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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

HIGHLIGHTS

1 Revenue in 2010 was RMB1,784.5 million, an increase of 43.01% compared with 2009.

2 Gross profit increased 55.51% to RMB320.5 million (2009: RMB206.1 million).

3 Gross profit margin in 2010 was 18.0%, while that of 2009 was 16.5%.

4 Operating profit was approximately RMB141.8 million for 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 RMB165.1 million for 2010, increased by RMB35.2 million compared with 2009.

5 Profit for the year was approximately RMB94.0 million. If the impact of Pre-IPO Option Scheme expenses and professional fees for the Listing of the Company is excluded, profit for the year would be approximately RMB117.3 million, increased by 20.43% from RMB97.4 million of 2009.

6 As at 31 December 2010, we have a total of 53 self-operated stores, an increase of 96.3% from 27 stores at the end of 2009. Retail revenue represented 43.1% of the total revenue of the Group for 2010 (35.3% in 2009).

7 In November 2010, we took over the local home appliance stores from an entity in Huainan and increased the number of retail stores by 6 in Anhui Province.

8 In September 2010, we acquired the entire interest in an entity in Hefei, the principal business of which was the distribution of certain brand's products in Anhui Province.

The board (the "Board") of directors (the "Directors") of Huiyin Household Appliances (Holdings) Co., Ltd. (the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2010 together with the comparative figures for 2009.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Note	Year ended 31 December 2010 RMB'000	2009 RMB'000
Revenue	7	**1,784,450**	1,247,825
Cost of sales		**(1,463,968)**	(1,041,737)
Gross profit		**320,482**	206,088
Other income		**16,074**	11,647
Other losses — net		**(1,090)**	(52)
Selling and marketing expenses		**(96,755)**	(51,226)
Administrative expenses		**(96,874)**	(41,339)
Operating profit		**141,837**	125,118
Finance income		**3,749**	4,736
Finance costs		**(5,145)**	(2,936)
Finance (costs)/income — net		**(1,396)**	1,800
Profit before income tax		**140,441**	126,918
Income tax expense	8	**(46,413)**	(34,291)
Profit for the year		**94,028**	92,627
Attributable to:			
– Equity holders of the Company		**91,719**	91,477
– Non-controlling interests		**2,309**	1,150
		94,028	92,627
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB cents per share)			
– Basic	9	**9.36**	12.20
– Diluted	9	**9.19**	12.19
Dividends	10	**58,802**	—

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Profit for the year	**94,028**	92,627
Other comprehensive income	**—**	—
Total comprehensive income for the year	**94,028**	92,627
Attributable to:		
– Equity holders of the Company	**91,719**	91,477
– Non-controlling interests	**2,309**	1,150
	94,028	92,627

CONSOLIDATED BALANCE SHEET

As at 31 December 2010

	Note	As at 31 December 2010 RMB'000	2009 RMB'000
ASSETS			
Non-current assets			
Land use rights		**18,228**	18,664
Property, plant and equipment		**140,539**	116,587
Investment properties		**24,092**	24,728
Intangible assets		**41,169**	3,303
Deferred income tax assets		**11,399**	11,169
		235,427	174,451
Current assets			
Inventories		**276,441**	163,096
Trade and bills receivables	5	**166,962**	102,604
Prepayments, deposits and other receivables		**789,442**	352,896
Restricted bank deposits		**206,976**	134,347
Cash and cash equivalents		**181,632**	18,150
		1,621,453	771,093
Total assets		**1,856,880**	945,544
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**7,162**	142
Reserves		**1,049,810**	572,813
		1,056,972	572,955
Non-controlling interests in equity		**15,317**	2,508
Total equity		**1,072,289**	575,463
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**1,722**	39,352
Other non-current liabilities		**5,455**	—
		7,177	39,352
Current liabilities			
Trade and bills payables	6	**526,850**	196,167
Accruals and other payables		**86,806**	60,889
Dividend payable	10	**275**	—
Borrowings		**50,000**	70,000
Current income tax liabilities		**80,278**	3,673
Other current liabilities		**33,205**	—
		777,414	330,729
Total liabilities		**784,591**	370,081
Total equity and liabilities		**1,856,880**	945,544
Net current assets		**844,039**	440,364
Total assets less current liabilities		**1,079,466**	614,815

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(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 "Listing"), the following reorganisation steps (the "Reorganisation") were carried out in 2008:

(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 consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative liabilities) at fair value through profit or loss.

The consolidated financial statements are presented in thousands of Renminbi ("RMB'000"), unless otherwise stated.

The Reorganisation as described in Note 1 above has been accounted for as a reverse acquisition under HKFRS 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 statements, 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 statements of the Group have been prepared as a continuation of the consolidated financial statements 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 statements 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 statements;

(c) The equity structure appearing in the financial statements (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

The principal accounting policies applied in the preparation of these consolidated financial statements have been consistently applied to both years presented, unless otherwise stated.

(a) New/revised standards, amendments and interpretations to existing standards mandatory for 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.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

  The revised standard has been applied to the acquisition of the controlling interest in Huainan Four Sea and Hefei Jingmei on 1 November 2010 and 1 September 2011 respectively.

- 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.

- HKAS 17 (Amendment), 'Leases', effective on 1 January 2010. The amendment deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee.

- HKAS 36 (Amendment), 'Impairment of Assets', effective on 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of HKFRS 8, 'Operating Segments' (that is, before the aggregation of segments with similar economic characteristics).

- HKAS 1 (Amendment), 'Presentation of Financial Statements', effective on 1 January 2010. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

- HKAS 38 (Amendment), 'Intangible Assets', effective 1 January 2010. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.

The adoption of the above revised standards and amendments starting from 1 January 2010 did not give rise to only significant impact on the Group's results of operations and financial position.

(b) The following new/revised standards, 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' correct 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 or when they become effective. 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 segment results for the year ended 31 December 2010 are as follows:

Segment results	**Retail**	**Bulk distribution**	**Other**	**Unallocated***	**Group**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Segment revenue	769,364	1,754,732	14,660	—	2,538,756
Inter-segment revenue	—	(754,306)	—	—	(754,306)
Revenue	769,364	1,000,426	14,660	—	1,784,450
Operating profit/(loss)	91,387	63,919	4,903	(18,372)	141,837
Finance costs - net					(1,396)
Profit before income tax					140,441
Income tax expense					(46,413)
Profit for the year					94,028
Other segment items are as follows:					
Capital expenditure	60,042	16,280	—	—	76,322
Depreciation charge	6,279	7,020	—	—	13,299
Amortisation charge	985	1,264	—	—	2,249

The segment results for the year ended 31 December 2009 are as follows:

Segment results	Retail RMB'000	Bulk distribution RMB'000	Other RMB'000	Unallocated RMB'000	Group RMB'000
Segment revenue	440,331	1,248,638	9,114	—	1,698,083
Inter-segment revenue	—	(450,258)	—	—	(450,258)
Revenue	440,331	798,380	9,114	—	1,247,825
Operating profit	62,937	61,235	946	—	125,118
Finance income- net					1,800
Profit before income tax					126,918
Income tax expense					(34,291)
Profit for the year					92,627
Other segment items are as follows:					
Capital expenditure	10,558	50,860	—	—	61,418
Depreciation charge	6,156	4,947	—	—	11,103
Amortisation charge	923	1,906	—	—	2,829

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

Segment assets and liabilities as at 31 December 2010 are as follows:

Segment assets and liabilities	**Retail RMB'000**	**Bulk distribution RMB'000**	**Other RMB'000**	**Group RMB'000**
Segment assets	**329,378**	**1,503,734**	**10,647**	**1,843,759**
Unallocated assets				**13,121**
Total assets				**1,856,880**
Segment liabilities	**63,603**	**584,718**	**3,766**	**652,087**
Unallocated liabilities				**132,504**
Total liabilities				**784,591**

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
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 and corporate assets.

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

Capital expenditure comprises additions to property, plant and equipment, land use rights and intangible assets, including additions resulting from acquisitions through business combinations.

5 TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Trade receivables	**71,709**	101,418
Less: Provision for impairment	**(1,362)**	(2,504)
Trade receivables, net	**70,347**	98,914
Bills receivable	**96,615**	3,690
Trade and bills receivables, net	**166,962**	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 the balance sheet date is as follows:

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
0 - 30 days	**41,367**	82,942
31 - 90 days	**17,583**	13,443
91 - 365 days	**11,397**	2,529
1 year - 2 years	**1,140**	1,447
2 years - 3 years	**—**	260
Over 3 years	**222**	797
Total	**71,709**	101,418

All trade and bills receivables are denominated in RMB and their carrying amounts approximate their fair values as at the balance sheet date.

The maximum exposures of the Group to credit risk as at the balance sheet date 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 31 December	
	2010	2009
	RMB'000	RMB'000
Trade payables	**31,050**	16,037
Bills payable	**495,800**	180,130
	526,850	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 the balance sheet date is as follows:

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
0 - 30 days	**11,228**	8,211
31 - 90 days	**18,381**	4,110
91 - 365 days	**1,077**	845
1 year - 2 years	**364**	2,100
2 years - 3 years	**—**	685
Over 3 years	**—**	86
	31,050	16,037

The trade and bills payables are denominated in RMB and their carrying amounts approximate their fair values as at the balance sheet date.

As at 31 December 2010, restricted bank deposits of RMB 205,976,000 (2009: RMB 134,347,000) had been pledged as collateral for bank acceptance bills of RMB 430,800,000 (2009: RMB 118,130,000).

As at 31 December 2010, restricted bank deposits of RMB 10,000,000 had been pledged as collateral for bank acceptance bills of RMB 20,000,000, together with a personal guarantee of RMB 10,000,000 provided by a third party.

As at 31 December 2010, bills receivable with a net book amount of RMB 50,000,000 had been pledged as collateral for the Group's bank acceptance bills of RMB 45,000,000.

As at 31 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. A related party had also provided a personal guarantee of RMB 26,000,000 to the banks in connection with these bank acceptance bills granted to the Group. The personal gurantes had been fully released upon the Listing of the Company.

As at 31 December 2010, the Group has total facilities for bills payables amouting to RMB1,080,240,000 (2009: RMB180,130,000).

7 REVENUE

Turnover of the Group comprises revenues recognised during the year as follows:

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Sales of goods		
- Retail	**769,364**	440,331
- Bulk distribution	**1,000,426**	798,380
including:		
Sales to franchisees	**448,167**	373,294
Sales to other retailers and distributors	**552,259**	425,086
	1,769,790	1,238,711
Rendering of services		
- Maintenance service	**1,604**	2,405
- Installation service	**13,056**	6,709
	14,660	9,114
Total revenue	**1,784,450**	1,247,825

8 INCOME TAX EXPENSE

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Mainland China Enterprise Income Tax ("EIT")		
- Current income tax	**84,273**	12,288
- Deferred income tax	**(37,860)**	22,003
	46,413	34,291

(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 year (2009: Nil).

(b) **EIT**

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.

(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 established outside the PRC when their PRC subsidiaries declare dividends 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 year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. In determining the weighted average number of ordinary shares in issue during the year ended 31 December 2010 and 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.

	Year ended 31 December	
	2010	2009
Profit attributable to equity holders of the Company (RMB'000)	**91,719**	91,477
Weighted average number of ordinary shares in issue (thousand)	**979,580**	750,000
Basic earnings per share (RMB cents)	**9.36**	12.20

(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, the Warrants and settlement in ordinary shares for contingent consideration arising from business combination assuming they were exercised.

	Year ended 31 December	
	2010	2009
Profit attributable to equity holders of the Company (RMB'000)	**91,719**	91,477
Weighted average number of ordinary shares in issue (thousand)	**979,580**	750,000
Adjustment for:		
- Share options granted under the Pre-IPO Option Scheme (thousand)	**11,618**	—
- Warrants (thousand)	**67**	304
- Settlement in ordinary shares for contingent consideration arising from business combination (thousand)	**6,689**	—
Weighted average number of ordinary shares for diluted earnings per share (thousand)	**997,954**	750,304
Diluted earnings per share (RMB cents)	**9.19**	12.19

10 DIVIDENDS

	Year ended 31 December	
	2010 RMB'000	2009 RMB'000
Special dividend declared (note (a))	**40,980**	—
Proposed final dividend of HK 2.0 cents (2009: Nil) per ordinary share (note (b))	**17,822**	—
	58,802	—

(a) 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. As at 31 December 2010, approximately HK$ 46,287,000, equivalent to RMB 40,705,000, of the dividend had been paid to those shareholders. The special dividend not yet paid out by the Company as at 31 December 2010 was approximately HK$ 313,000, equivalent to RMB 275,000.

(b) On 25 March 2011, the board of directors of the Company has recommended to distribute a final dividend of HK 2.0 cents (equivalent to approximately RMB 1.7 cents) per share, amounting to approximately HK$20,967,000 (equivalent to RMB17,822,000) for the year ended 31 December 2010. This proposed dividend is not reflected as a dividend payable in these financial statements but will be reflected as an appropriation of retained earnings for the year ending 31 December 2011 upon approval by the shareholders at the forthcoming annual general meeting of the Company.

11 SUBSEQUENT EVENTS

(a) In January 2011, Yangzhou Huiyin acquired 100% of the equity interests of Nanjing Chaoming Technology Development Co., Ltd. from an independent third party, Mr. Song, at a consideration of RMB46,999,000.

(b) In January 2011, Yangzhou Huiyin succeeded in the bid to acquire the land use rights of a plot of land with an approximate total site area of 26,071 square meters located in Yangzhou City ("Land Parcel") via the public tender auction and listing-for-sale held by Yangzhou Municipal Land Bureau at the price of RMB 235,420,000. In accordance with the terms announced by Yangzhou Municipal Land Bureau, a deposit of RMB 50,900,000 had been paid by Yangzhou Huiyin in January 2011, and RMB 66,810,000, being 50% of the consideration less the deposit, was paid in February 2010, and the remaining 50% of the consideration, being RMB 117,710,000 is to be paid upon the transfer of the Land Parcel from Yangzhou Municipal Land Bureau which shall take place within 300 days from the date of the bid. It is intended that the Land Parcel will be developed into a retail and commercial complex, including a large flagship retail store of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Unique Business Model

In unique conditions of the third and fourth-tier markets in China, the Group had already established an integrated business model covering retail (including self-operated stores and franchised stores), bulk distribution and after-sales services. The establishment of self-operated stores enabled the Group to be independent of suppliers and enhanced the awareness of the Huiyin brand. This, together with the extensive franchise network, helped the Group quickly expand into surrounding areas. In addition, the Group would be able to boost its overall gross profit, increase its pricing power and provide stable supply for retail stores by developing distribution business. Given the increasing demand for after-sales services in the target market, especially remote rural areas, the Group was actively developing after-sales services and establishing an extensive and comprehensive after-sales service network to provide an additional source of income for the Group as well as enhance customer loyalty.

Leveraging on its effective use of existing resources, close relationships with suppliers and the favourable Rural Appliance Rebate Program and the Change of the Old for New Program, we achieved satisfactory results and recorded revenue growth in each business segment during the year under review.

1. **Retail business**

   ➢ **Self-operated stores**

   The Group's self-operated stores provided a variety of products. Approximately 19,000 product models were available in our self-operated stores. During the year, the expansion of self-operated retail outlets was a highlight of the development of the Group. As at 31 December 2010, the number of self-operated stores of the Group reached 53, representing a substantial increase of 26 stores or 96.3% from a year earlier, and far ahead of the target of establishing 16 new self-operated stores by the end of 2011 as set at the time of the Company's listing. The Group opened 20 new self-operated stores in different areas such as Yangzhou, Taizhou and Suzhou in Jiangsu Province. In Anhui Province, one of the focuses of the Group's expansion, we rapidly expanded our network through merger and acquisition. In September 2010, Yangzhou Huiyin Household Appliance Co., Ltd., a wholly-owned subsidiary of the Group, Huainan Xingfushu Electronical Appliances Company Limited ("Xingfushu") and an independent third party Mr. Jin ("a JV partner") announced to form a joint venture company named Huainan Four Seas Huiyin Household Appliances Company Limited, which was mainly engaged in home appliance sales in Huainan, Anhui Province. By taking over the local retail stores of Xingfushu, the Group increased the number of stores by 6 in Anhui Province.

   In just one year, the Group opened a total of 10 new stores in Huainan, Chaohu, Chuzhou and Huangshan and other areas, which not only enhanced the awareness and influence of the Group in Anhui Province, but also laid a solid foundation for local expansion.

   In response to demand in different regions, the Group strategically set up stores in different regions with adjustments to store locations, positioning and product variety. As at 31 December 2010, the Group owned 40 general stores, including its Yangzhou flagship store, offering a comprehensive range of products and brands; 4 shop-in-shops located in department stores mainly offering high-end home appliances and consumer electronics; and 9 stores selling air-conditioners or franchised brands.

   As urbanization accelerated and living standards substantially improved, durable home appliances such as air-conditioners, refrigerators and washing machines quickly became more common, thereby gradually driving up the demand for mid-range and high-end products and stimulating sales of five major products at the self-operated stores of the Group. In addition, the Group as an authorized distributor and recycler under the Rural Appliance Rebate Program and the Change of the Old for New Program also benefited from the success of the above programs in Jiangsu Province in 2010. During the year, revenue of the self-operated stores of the Group reached RMB769.4 million, up approximately 74.72% from the previous year.

➢ **Franchised stores**

Most of the franchised stores of the Group operated under the registered brand of Huiyin, offering more than 1,000 product models. During the year, the Group's franchise business made steady progress and the franchise network was continuously optimized. As at 31 December 2010, the Group had 227 franchised stores, increasing by 7 stores compared to 220 franchised stores as at 31 December 2009. 21 of them were new stores while 14 stores were shut down. In 2010, the growth rate of franchised stores was lower than that of self-operated stores mainly because the acceleration of urbanization in some areas contributed to the integration of some stores located in urban and rural areas, and the demography, consumption level, and local features of some areas made them not suitable for the development of franchised stores. In addition, the business focus of the Group for the year was the development of self-operated stores. Therefore, the strategic development of franchised stores of the Group focused on enhancement of store quality instead. The operation and management level of franchised stores were generally enhanced through the franchise consolidation management. During the year, the Group formed the first franchise consolidation management committee to speed up the full integration of franchised stores and self-operated stores in terms of, among other things, store image, product selection, booth design, promotion and service upgrade.

In addition, the Group strengthened information exchange with franchisees and monitored real-time sales performance and inventory level of franchised stores by improving the resource planning system and store information management system. This enhanced the profitability and operating efficiency of franchised stores. As major bulk distribution clients of the Group, the revenue to the Group derived from franchised stores amounted to RMB448.2 million for the year ended 31 December 2010, up approximately 20.06% from the previous year and accounting for 25.1% of the total sales revenue of the Group.

➢ **Outlet network**

To strengthen its position in the highly scattered third and fourth-tier markets, the Group adopted an expansion strategy with self-operated stores complementary to franchised stores to gradually penetrate into the target market. The Group was based in the third and fourth-tier cities. Since the opening of the first self-operated store in Yangzhou in 2003, the retail network of the Group had been rapidly expanding. As at 31 December 2010, Huiyin Household Appliances owned 53 self-operated stores in 31 cities/regions in Jiangsu and Anhui Provinces, 26 of which were new stores opened during the year. Together with franchised stores, there were a total of 280 retail outlets.

During the year, the Group was active in opening new stores in the existing regions and taking new acquisition opportunities to expand its outlet network in Jiangsu and Anhui Provinces. The number of retail outlets in Anhui Province increased by 6 upon completion of the acquisition of Xingfushu stores in Huainan, Anhui Province. As at 31 December 2010, the total number of self-operated stores and franchised stores in Anhui Province increased to 18 and the number of outlets in Jiangsu Province reached 262.

The distribution of self-operated stores and franchised stores as at 31 December 2010 is set out below:

Region	Self-operated stores	Franchised stores
Jiangsu Province		
Yangzhou	21	120
Taizhou	7	34
Suzhou	5	7
Huai'an	3	1
Zhenjiang	2	4
Nanjing	1	2
Yancheng	1	2
Changzhou	0	37
Wuxi	0	13
Lianyungang	0	1
Nantong	0	1
Sub-total	40	222
Anhui Province		
Huainan	6	0
Xuancheng	3	0
Chaohu	2	1
Chuzhou	1	4
Huangshan	1	0
Sub-total	13	5
Total	53	227

2. Bulk distribution business

Bulk distribution business and retail business of the Group were complementary to each other. Bulk distribution business provided stable and reliable supply for self-operated stores and franchised stores. As a sole supplier of franchised stores, the Group secured a stable source of income for its bulk distribution business. Currently, the Group was a bulk distributor of products for more than 20 internationally or domestically renowned brands. Leveraging on a deep understanding of preferences of consumers in the third and fourth-tier markets as well as an extensive sales network in target markets, which help the branded home appliances and consumer electronics deeply penetrate into such markets, the Group became a long-standing bulk distributor for these brands. In addition to maintaining good relationships with the existing client brands, the Group was also active in acquiring peers with growth potential to expand its branded product mix for distribution. On 1 September 2010, the Group acquired the entire interest in Hefei Jingmei Electrical Media Co., Ltd., the principal business of which was the distribution of Sharp products in Anhui Province. The acquisition was not only favourable to the growth of the distribution business of the Group in Anhui Province but also to the development of the retail business.

During the year, the Group assessed the sale performance of self-operated stores and the financial performance of bulk distribution business from time to time to identify branded product categories with higher growth potential. Furthermore, the Group obtained distribution rights for an international brand in Jiangsu Province in 2010 by maintaining mutually beneficial relationships with suppliers. The Group also expanded its distribution rights for different brands in different regions, Distribution rights for some international brands were gradually extended to other areas in Jiangsu and Anhui Provinces.

3. **After-sales services**

After-sales services were important to the continued expansion of the Group's retail and bulk distribution businesses. The group had an extensive network of service centers, offering a broad range of installation and maintenance services for products purchased from the Group or any other third party vendors. As at 31 December 2010, the Group operated and managed a total of 135 service centers, of which 10 were self-operated service centers and 125 were authorized service centers. The total number represented an increase of 7.1% from 126 service centers as at 31 December 2009, giving a ratio of 1 service center to approximately 2 stores.

As franchised stores continued to expand, the Group had a more far-reaching mission of promoting after-sales services in the rural market in addition to providing rural areas with high quality and affordable home appliances. During the year, the Group strived to raise the level of after-sales services through with guarantees on after-sales services, devoting more resources to this kind of services to boost customers' satisfaction and brand reputation. In 2010, Huiyin Household Appliances was awarded "全國顧客滿意度十大品牌(China Top 10 Brands by Customer Satisfaction)", reflecting high recognition of the Group's efforts by consumers.

The Group's advantage of after-sales services lied in providing professional integrated services of product installation, education and maintenance services and deep penetration into the rural market. During the year, the Group dispatched a team of experienced after-sales service staff to rural areas to provide consultation and maintenance services for customers and it was well received. This greatly enhanced the consumer confidence and recognition in the Group in the rural areas. In order to boost sales and gain trust from consumers in branded product quality, Huiyin Household Appliances launched "放心10年計劃 (Ten-year Quality Assurance Program)", under which the Group provided long-term quality maintenance services covering various home appliances and thus greatly enhanced the durability of home appliances. As for air-conditioners, the key product of the Group, in addition to strict compliance with 11 air-conditioner installation standards promulgated by the state, the Group launched a large-scale air-conditioner checkup campaign in regions such as Jiangsu and Anhui Provinces and sent technical teams to maintain air-conditioners. As a result customers were satisfied and placed their trust in the Group. The Group also collaborated with experts from air-conditioner brands to work out different after-sales service plans to improve quality.

Diversified sales and marketing strategies

During the year, the Group adopted diversified marketing and brand strategies, including the promotion of brands and products through the mass media and the launch of promotion campaigns in different communities. During the year, the Group carried out visits across the country and conducted group purchase activities in self-operated stores in agreement with several home appliance brands. Different discounts were offered to customers based on the group purchase size, which resulted in buying sprees of home appliances. The Group invited celebrities to give live performance in many large promotion campaigns, which successfully attracted the attention of the public and increased the brand reputation, thus stimulating sales.

As for the Group's brand image, in addition to radio and TV advertisements, the Group also built a consistent corporate image with the use of the same logo and publicity materials in self-operated stores and franchised stores. The Group also carried out various community activities from time to time for face-to-face interaction with customers, thereby strengthening the relationship between the Group and customers to achieve the goal of enhancing the Huiyin brand image and its penetration into the community. In addition, the Group launched promotion activities during major festivals such as the Labour Day holiday, October Golden Week and New Year holiday, which were well received by customers.

Unique purchase strategy and close relationships with suppliers

Seeing an increasing consumer demand, the Group strived to provide a great variety of for customers and maintain a stable supply. Leveraging on its unique purchase strategy and good business relationships with suppliers, the Group ensured stable sources of goods for each retail outlet. By way of payment in advance to suppliers, COD or very short-term credit, the Group greatly improved the cash turnover of suppliers and reduced their financial risks, so the suppliers are willing to work with the Group. The purchase strategy also helped explore opportunities of collaborating with more high quality brands. In addition, the Group established a dedicated team to communicate with suppliers regularly and maintain efficient supply measures. As for product selection, the purchase department of the Group formulated a set of product testing and inspection indicators to strictly monitor the product quality and brand selection based on the brand promotion and consumption patterns of consumers.

Comprehensive logistics and inventory management

To distribute and sell products in relatively scattered third and fourth-tier markets, it is indispensable to establish comprehensive logistics facilities. Therefore, the Group attached great importance to the development of an effective logistics equipment and management system. The Group strategically selected satellite cities where the population in surrounding areas was relatively dense with good residential conditions and facilities for the opening of stores and committed to building a logistics center in every range of 150 kilometers in order to improve the logistics network of the Group in such regions. Furthermore, the Group adopted a corporate resource planning system to allow two-way access to the information system of its headquarters and distribution centers for the central monitoring on distribution outlets scattered around different areas. This closely connected logistics framework was complementary to delivery executed by a professional team of the Group or independent contractors not only reduced the delivery cost of the Group but also increased efficiency of transport. As at 31 December 2010, the Group owned 16 warehouses and distribution centers covering a total area of more than 36,000 square meters and providing services for stores in surrounding areas.

Upgrade of information technology system

As a vital support for the Group's operation, the information system should be improved from time to time in line with the growth of the Group. Therefore, during the year, the Group upgraded its information system, comprising optimized purchase, logistics and after-sales processes, financial enquiry and financial analysis in the system. Since the unified purchase and distribution system of the Group was launched online, the process of purchase and distribution of its strategically branded goods had been optimized, thereby strengthening the communication and data exchange with franchisees. In addition, the Group upgraded its information system in line with the rapid development of the Group's business to, on the one hand, greatly enhance efficiency of operations and sales and, on the other hand, save time on administrative work.

Top-talent Workforce

As the Group successfully ventured into the Hong Kong capital market and the business grew rapidly in line with the demand for talents resulting from the revamp of Huiyin's brand and store images, the Group attached great importance to the development of talents. The Group followed its tradition in good training and carried out various training courses, covering, among other things, product knowledge, sales and management skills and personal skills which benefited employees at all levels of the Group. In 2010, the Group organized 108 training sessions with more than 8,000 participants. With the establishment of Huiyin Business School in June 2010, the Group became the first home appliance retailer having its "Corporate University" in third and fourth-tier home appliance markets. The Group built a platform composed of a set of standardized, systematic and differential education and training for employees. In addition, the Group introduced qualified technicians from time to time to strengthen the team. The number of the Group's employees substantially increased to 1624 as at 31 December 2010 from 841 as at 31 December 2009.

FINANCIAL REVIEW

Revenue

During the year, 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 RMB1,784.5 million, representing an increase of 43.01% from RMB1,247.8 million in 2009.

Turnover of the Group comprises revenues by operation as follows:

	2010 RMB'000		2009 RMB'000	
Retail	**769,364**	**43.1%**	440,331	35.3%
Bulk Distribution				
– Sales to franchisees	**448,167**	**25.1%**	373,294	29.9%
– Sales to other retailers and distributors	**552,259**	**31.0%**	425,086	34.1%
Rendering of services	**14,660**	**0.8%**	9,114	0.7%
Total revenue	**1,784,450**	**100.0%**	1,247,825	100.0%

During the year, 27 self-operated stores of the Group which already operated in 2009 accounted for 50.94% of the total number of the self-operated stores at the end of the reporting year. 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 reporting year, 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 reporting year, sales to other retailers and distributors increased mainly due to an increase in sales volume because of 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 reporting year:

	2010 RMB'000		2009 RMB'000	
Air-conditioners	**1,100,581**	**62.2%**	838,566	67.7%
TV sets	**324,918**	**18.4%**	195,756	15.8%
Refrigerators	**142,883**	**8.1%**	88,164	7.1%
Washing machines	**91,170**	**5.1%**	47,008	3.8%
Other small appliances	**110,238**	**6.2%**	69,217	5.6%
Total revenue	**1,769,790**	**100.0%**	1,238,711	100.0%

The percentage of air-conditioner sales in retail business was much lower than that in bulk distribution business. As the percentage of retail sales increased in 2010, the percentage of revenue derived from sales of air-conditioners decreased accordingly.

Cost of Sales

Cost of sales increased by approximately 40.53% from RMB1,041.7 million for 2009 to RMB1,464.0 million for 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 since the second half of 2009.

Gross profit

As a result of the above principle factors, our gross profit increased by approximately 55.51% from RMB206.1 million for 2009 to RMB320.5 million for 2010.

Gross profit margin of the Group by operation is as follows:

	2010	2009
Retail	**23.5%**	22.8%
Bulk Distribution	**13.5%**	12.8%
– Sales to franchisees	**15.8%**	14.1%
– Sales to other retailers and distributors	**11.6%**	11.7%
Rendering of services	**33.4%**	34.7%
Overall	**17.9%**	16.5%

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.

Gross profit margin of the Group by product categories is as follows:

	2010	2009
Air-conditioners	**17.5%**	18.2%
TV sets	**17.9%**	13.0%
Refrigerators	**15.9%**	10.0%
Washing machines	**16.8%**	10.0%
Other small appliances	**24.3%**	16.5%
Overall	**17.8%**	16.4%

Under our bulk distribution operation, merchandise are often sold to our franchisees and other third parties with volume discount. The volume discounts are assessed based on the anticipated annual purchases by a particular customer and periodic discount policy agreed between the customer and us in advance. Due to the development of bulk distribution business, such as new areas of certain brands, the Group provided larger amount of volume discounts to new customers in 2010, which led to the decrease of the gross profit margin of air-conditioners.

The gross profit margin of TV sets, refrigerators and washing machines increased primarily due to an increase in percentage of retail sales while the gross profit margin of retail operation was much higher than that of bulk distribution operation.

Other income

During the year, the Group recorded other income of approximately RMB16.1 million, representing an increase from RMB11.6 million 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 year, the Group's total selling and marketing expenses amounted to approximately RMB96.8 million, representing an increase from RMB51.2 million in 2009, which was mainly due to the increase of the employee benefit expenses and other expenses related to newly opened retail stores in 2010, such as service charges, operating lease expenses, promotion and advertising and transportation expenses and etc.

The following table sets out a summary for selling and marketing expenses as a percentage of total revenue:

	2010	2009
Employee benefit expenses	**0.86%**	0.35%
Service charges	**0.29%**	0.09%
Operating lease expenses in respect of buildings and warehouses	**1.09%**	0.95%
Promotion and advertising expenses	**1.49%**	1.22%
Depreciation of property, plant and equipment	**0.65%**	0.80%
Utilities and telephone expenses	**0.08%**	0.11%
Transportation expenses	**0.49%**	0.38%
Travelling expenses	**0.18%**	0.10%
others	**0.29%**	0.11%
Total selling and marketing expenses	**5.42%**	4.11%

The increase of the employee benefit expenses was mainly due to the expansion of our operations and our distribution network, including an increase in the number of our self-operated stores.

Administrative expenses
During the year, the Group's total administrative expenses amounted to approximately RMB96.9 million, representing an increase from RMB41.3 million in 2009, which was mainly due to the increase of the employee benefit expenses, pre-IPO Option Scheme expenses and professional fees for the Listing of the Company, etc.

The following table sets out a summary for administrative expenses:

	2010	2009
Employee benefit expenses	**28,483**	12,811
Pre-IPO Option Scheme expenses	**15,840**	—
Operating lease expenses in respect of buildings	**5,510**	3,607
Utilities and telephone expenses	**5,013**	2,197
Travelling expenses	**4,113**	1,327
Professional fees for the Listing of the Company	**7,468**	4,809
Auditor's remuneration	**4,226**	276
Consulting expenses	**4,302**	373
Others	**21,919**	15,939
Total administrative expenses	**96,874**	41,339

The increase of the employee benefit expenses was mainly due to (i) an increase in salaries and welfare benefits for our management and administrative personnel; and (ii) an increase in the number of employees which was in line with the expanded business of the Group.

Finance (costs)/income - net
During the year, the Group's net finance costs was approximately RMB1.4 million, while the net finance income was approximately RMB1.8 million in 2009, which was mainly due to the fact that less borrowings were incurred in 2009 compared with 2010.

Profit before income tax
During the year, the Group's profit before income tax was approximately RMB140.4 million, increased by approximately 10.64% from RMB126.9 million in 2009.

Income tax
During the year, the Group's income tax was approximately RMB46.4 million, representing 33.05% of the profit before income tax, compared with approximately RMB34.3 million, representing 27.02% of the profit before income tax in 2009. The higher income tax rate during the year was mainly due to the non-deductible expenses, including Pre-IPO Share Option Scheme expenses and professional fees for the Listing of the Company.

Profit attributable to equity holders of the Company
The Group's profit attributable to equity holders for 2010 and 2009 were approximately RMB91.7 million and RMB91.5 million respectively. If the impact of Pre-IPO Option Scheme expenses and professional fees for the Listing of the Company is excluded, the increase rate would be approximately 25.74%.

Cash and cash equivalents
As at 31 December 2010, the Group's cash and cash equivalents were approximately RMB181.6 million, representing a substantial increase from RMB18.2 million as at 31 December 2009, which was mainly due to the initial public offering of the Company's share in March 2010.

Inventories
As at 31 December 2010, the Group's inventories amounted to approximately RMB276.4 million, representing a substantial increase from RMB163.1 million as at 31 December 2009, which was in line with the business expansion of the Group.

Prepayments, deposits and other receivables
As at 31 December 2010, prepayments, deposits and other receivables of the Group amounted to approximately RMB789.4 million, representing a substantial increase from RMB352.9 million as at 31 December 2009. This was mainly because the prepayments to suppliers for goods and rebates receivable from suppliers had both increased which was in line with the Group's turnover and business development.

Trade and bills receivables
As at 31 December 2010, trade and bills receivables of the Group amounted to approximately RMB167.0 million, representing an increase from RMB102.6 million as at 31 December 2009, which was mainly due to the increase of bills receivable. Trade and bills receivables turnover days were 28 days, which represented a slight increase compared with 20 days for 2009.

Trade and bills payables
As at 31 December 2010, trade and bills payables of the Group amounted to approximately RMB526.9 million, representing a substantial increase from RMB196.2 million as at 31 December 2009, which was mainly due to the increase of the bills payable. Trade and bills payables turnover days were 90 days, which represented a significant increase compared with 66 days in 2009. The increase of turnover days was in line with that of prepayments, as bills were widely used to settle the balances with suppliers.

Gearing ratio and the basis of calculation
The Group's gearing ratio as at 31 December 2010 and 2009 was 4.46% and 10.84% respectively. The decrease was mainly due to the change in borrowing and equity balances. The gearing ratio is equal to total borrowings divided by total balances of equity and borrowings.

Capital expenditure
During the year, capital expenditure of the Group amounted to approximately RMB76.3 million, representing an increase from RMB61.4 million in 2009.

Cash flow
During the year, net cash outflow from operating activities of the Group amounted to approximately RMB142.9 million as compared to RMB101.5 million in 2009. Higher cash outflow from operating activities in 2010 was mainly due to the impact of increase in inventories and prepayments, deposits and other receivables, as well as trade and bills payables.

Net cash outflow from investing activities amounted to approximately RMB30.1 million as compared to RMB24.1 million in 2009.

Net cash inflow from financing activities amounted to approximately RMB338.7 million, a substantial increase as compared to RMB62.0 million in 2009. This was mainly due to the net proceeds from initial public offering of the Company's shares in March 2010.

Capital structure
As at 31 December 2010, the Group's cash and bank balances were mainly held in Renminbi, and all the Group's short-term bank borrowings were held in Renminbi with fixed interest rate.

During the year, equity attributable to shareholders of the Group increased from RMB573.0 million to RMB1,057.0 million, which was mainly due to the IPO proceeds received from initial public offering of the Company's share in March 2010.

Liquidity and Financial Resources

During the year, the Group's working capital, capital expenditure and cash for investments were funded from cash on hand, bank borrowings and IPO proceeds. As at 31 December 2010, the interest-bearing bank borrowings of the Group amounted to RMB50 million, all of which will be repayable in 2011.

Pledging of assets

As at 31 December 2010, the Group's pledged bank deposits and bills receivable amounted to RMB207.0 million and RMB50.0 million respectively. There is no other asset pledged.

Contingent liabilities

As at 31 December 2010, the Group has no contingent liabilities which have not been properly accrued for.

Capital commitments

As at 31 December 2010, the Group has no capital commitments.

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 have recorded an exchange loss in the reporting year. 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.

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 ("IPO") 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. The offer price of the IPO was determined at HK$1.69 per Share (being the highest point of the range of offer price as stated in the prospectus of the Company dated 12 March 2010) and the over-allotment option in the IPO was exercised in full. 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, if the offer price is determined at the highest point of the stated range or if the over-allotment option is exercised in full, the additional net proceeds shall be applied towards potential acquisitions and general working capital. Accordingly, as stated in our interim report, 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 centers in Jiangsu Province, approximately HK$5.0 million (equivalent to approximately RMB 4.4 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 31 December 2010, our use of net proceeds raised from IPO was as follows:

	Net proceeds from IPO	
	Available to Utilise (RMB million)	Utilised (up to 31 December 2010) (RMB million)
Expansion of retail network	137.9	137.9
Acquisitions of home appliances and electronics retail enterprises	178.3	21.3
Expansion of distribution and logistics centers in Jiangsu Province	48.4	10.0
Improving information and management systems	4.4	1.4
General working capital	34.5	34.5
	403.5	205.1

The remaining net proceeds were 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.

Employment and Remuneration Policy

We adopt remuneration policies similar to our peers in the industry. The remuneration payable to our employees is fixed by reference to the prevailing market rates in the region. Our management receive a fixed sum of basic salary and a discretionary performance bonus after annual/monthly/quarterly assessments. The remuneration of our other employees comprises basic salary and an attractive sum of monthly performance bonuses. In compliance with the applicable statutory requirements in the PRC and existing requirements of the local government, our Group participates in different social welfare plans for our employees.

Human resources

As at 31 December 2010, the Group had 1,624 employees, up 93.10% from 841 at 31 December 2009.

Final Dividend

The board of directors of the Company has recommended to distribute a final dividend of HK 2.0 cents (equivalent to approximately RMB 1.7 cents) per share for the year ended 31 December 2010 (2009: Nil). Subject to the approval of shareholders at the forthcoming annual general meeting of the Company to be held on 17 June 2011, the final dividend will be paid on or before 31 August 2011 to registered shareholders as at 17 June 2011.

Outlook and Strategy

In 2011, the Group expects that the Chinese government will continue to introduce policies for stimulating domestic demand and raising the income of urban and rural residents to drive the long-term economic growth, and that favourable government policies and the acceleration of urbanization will support the booming development of the home appliance retail sector and continue to create favourable market conditions for the third and fourth-tier markets, thus bringing great business opportunities to the Group.

In the future, the Group will continue to grasp opportunities and make use of its extensive sales network in the third and fourth-tier home appliance markets as well as its unique integrated business model and brand advantage to open more stores and speed up in boosting market share in target markets. The Group will also keep a close track of any changes in the consumer market and each sales uptrend to increase the capability of each store, thereby raising its overall profitability. Moreover, the Group will continue to keep a close eye on every opportunity to acquire its peers with growth potential in eastern China to extend its presence and increase its influence. Good relationships with suppliers are prerequisites for our business expansion. Therefore, it is one of the Group's focuses to maintain close connection and mutually beneficial relationships with suppliers.

Leveraging on its extensive experience in sales, customer service and logistics management, as well as the upgrade of information system and strengthening of personnel training across departments, the Group will be able to continue its efforts in increasing operating efficiency. Meanwhile, the Group will also strive to improve its logistics management system, continue the strategy of opening new stores in satellite cities, and try to accomplish its target of building logistics centers in each range of 150 kilometers. It is expected that the logistics cost will be effectively reduced upon completion of such logistics centers.

As for customer service, the Group will introduce diversified after-sales services at a higher level to meet the increasing demand for after-sales services in rural areas and encourage more consumers to become its long-term customers through promotion of membership, thereby building an extensive and stable customer base.

Since its establishment, the Group has always strived to become a leader in the third and fourth-tier home appliance markets. The excellent results achieved by the Group in 2010 have laid a solid foundation for the Group's future development. Good use of proceeds from the Group's listing and realization of economies of scale will continue to enhance the profitability, operating efficiency and corporate governance of the Group to generate higher returns for shareholders and investors.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") (to the extent that such provisions are applicable) contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange throughout the period from 25 March 2010 (date of listing) to 31 December 2010, except for the code provision A.2.1.

Under code provision A.2.1 of the CG 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 CG Code. However, the Board considers 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 CG Code 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 audited consolidated financial statements of the Group for the year ended 31 December 2010 and the auditor's report thereon.

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 year ended 31 December 2010.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 14 June 2011 to Friday, 17 June 2011, both dates inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for the entitlement to the proposed final dividend and for attending and voting at the annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 13 June 2011.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Friday, 17 June 2011, notice of which will be published and dispatched to shareholders as soon as practicable in accordance with the Company's Articles of Association and the Listing Rules.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The 2010 Annual 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 these websites.

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

Hong Kong, 25 March 2011

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