit risk as at 30 June 2010 and 31 December 2009 were the carrying value of trade and bills receivables mentioned above. The Group does not hold any collateral as security.

6 TRADE AND BILLS PAYABLES

	As at	
	30 June 2010 RMB'000	31 December 2009 RMB'000
Trade payables	**15,394**	16,037
Bills payable	**250,000**	180,130
Total	**265,394**	196,167

Most of the principal suppliers require prepayment for goods purchase. The credit periods granted by the Group's principal suppliers range from 15 to 60 days.

Ageing analysis of trade payables as at 30 June 2010 and 31 December 2009 is as follows:

	As at	
	30 June 2010 RMB'000	31 December 2009 RMB'000
0 - 30 days	**8,987**	8,211
31 - 90 days	**3,229**	4,110
91 - 365 days	**414**	845
1 year - 2 years	**—**	2,100
2 years - 3 years	**1,993**	685
Over 3 years	**771**	86
	15,394	16,037

The trade and bills payables are denominated in RMB and their carrying amounts approximate their fair values as at 30 June 2010 and 31 December 2009.

As at 30 June 2010 and 31 December 2009, restricted bank deposits of RMB 244,975,000 and RMB 134,347,000 had been pledged as collateral for bank acceptance bills.

As at December 2009, land use rights, buildings and investment properties with a total net book value of RMB 88,143,000 had been pledged as collateral for the Group's bank acceptance bills of RMB 36,000,000. As at 31 December 2009, a related party had also provided a personal guarantee of RMB26,000,000 to the banks in connection with these bank acceptance bills granted to the Group, the personal guarantee has been fully released upon the listing of the Company.

7 REVENUE

Turnover of the Group comprises revenues recognised as follows:

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Sales of goods		
- Retail	**338,777**	196,895
- Bulk distribution	**440,248**	348,130
including:		
Sales to franchisees	**198,124**	185,328
Sales to other retailers and distributors	**242,124**	162,802
	779,025	545,025
Rendering of services		
- Maintenance service	**1,445**	1,983
- Installation service	**5,345**	2,248
	6,790	4,231
Total revenue	**785,815**	549,256

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Mainland China Enterprise Income Tax ("EIT")		
- Current income tax	**999**	8,354
- Deferred income tax	**19,293**	4,740
	20,292	13,094

(a) Hong Kong profits tax

The Group is not subject to Hong Kong profits tax as it has no assessable income arising in or derived from Hong Kong during the six months ended 30 June 2010 and 30 June 2009.

(b) PRC enterprise income tax

In accordance with the Corporate Income Tax Law of the PRC (the "new CIT law") which became effective on 1 January 2008, PRC enterprise income tax is provided for at 25% of the profits for the PRC statutory financial reporting purpose, adjusted for those items which are not assessable or deductible for the PRC enterprise income tax purpose. Besides, some subsidiaries are subject to EIT at rates of 27% and 18% because their annual taxable income are less than RMB 100,000 but over RMB 30,000 and less than RMB30,000 respectively, which is in accordance with the relevant tax regulation. No subsidiaries were entitled the lower EIT rate during the six months ended 30 June 2010 and 30 June 2009.

(c) PRC withholding income tax

Accordingly to the new CIT law, starting from 1 January 2008, a 10% withholding tax will be levied on the immediately holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong according to the tax treaty arrangement between the PRC and Hong Kong. Such withholding income tax is included in deferred income tax.

9 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit for the period attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period. In determining the weighted average number of ordinary shares in issue during the six months ended 30 June 2010 and June 2009, the 730,000,000 shares issued and allotted through capitalisation of the share premium account arose from the Listing of the Company on 25 March 2010 have been regarded as if these shares were in issue since 1 January 2009.

	Six months ended 30 June	
	2010	2009
Profit attributable to equity holders of the Company (RMB'000)	**36,271**	34,667
Weighted average number of ordinary shares in issue (thousand)	**909,678**	750,000
Basic earnings per share (RMB cents)	**3.99**	4.62

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted number of ordinary shares in issue for the potential dilutive effect caused by the share options granted under the Pre-IPO Option Scheme and the Warrants assuming they were exercised.

	Six months ended 30 June	
	2010	2009
Profit attributable to equity holders of the Company (RMB'000)	**36,271**	34,667
Weighted average number of ordinary shares in issue (thousand)	**909,678**	750,000
Adjustment for:		
- Share options granted under the Pre-IPO Share Option Scheme (thousand)	**9,996**	—
- Warrants (thousand)	**136**	304
Weighted average number of ordinary shares for diluted earnings per share (thousand)	**919,810**	750,304
Diluted earnings per share (RMB cents)	**3.94**	4.62

10 DIVIDEND

In March 2010, the board of directors of the Company approved to declare a one-off and non-recurring dividend of approximately HK$46,600,000, equivalent to RMB 40,980,000, arising from the PRC subsidiaries, payable to the shareholders of the Company as of 6 March 2010 on the condition that the Listing of the Company is completed.

The board of directors of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2010 (2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Rapid Growth across all Business Segments

The Group is principally engaged in retail operation, bulk distribution (including sales to our franchisees) and the provision of after-sales services, which are complementary to each other. With the expansion of our sales network and franchise model, including an increase in the number of our self-operated stores and franchised stores and expansion of our bulk distribution operation through acquisition of authorized bulk distribution rights from suppliers, as well as our extensive and comprehensive after-sales service network which is effective in reinforcing customer loyalty and bringing additional income source, we registered a strong growth in revenue in the past six months, reflecting the rapid expansion across all business segments.

1. Retail business

➢ **Self-operated stores**

We believe that store location is crucial to the success of retail business. Our strategic business focuses on the third and fourth-tier markets within or near Jiangsu Province. We offer a wide selection of products through our self-operated stores, covering approximately 16,000 product model types. Our self-operated stores generally stock more modern and higher value products, as well as more premium domestic and international brands compared with our franchised stores.

During the period under review, we opened eight self-operated stores in Yangzhou, Taizhou, Huaian, Suzhou and Xuancheng respectively, including the dedicated brand store in Kunshan opened in late April and closed one store in Yangzhou. In late June, we celebrated the grand opening of our second store in Taixing, representing a further step towards the strengthening and optimization of our sales network. As at 30 June 2010, we have a total of 34 self-operated stores, an increase of 25.9% from 27 stores for the corresponding period of 2009. Among which, our Yangzhou flagship store and 19 general stores offer a comprehensive range of products and brands, four were shops-in-shop in department stores offering mainly higher-end home appliances and consumer electronics, and 10 specialty air conditioner or dedicated brand retail stores to satisfy the special market demand in different localities.

➢ **Franchised stores**

Our business operation is characterized by the presence of a significant number of franchised stores, most of which are operated under our registered brand of "汇银(Huiyin*)" within our chain. Through our franchised stores, we offer end-customers in the third and fourth-tier markets with over 700 product model types. Moreover, product sales to our franchised stores is also one of the major contributors to our revenue. As at 30 June 2010, revenue from franchised stores accounted for approximately 25.2% of the Group's revenue.

During the period under review, the Company formed the first franchise consolidation management committee, and signed franchise chain agreements for franchise consolidation management with certain franchisees, signifying a milestone in the Company's franchise consolidation management strategy.

Our retail franchise operation has expanded into an extensive network of 235 franchised stores, an increase of 6.8% from 220 stores at the end of 2009.

➢ **Outlet network**

To consolidate our foothold in the highly scattered third and fourth-tier markets, we have adopted a unique development strategy, that is, by establishing self-operated stores with large floor area in popular shopping districts within the target market, and opening of franchised stores in the more densely populated surrounding rural areas. This strategy not only served to raise our brand awareness, but also extend our business coverage. Currently, we have 34 stores in 29 cities/districts of Jiangsu and Anhui, of which eight stores were opened during the period under review.

	Stores	
Region	Self-operated stores	Franchised stores
Jiangsu province		
Yangzhou	14	120
Taizhou	6	34
Suzhou	1	8
Nanjing	1	2
Zhenjiang	2	6
Changzhou	—	41
Yancheng	1	2
Wuxi	—	14
Huaian	3	1
Lianyungang	—	1
Nantong	—	1
Anhui province		
Chuzhou	3	4
Xuancheng	3	—
Chaohu	—	1
Total	34	235

2. **Bulk distribution**

Unlike traditional retail chain operators, we distribute as a supplier to our franchised stores as well as other independent third parties, mainly household electronics retailers and our corporate customers. We are currently one of the bulk distributors of selected types of home appliances and consumer electronic products, principally air conditioners, refrigerators and TV sets, for over 20 internationally or domestically renowned brands.

Our appointment as bulk distributor for these branded home appliances and consumer electronic products is attributable to our proven retail experience in Jiangsu and Anhui provinces. Our suppliers benefit from our distribution logistics, from delivery to warehousing to account management, without the need to establish a branch stores in our target markets. In addition, we have adopted a business strategy of sourcing our supplies principally on a Cash-on-Delivery ("COD") or a very short-term credit basis, which relieves our suppliers' cash flow burden and adds to our creditworthiness.

The exclusive supplier status building on our franchised stores ensures a steady revenue stream for our bulk distribution operations, and provides a stable and reliable source of supply for our retail stores.

3. **After-sales services**

   We offer a broad range of installation and maintenance services for the products purchased from us or from other third party vendors, and provide support to our retail business. After-sales maintenance is particularly important for opening up of rural markets, as customers in these regions are typically less inclined to replace their appliances with new ones within a short period of time. We believe that timely and quality after-sales warranty is one of the key factors that these customers take into consideration in making purchases.

   We have provided such authorized after-sales services to most of our branded electronic suppliers for more than three years. Our capability to offer quality maintenance services, coupled with our extensive strategic network of service centers, helps boost customer confidence in the quality and reliability of our retail chain.

   Operating through authorized arrangements with independent third party operators allowed us to extend the geographic coverage of our after-sales customer service with less capital requirements and operational risks. As at 30 June 2010, we operated and managed a total of 139 service centers, comprising 13 self-operated service centers and 126 authorized service centers, representing an increase of 10.3% from 126 service centers as at the end of 2009, giving a ratio of one service centre to approximately 1.9 stores.

Favorable government policies

We have been appointed as an authorized distributor under the Home Appliance Subsidy Program for Rural Areas and as an authorized sales enterprise and authorized recycling enterprise under the Home Appliances Replacement Scheme since 2009. As at 30 June 2010, 75 out of our 235 franchised stores are eligible to sell merchandise under the Home Appliance Subsidy Program for Rural Areas.

The Home Appliance Subsidy Program for Rural Areas and the Home Appliances Replacement Scheme will continue to encourage residents in China's rural communities to purchase new home appliances and consumer electronics products, which will in turn positively impact all of our retail, distribution and after-sales services businesses. Furthermore, our strategic business focus and well-established position in the target markets are beneficial to the sustainable growth of our businesses and our capability in capturing opportunities arising from favorable government policies. For the six months ended 30 June 2010, approximately 7.4% and 30.5% of our revenue were generated from sale of merchandise under the Home Appliance Subsidy Program for Rural Areas and the Home Appliances Replacement Scheme respectively.

Purchasing strategy

We have adopted a specific purchasing strategy by making prepayments to certain of our suppliers, as well as the strategy of sourcing on a Cash-on-Delivery ("COD") or very short-term credit basis, which served to relieve our suppliers' cash flow burden and risks of bad debts. During the period under review, we purchased from a total of over 150 suppliers for both our retail and distribution operations. The purchasing department continuously reviews new and existing products with a view to maintain a wide range of high quality, branded consumer electronics products within our product mix.

Enhanced relationships with suppliers

Through our close working relationships with our suppliers, we continued to enjoy competitive terms and extensive support from suppliers. To ensure efficiency and constant communication, dedicated teams within our distribution division were set up to liaise with each of our suppliers daily. Moreover, as the coverage of our dedicated brand retail stores continued to expand, our suppliers were therefore benefitted from our distribution logistics, from delivery to warehousing to account management, without the need to establish a physical presence in our target markets.

In addition, the adoption of a purchasing strategy of sourcing our supplies on a COD or very short-term credit basis also helped us build a good relationship with suppliers, thereby enhancing our steady supply of merchandise to our self-operated stores and franchised stores, and providing us with greater flexibility in pricing our merchandise at the retail level. In February 2010, we signed a regional cooperation agreement on household air-conditioner operations with a brand to sustain the stable strategic cooperation between both parties.

Comprehensive logistics and inventory management

An effective inventory logistics management system is crucial in meeting consumer requirements and in improving our overall business performance. We have developed localized logistics networks to serve the regions where we have established stores. The computer systems of our distribution centers are connected to our management information system in our headquarters to assist in product procurement, store delivery and inventory management. Delivery of merchandise from distribution centers to stores or to our customers is either handled by our own delivery team or through independent contractors, thus ensuring service efficiency and saving the costs of maintaining a large delivery team and vehicle fleets. As at 30 June 2010, we had 14 warehouses and distribution centers with a total area of over 34,000 sq.m to serve our stores in the relevant regions.

Marketing and promotion

In addition to undertaking market research and surveys regularly in order to collect market data in relation to matters such as consumer behavior and feedback from customers on various marketing tactics adopted by stores, we also made use of our website to launch promotional activities, post different types of advertisements, launch regular sales promotion and maintain close relationships with local communities, as a way to attract more customers. During the period under review, we had launched several large-scale sales promotion activities, including "慶祝上市、感恩時刻、全民共享" (Celebration of the Company's listing on SEHK), "紅動五一" (Celebration of the Labour Day on May 1st), "端午家電團購" (Dragon Boat Festival group purchase). Apart from providing customers with more new offerings and special offers, we also noted the revenue growth and positive consumer comments brought about by customer relationship management.

Upgrade of information technology systems

During the period under review, we had enhanced our I.T. systems to extend the scope of information sharing between us and some of our franchisees, which allowed us to effectively track the sales performance and stock level of our franchised stores on a real-time basis and ultimately facilitating our sourcing operations and inventory control, replenishments and logistics. Meanwhile, our existing management information technology system had also undergone an upgrade.

PROSPECTS

It is our goal to establish ourselves as one of the leading integrated retail chain operators and distributors of home appliances and consumer electronics products in the third and fourth-tier markets in eastern China. Apart from establishing new stores in existing regions, we plan to expand into new regions and to pursue further acquisition opportunities in a prudent and selective manner. We have begun to establish our presence in Anhui Province and plan to further our expansion in this region.

In future, we will upgrade our existing stores, expand our product offerings and strengthen our operational infrastructure and activities to improve the sales and profitability of our stores. We will also enhance our brand marketing activities, further strengthen relationships with our suppliers, enhance the operating standards and financial contribution of franchised stores, and further improve our information technology systems.

We believe that the effective implementation of the above strategies will enable the Company to secure its leadership position in the third and fourth-tier markets in Eastern China as well as achieve sustainable business growth.

FINANCIAL REVIEW

Revenue

During the period under review, due to the business development in 2010 and the recovery from macro-economic slow-down in beginning of 2009, the Group's revenue was approximately RMB785.8 million, representing an increase of 43.07% from RMB549.3 million in the same period in 2009.

Turnover of the Group comprises revenues by operation as follows:

	Six months ended 30 June			
	2010		2009	
	RMB'000		RMB'000	
Retail	**338,777**	**43.1%**	196,895	35.9%
Bulk Distribution				
– Sales to franchisees	**198,124**	**25.2%**	185,328	33.7%
– Sales to other retailers and distributors	**242,124**	**30.8%**	162,802	29.6%
Rendering of services	**6,790**	**0.9%**	4,231	0.8%
Total revenue	**785,815**	**100.0%**	549,256	100.0%

During the period under review,24self-operated stores of the Group which already operated in the same period in 2009 accounted for 70.59% of the total number of self-operated stores at the end of the reporting period. The increase in retail sales was also attributable to the Rural Appliance Rebate Program and the Change of the Old for New Program, as well as an increase in sales per self-operated store due to our enhanced brand recognition, improved store management and improved market conditions in 2010.

During the period under review, sales to franchisees increased primarily as a result of an increase of the franchised stores and increase in sales volume due to the Rural Appliance Rebate Program.

During the period under review, sales to other retailers and distributors increased mainly due to an increase in sales volume due to the Rural Appliance Rebate Program as well as extended distribution rights for certain brands and products in certain areas.

The following table sets out our revenue derived from sales of merchandise through our retail and bulk distribution operations by products categories during the period under review:

	Six months ended 30 June 2010	
	RMB'000	
Air conditioners	505,236	64.9%
TV sets	142,491	18.3%
Refrigerators	66,669	8.6%
Washing machines	31,243	4.0%
Other small appliances	33,386	4.2%
Total revenue	779,025	100.0%

Cost of Sales

Cost of sales increased by approximately 40.00% from RMB461.9 million for the six months ended 30 June 2009 to RMB646.7 million for the six months ended 30 June 2010, primarily due to an increase in sales volume. The rate of increase in cost of sales was lower than that of our revenue growth principally because: (i) the sales volume of our retail operation increased at a faster rate than that of our bulk distribution operation, as the price that we charge for merchandise at our self-operated stores are generally higher than the prices of similar products sold through our bulk distribution operation; and (ii) the Rural Appliance Rebate Program and the Change of the Old for New Program help the Group recover from the poor market conditions at the beginning of 2009.

Gross Profit

As a result of the above principle factors, our gross profit increased by approximately 59.16% from RMB87.4 million for the six months ended 30 June 2009 to RMB139.1 million for the same period of 2010.

Gross profit margin of the Group by operation as follows:

	Six months ended 30 June	
	2010	2009
Retail	**23.21%**	22.60%
Bulk Distribution	**13.07%**	11.91%
Rendering of services	**43.43%**	34.55%
Total revenue	**17.70%**	15.91%

The gross profit margin of our retail operation increased due to the Rural Appliance Rebate Program and the Change of the Old for New Program, under which we were appointed as an authorized distributor and an authorized sales enterprise and authorized recycling enterprise in February 2009 and August 2009, respectively. Our Directors are of the view that products sold under the Rural Appliance Rebate Program and the Change of the Old for New Program generate higher gross profit margins generally as customers' price sensitivities on the merchandise to be purchased are reduced due to the effect of the rebates or discounts provided by the PRC Government for the merchandise under these programs.

The gross profit margin of our bulk distribution operation increased primarily due to an increase in sales volume of merchandise covered under the Rural Appliance Rebate Program and the Change of the Old for New Program. Our appointment as an authorized distributor under Rural Appliance Rebate Program also strengthened our bargaining power with our franchisees and third party customers in relation to other products not covered under the program.

Other Income

During the period under review, the Group recorded other income of approximately RMB10.6 million, representing an increase from RMB3.1 million in the same period in 2009, which was mainly due to the subsidy arising from the Change of the Old for New Program and government grant from Yangzhou City for the award of successfully listing.

Selling and Marketing Expenses

During the period under review, the Group's total selling and marketing expenses amounted to approximately RMB43.5 million, representing an increase from RMB26.2 million in the same period in 2009, which was mainly due to the increase of the employee benefit expenses, operating lease expenses, promotion and advertising expenses and etc.

The following table sets out a summary for selling and marketing expenses:

As a percentage of revenue	Six months ended 30 June	
	2010	2009
Employee benefit expenses	**0.92%**	0.52%
Service charges	**0.33%**	0.35%
Operating lease in respect of buildings and warehouses	**0.91%**	0.98%
Promotion and advertising expenses	**1.42%**	1.46%
Depreciation of property, plant and equipment	**0.64%**	0.71%
Utilities and telephone expenses	**0.09%**	0.20%
Transportation expenses	**0.58%**	0.41%
Travelling expenses	**0.24%**	0.13%
others	**0.42%**	0.14%
Total selling and marketing expenses	**5.55%**	4.90%

The increase of the employee benefit expenses mainly represented a result of an expansion of our operations and our distribution network, including an increase in the number of our self-operated stores, as well as the development of the human resources backup for the business expansion in the second half year of 2010.

Administrative Expenses

During the period under review, the Group's total administrative expenses amounted to approximately RMB46.1 million, representing an increase from RMB16.2 million in the same period in 2009, which was mainly due to the increase of the employee benefit expenses, pre-IPO share option expenses and professional fees for the Listing of the Company, etc..

The following table sets out a summary for administrative expenses:

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Employee benefit expenses	**11,308**	5,710
Pre-IPO Option Scheme expenses	**6,336**	—
Operating lease in respect of buildings and warehouses	**2,319**	1,116
Utilities and telephone expenses	**1,973**	738
Travelling expenses	**2,117**	567
Professional fees for the Listing of the Company	**7,185**	1,528
Auditor's remuneration	**1,964**	208
Consulting expenses	**1,812**	157
Others	**11,123**	6,200
Total administrative expenses	**46,137**	16,224

The increase of the employee benefit expenses mainly represented a result of (i) an increase in salaries and welfare benefits for our management and administrative personnel; (ii) an increase in the number of employees which was in line with the expanded business of the Group; and (iii) the development of the human resources backup for the business expansion in the second half year of 2010.

Operating Profit

Profit from operations was approximately RMB59.2 million for the six months ended 30 June 2010, increased by RMB11.2 million compared with the same period in 2009, which was mainly due to the combining fact of the increase in the gross profit and operating expenses.

Finance Income and Costs

During the period under review, the Group's net costs was approximately RMB2.0 million, while the net income was approximately RMB0.4 million in the same period of 2009, which was mainly due to the fact that the less borrowings were incurred in the first half year of 2009 compared with the first half year of 2010.

Profit before Income Tax

During the period under review, the Group's profit before tax was approximately RMB57.2 million, increased by approximately 18.01% from RMB48.5 million in the same period in 2009.

Income Tax

During the period under review, the Group's income tax was approximately RMB20.3 million, representing 35.49% of the profit before income tax, while approximately RMB13.1 million, representing 27.02% of the profit before income tax, in the same period in 2009. The higher income tax rate during the reporting period was mainly due to the non-deductive expenses, including Pre-IPO Option Scheme expenses, professional fees for the Listing of the Company and etc.

Profit Attributable to Equity Holders of the Company

The Group's profit attributable to equity holders for the period and the same period of the previous year were approximately RMB36.3 million and RMB 34.7 million respectively. Excluding the impact of Pre-IPO Option Scheme expenses and professional fees for the Listing of the Company, the increase rate was approximately 37.57%.

Cash and Cash Equivalents

As at 30 June 2010, the Group's cash and cash equivalents were approximately RMB175.1 million, representing a substantial increase from RMB18.2 million at the end of 2009, which was mainly due to the Listing of the Company.

Inventories

As at 30 June 2010, the Group's inventories amounted to approximately RMB165.4 million, which was basically the same as RMB163.1 million at the end of 2009.

Prepayments, Deposits and Other Receivables

As at 30 June 2010, prepayments, deposits and other receivables of the Group amounted to approximately RMB511.5 million, representing an increase from RMB352.9 million at the end of 2009. This was mainly because the prepayments - advance payments to suppliers increased 41.67% which was in line with the Group's turnover and business development.

Trade and Bills Receivables

As at 30 June 2010, trade and bills receivables of the Group amounted to approximately RMB146.8 million, representing an increase from RMB102.6 million at the end of 2009, which was mainly due to the increase of bills receivable. Trade and bills receivables turnover days were 29 days, which represented a slight increase compared with 21 days for the same period in 2009.

Trade and Bills Payables

As at 30 June 2010, trade and bills payables of the Group amounted to approximately RMB265.4 million, representing an increase from RMB196.2 million at the end of 2009, which was mainly due to the increase of the bills payable. Trade and bills payables turnover days were 64 days, which remained stable compared with 66 days in year of 2009.

Gearing Ratio and the Basis of Calculation

The Group's gearing ratio as at 30 June 2010 and 31 December 2009 was zero and 10.84% respectively. The decrease was mainly due to the change in the borrowing balances. The gearing ratio is equal to total borrowings divided by total balances of equity and borrowings.

Capital Expenditure

During the period under review, capital expenditure of the Group amounted to approximately RMB12.2 million, representing a decrease from RMB17.8 million in the same period in 2009.

Cash Flow

During the period under review, net cash outflow from operating activities of the Group amounted to approximately RMB151.4 million as compared to RMB57.1 million in the same period in 2009. Higher cash outflow in 2010 was mainly due to increase in the advance payments to suppliers and restricted bank deposits for the issurane of bills payable to settle the purchase with the suppliers.

Net cash outflow from investing activities amounted to approximately RMB10.7 million as compared to RMB15.8 million in the same period in 2009.

Net cash inflow from financing activities amounted to approximately RMB319.9 million, a substantial increase as compared to RMB44.4 million in the same period in 2009. This was mainly due to the net proceeds from initial public offering of the Company on 25 March 2010.

Foreign Currencies and Treasury Policy

All the Group's income and the majority of its expenses were denominated in Renminbi. However, as the Renminbi has been appreciating against the US dollar and HK dollar, the Group's deposits denominated in HK dollar have recorded an exchange loss in the first half of 2010. The Group has not hedged its foreign exchange exposure but may consider doing so in the future. The Group's treasury policy is that it will only manage such exposure (if any) when it posts significant potential financial impact on the Group.

Pledging Of Assets

As at 30 June 2010, the Group's pledged bank deposits amounted to RMB245.0 million. There is no other asset pledged.

Contingent Liabilities

As at 30 June 2010, the Group has no significant contingent liabilities.

Capital Commitments

As at 30 June 2010, the Group has no significant capital commitments.

Significant Investments Held

There were no significant investments held by the Group as at 30 June 2010.

Material Acquisition and Disposal

The Group did not engage in any material acquisitions or disposal of any of its subsidiaries or associated companies for the six months ended 30 June 2010.

Interim Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2010.

Use of Funds Raised From Initial Public Offering

On 25 March 2010, the shares of our Company were successfully listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Our initial public offering was well received by investors in both the international offering and the Hong Kong public offering. The Hong Kong public offering was oversubscribed by approximately 599.4 times. Net proceeds raised from the IPO were approximately HK$458.9 million (equivalent to approximately RMB403.5 million).

As stated in the prospectus of the Company dated 12 March 2010, we intend to use approximately HK$156.5 million (equivalent to approximately RMB137.6 million) for expansion of our retail network, approximately HK$203.2 million (equivalent to approximately RMB178.6 million) for potential acquisitions of home appliances and electronics retail enterprises in eastern China which target at the third and fourth-tier markets, approximately HK$55.0 million (equivalent to approximately RMB48.4 million) for expansion of our existing distribution and logistics centre in Jiangsu province, approximately HK$5.0 million (equivalent to approximately RMB4.4 million) for improving our existing information and management systems, and approximately HK$39.2 million (equivalent to approximately RMB34.5 million) as our general working capital.

As at 30 June 2010, our use of net proceeds raised from IPO was as follows:

Use of proceeds	Net proceeds from IPO Available to utilise (RMB million)	Utilised (up to 30 June 2010) (RMB million)
Expansion of retail network	137.6	42.9
Acquisitions of home appliances and electronics retail enterprises	178.6	—
Expansion of distribution and logistics centre in Jiangsu province	48.4	—
Improve information and management systems	4.4	0.7
General working capital	34.5	34.5
	403.5	78.1

The remaining was held by us in short-term deposits with licensed banks and authorised financial institutions in Hong Kong and /or the PRC. The remaining net proceeds will be applied in the manner as stated in the prospectus of the Company dated 12 March 2010.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to enhancing the corporate governance of the Group, and the Board reviews and updates all necessary measures in order to promote good corporate governance.

The Company has complied with the applicable code provisions in the Code on Corporate Governance Practices (the "Code"), as set out in Appendix 14 of the Listing Rules for the period from the commencement of the listing of its shares on the Stock Exchange to 30 June 2010 except with the following deviation.

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing.

Since the establishment of the Company, Mr. Cao Kuanping has been the Chairman and Chief Executive Officer of the Company and that the functions of the Chairman and Chief Executive Officer in the Company's strategic planning and development process overlap. This constitutes a deviation from code provision A.2.1 of the Code. However, the Board considered that the Group has been operating well under the current arrangement, and thus it might not be beneficial to the Company and its shareholders as a whole to change the current arrangement and have separate individuals occupying the offices of Chairman and Chief Executive Officer given the current operating scale of the Group.

AUDIT COMMITTEE

The Audit Committee of the Group was established in 2010. Currently, it comprises three members, all of whom are independent non-executive Directors, namely Mr. Tam Chun Chung, who possesses professional accounting qualifications, Mr. Li Fei and Mr. Zhou Shuiwen. Mr. Tam Chun Chung is the Chairman of the Audit Committee. The Audit Committee has adopted the term of reference in line with the Code on Corporate Governance Practices issued by the Stock Exchange. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls. The Audit Committee of the Company has in conjunction with management reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim report for the six months ended 30 June 2010. In addition, the Company's auditor PricewaterhouseCoopers has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2010.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2010.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The 2010 Interim Report of the Company will be dispatched to shareholders and published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.hyjd.com in due course. This announcement can also be accessed on the above websites.

By order of the Board
Huiyin Household Appliances (Holdings) Co., Ltd.
Cao Kuanping
Chairman

Hong Kong, 25 August 2010

As at the date of this announcement, the executive Directors are Mr. Cao Kuanping, Mr. Mo Chihe, Mr. Mao Shanxin and Mr. Wang Zhijin, the non-executive Directors are Mr. Li Jung-Hsing and Mr. Ke Shifeng, and the independent non-executive Directors are Mr. Li Fei, Mr. Zhou Shuiwen and Mr. Tam Chun Chung.