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 2011

HIGHLIGHTS

1 Revenue was approximately RMB1,441.2 million, representing an increase of 83.4% from RMB785.8 million in the first half of 2010.

2 Gross profit increased by approximately 52.3% from RMB139.1 million to RMB211.9 million.

3 Gross profit margin in the first half of 2011 was 14.7%.

4 Profit for the first half of 2011 and 2010 were approximately RMB49.1 million and RMB36.9 million respectively, representing an increase of 33.1%.

5 Operating cash flows improved substantially in the first half of 2011. Net cash inflow from operating activities amounted to approximately RMB21.4 million, which in the same period in 2010, there was a RMB151.4 million outflows.

6 As at 30 June 2011, we have a total of 63 self-operated stores, versus 34 stores for the corresponding period of 2010, representing an increase of 85.3%. Retail revenue represented 37.0% of the total revenue of the Group for the first half of 2011 (43.1% for the same period in 2010), while revenue from bulk distribution represented 62.4% of the total revenue of the Group for the first half of 2011 (56.0% for the same period in 2010).

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 2011 together with the comparative figures for the corresponding period in 2010. These condensed consolidated interim financial information have been reviewed by the audit committee of the board of directors of the Company.

The condensed consolidated income statement and the condensed consolidated statement of comprehensive income for the six months ended 30 June 2011 and the condensed consolidated balance sheet as at 30 June 2011 of the Group together with the accompanying notes 1 to 10 as set out below are extracted from the condensed consolidated interim financial statements of the Group for the six months ended 30 June 2011 which have not been audited, but have been reviewed by the Company's independent auditor PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	**Unaudited Six months ended 30 June**	
		2011	2010
		RMB'000	RMB'000
Revenue	7	**1,441,150**	785,815
Cost of sales		**(1,229,228)**	(646,705)
Gross profit		**211,922**	139,110
Other income		**8,070**	10,643
Other losses — net		**(3,444)**	(963)
Selling and marketing expenses		**(80,286)**	(43,485)
Administrative expenses		**(56,897)**	(46,137)
Operating profit		**79,365**	59,168
Finance income		**2,720**	1,320
Finance costs		**(10,717)**	(3,307)
Finance costs — net		**(7,997)**	(1,987)
Profit before income tax		**71,368**	57,181
Income tax expense	8	**(22,285)**	(20,292)
Profit for the period		**49,083**	36,889
Attributable to:			
- Equity holders of the Company		**47,945**	36,271
- Non-controlling interests		**1,138**	618
		49,083	36,889
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB cents per share)			
– Basic	9	**4.57**	3.99
– Diluted	9	**4.55**	3.94
Dividends	10	**—**	40,980

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Profit for the period	**49,083**	36,889
Other comprehensive income	**—**	—
Total comprehensive income for the period	**49,083**	36,889
Attributable to:		
- Equity holders of the Company	**47,945**	36,271
- Non-controlling interests	**1,138**	618
	49,083	36,889

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
ASSETS			
Non-current assets			
Land use rights		**18,009**	18,228
Property, plant and equipment		**163,597**	140,539
Investment properties		**23,774**	24,092
Intangible assets		**78,279**	41,169
Prepayments for land use rights		**125,047**	—
Deferred income tax assets		**15,661**	11,399
		424,367	235,427
Current assets			
Inventories		**319,742**	276,441
Trade and bills receivables	5	**177,672**	166,962
Prepayments, deposits and other receivables		**840,491**	789,442
Restricted bank deposits		**239,409**	206,976
Cash and cash equivalents		**139,068**	181,632
		1,716,382	1,621,453
Total assets		**2,140,749**	1,856,880

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

	Note	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**7,162**	7,162
Reserves		**1,086,053**	1,049,810
		1,093,215	1,056,972
Non-controlling interests in equity		**38,355**	15,317
Total equity		**1,131,570**	1,072,289
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**7,897**	1,722
Other non-current liabilities		**7,430**	5,455
		15,327	7,177
Current liabilities			
Trade and bills payables	6	**613,819**	526,850
Accruals and other payables		**78,289**	86,806
Dividends payable	10	**17,792**	275
Borrowings		**170,000**	50,000
Current income tax liabilities		**79,011**	80,278
Other current liabilities		**34,941**	33,205
		993,852	777,414
Total liabilities		**1,009,179**	784,591
Total equity and liabilities		**2,140,749**	1,856,880
Net current assets		**722,530**	844,039
Total assets less current liabilities		**1,146,897**	1,079,466

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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"), certain reorganisation steps (the "Reorganisation") were carried out in 2008. After the completion of the Reorganisation on 3 April 2008, the Company became the holding company of the subsidiaries comprising the Group. The Reorganisation has been accounted for as a reverse acquisition.

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 statements for the six months ended 30 June 2011 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 statements should be read in conjunction with the annual consolidated financial statements of the Company for the year ended 31 December 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 24 August 2011.

These condensed consolidated interim financial statements have not been audited.

3 ACCOUNTING POLICIES

Except as stated below, the accounting policies applied are consistent with those used for and described in the annual consolidated financial statements of the Company for the year ended 31 December 2010.

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

New/revised standards, amendments and interpretations to existing standards mandatory for the financial year beginning on 1 January 2011 that are relevant to the Group's operations

- HKAS 24 (Revised) "Related Party Disclosures" is effective for annual periods beginning on or after January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. It also clarifies and simplifies the definition of a related party. While the new definition will make it easier to apply, some entities will have more related parties and will be required to make additional disclosures.

- HKAS 34 (Amendment) 'Interim Financial Reporting' is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

The adoption of the above revised standard and amendment starting from 1 January 2011 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 2011.

The Group has not early adopted any new accounting and financial reporting standards, amendments and interpretations to existing standards which have been issued but are not yet effective for the financial year ending on 31 December 2011.

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, and real estate business.

The unaudited segment results for the six months ended 30 June 2011 are as follows:

	Retail RMB'000	Bulk distribution RMB'000	All other segments RMB'000	Unallocated* RMB'000	Group RMB'000
Segment revenue	533,071	1,247,851	8,588	—	1,789,510
Inter-segment revenue	—	(348,360)	—	—	(348,360)
Revenue from external customers	533,071	899,491	8,588	—	1,441,150
Operating profit/(loss)	44,994	38,589	2,524	(6,742)	79,365
Finance costs - net					(7,997)
Profit before income tax					71,368
Income tax expense					(22,285)
Profit for the period					49,083
Other segment items are as follows:					
Capital expenditure	18,823	54,104	125,096	—	198,023
Depreciation charge	7,508	3,082	3	—	10,593
Amortisation charge	812	1,577	—	—	2,389

4 SEGMENT INFORMATION *(continued)*

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

	Retail RMB'000	Bulk distribution RMB'000	All other segments 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 from external customers	338,777	440,248	6,790	—	785,815
Operating profit/(loss)	40,125	26,255	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

* Unallocated mainly represented the expenses incurred by 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.

4 SEGMENT INFORMATION *(continued)*

Unaudited segment assets and liabilities as at 30 June 2011 are as follows:

	Retail RMB'000	Bulk distribution RMB'000	All other segments RMB'000	Group RMB'000
2011				
Segment assets	**390,527**	**1,598,279**	**135,514**	**2,124,320**
Unallocated assets				**16,429**
Total assets				**2,140,749**
Segment liabilities	**153,914**	**575,558**	**4,740**	**734,212**
Unallocated liabilities				**274,967**
Total liabilities				**1,009,179**

The audited segment assets and liabilities as at 31 December 2010 are as follows:

	Retail RMB'000	Bulk distribution RMB'000	All other segments RMB'000	Group RMB'000
2010				
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 consist primarily of property, plant and equipment, investment properties, 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 30 June 2011 RMB'000	31 December 2010 RMB'000
Trade receivables	**131,804**	71,709
Less: Provision for impairment	**(535)**	(1,362)
Trade receivables, net	**131,269**	70,347
Bills receivable	**46,403**	96,615
Trade and bills receivables, net	**177,672**	166,962

The average credit terms granted to customers by the Group range from 30 days to 90 days. The maturity of bills receivable range from 3 months to 6 months.

The ageing analysis of trade receivables, before provision for impairment, as at balance sheet date is as follows:

	As at 30 June 2011 RMB'000	31 December 2010 RMB'000
0 - 30 days	**83,642**	41,367
31 - 90 days	**28,167**	17,583
91 - 365 days	**19,460**	11,397
1 year - 2 years	**535**	1,140
2 years - 3 years	**—**	—
Over 3 years	**—**	222
Total	**131,804**	71,709

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 from trade and bills receivables 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.

As at 30 June 2011, bills receivable with a carrying amount of RMB20,000,000 (31 December 2010: RMB50,000,000) had been pledged as collateral for the Group's bank acceptance bills of RMB20,000,000 (31 December 2010: RMB45,000,000).

6 TRADE AND BILLS PAYABLES

	As at 30 June 2011 RMB'000	31 December 2010 RMB'000
Trade payables	**34,158**	31,050
Bills payable	**579,661**	495,800
Total	**613,819**	526,850

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 30 June 2011 RMB'000	31 December 2010 RMB'000
0 - 30 days	**25,874**	11,228
31 - 90 days	**6,264**	18,381
91 - 365 days	**1,563**	1,077
1 year - 2 years	**457**	364
	34,158	31,050

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 30 June 2011, restricted bank deposits of RMB239,409,000 (31 December 2010: RMB196,976,000) had been pledged as collateral for bank acceptance bills of RMB559,661,000 (31 December 2010: RMB430,800,000).

As at 30 June 2011, bills receivable with a carrying amount of RMB20,000,000 (31 December 2010: RMB50,000,000) had been pledged as collateral for the Group's bank acceptance bills of RMB20,000,000 (31 December 2010: RMB45,000,000).

As at 31 December 2010, restricted bank deposits of RMB10,000,000 had been pledged as collateral for bank acceptance bills of RMB20,000,000, together with a personal guarantee of RMB10,000,000 provided by a third party. As at 30 June 2011, such personal guarantee had been released.

7 REVENUE

Turnover of the Group comprises revenues recognised as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Sales of goods		
- Retail	**533,071**	338,777
- Bulk distribution	**899,491**	440,248
including:		
Sales to franchisees	**370,397**	198,124
Sales to other retailers and distributors	**529,094**	242,124
	1,432,562	779,025
Rendering of services		
- Maintenance service	**1,046**	1,445
- Installation service	**7,542**	5,345
	8,588	6,790
Total revenue	**1,441,150**	785,815

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
PRC enterprise and withholding income taxes		
- Current income tax	**26,103**	999
- Deferred income tax	**(3,818)**	19,293
	22,285	20,292

(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 2011 (30 June 2010: Nil).

(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.

(c) PRC withholding income tax

According to the new CIT law, starting from 1 January 2008, a 10% withholding tax is levied on the immediate 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. The Group accrues for the PRC withholding income tax based on the tax rate of 10% for its immediate holding companies which are established in Hong Kong for the six months ended 30 June 2011 (30 June 2010: 5%).

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, 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 2010.

	Six months ended 30 June	
	2011	2010
Profit attributable to equity holders of the Company (RMB'000)	**47,945**	36,271
Weighted average number of ordinary shares in issue (thousand)	**1,048,342**	909,678
Basic earnings per share (RMB cents)	**4.57**	3.99

9 EARNINGS PER SHARE *(continued)*

(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	
	2011	2010
Profit attributable to equity holders of the Company (RMB'000)	**47,945**	36,271
Weighted average number of ordinary shares in issue (thousand)	**1,048,342**	909,678
Adjustment for:		
- Share options granted under the Pre-IPO Option Scheme (thousand)	**6,320**	9,996
- Warrants (thousand)	**—**	136
Weighted average number of ordinary shares for diluted earnings per share (thousand)	**1,054,662**	919,810
Diluted earnings per share (RMB cents)	**4.55**	3.94

10 DIVIDENDS

The board of directors of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2011 (2010: Nil).

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 30 June 2011, approximately HK$ 46,287,000 of the dividend had been paid to those shareholders. The special dividend not yet paid out by the Company as at 30 June 2011 was approximately HK$ 313,000, equivalent to RMB 262,000.

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 RMB 17,822,000) for the year ended 31 December 2010 has been approved by the shareholders at the annual general meeting of the Company held on 17 June 2011. The final dividend remained unpaid and was equivalent to RMB17,530,000 as at 30 June 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Hefty growth in national consumption

The global economy remained at a moderate pace of recovery during the first half of 2011 while China has also maintained its steady economic growth. Meanwhile, Chinese people have become eager to strive for a better standard of living as underpinned by the increasing Chinese residents' income as well as the rising disposable income per capita. According to data from the National Bureau of Statistics of China, the total retail sales of consumer goods in the country for the first half of 2011 exceeded RMB8.5 trillion, representing a year-on-year growth of 16.8%. Retail sales of consumer goods in urban areas reached approximately RMB7.4 trillion, representing a year-on-year growth of 16.9%, while those in rural areas reached approximately RMB1.1 trillion, representing a year-on-year growth of 16.2%. In terms of residents' income, rural household income grew faster than urban household income. In the first half of 2011, urban residents' disposable income per capita and rural residents' income per capita were RMB11,041 and RMB3,706 respectively. In real terms, their respective year-on-year growth rates were 7.6% and 13.7%, which fully shows enormous potential for the rural consumption market.

Promising future for the home appliance market

Thanks to Chinese Government measures to stimulate domestic demand and implement effective financial policies, as well as the acceleration of urbanization, the Chinese home appliance industry is able to continue its stable growth. In line with the government's objective to stimulate domestic consumption, the Ministry of Finance and the Ministry of Commerce jointly announced the Rural Appliance Rebate Program and Change of the Old for New Program in order to grasp the growing opportunities arising in the rural consumption market. Such programs have also prompted a major shift of the Chinese financial policies towards the consumption sector and successfully eliminated the economic imbalances between the rural and urban areas, thereby creating favourable market conditions for the home appliance industry and promoted its healthy development. The effective implementation of these two favourable policies, which tapped into the rural consumption market to leverage on its rising consumption power and fostered greater sales of home appliances in the rural areas, continued to make an important contribution to the development of the third- and fourth-tier home appliance markets.

According to data released by the National Bureau of Statistics of China, the total retail sales of consumer goods for the first half of 2011 were RMB8,582.2 billion, representing a year-on-year growth of 16.8% and a growth of 17.7% in June compared with the corresponding period last year; of which, sales of electrical appliances as well as audio and visual equipment registered a more significant increase of 21.5% year-on-year. In addition, the Ministry of Commerce of the PRC announced that the number of products sold under the Rural Appliance Rebate Program throughout the country was 50.938 million units with sales value of RMB124.575 billion, up by 56.7% and 83.7% year-on-year respectively. Since the formal launch of the Rural Appliance Rebate Program, the cumulative number of units sold under this program was 165 million units with sales value of RMB366.37 billion as of 30 June 2011. According to the latest data released by the Ministry of Commerce of the PRC, the cumulative sales volume of new home appliances under the Change of the Old for the New Program as of June 2011 exceeded RMB200 billion since the launch of this program in June 2009. For the five major categories under the Change of the Old for the New Program, sales of TV sets reached 18.624 million units, sales of air-conditioners amounted to 14.082 million units, sales of computers were 8.473 million units, sales of refrigerators were 7.552 million units, and sales of washing machines were 6.982 million units. These figures demonstrate the great success achieved by this program, which helped to boost continuous growth in the third- and fourth-tier home appliance markets.

BUSINESS REVIEW

Innovative and unique business model

In the unique conditions of the third and fourth-tier markets in China, the Group has successfully established an integrated business model covering retail, bulk distribution (including sales to our franchisees) and after-sales services, which are complementary to each other. The rapid expansion of our self-operated stores by selecting prime location and quality assets, together with the extensive franchise network and comprehensive after-sales service network, enabled the Group to quickly expand into surrounding areas while enhancing its ''Huiyin'' brand awareness at the same time. In addition, we also offer our products to our franchised stores as well as other independent third parties through bulk distribution, which we provide continues support to our existing retail businesses and effective means of reinforcing customer loyalty by our comprehensive after-sales services network. The Group continued to focus on the management of its client relations with the objectives of achieving an improvement on the Group's sales structure, supply chain, team building as well as the incentives scheme. We recognized 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 our retail business. Our strategic business focuses on the third and fourth-tier high growth markets within Jiangsu and Anhui provinces. We offer a wide selection of products through our self-operated stores, covering approximately 19,000 product model types.

During the period under review, we opened 13 self-operated stores in Nanjing, Yangzhou, Huaian, Nantong and Wuhu representing a further step towards the strengthening and optimization of our retail sales network. As of 30 June 2011, we had a total of 63 self-operated stores, a net increase of 10 stores, or 18.9% from 53 stores by the end of 2010. Among which, together with our Yangzhou flagship store, we had a total of 45 general stores that offer a comprehensive range of products and brands to our customers, 4 of them were shop-in-shop in department stores offering mainly higher-end home appliances and consumer electronics, and 14 specialty air-conditioner or dedicated brand retail stores to satisfy the special market demand in different localities. During the period under review, revenue from the self-operated stores of the Group reached RMB533.1 million, up by approximately 57.4% from the corresponding period last year.

➢ **Franchised stores**

Sales to the franchised stores are the major sources of revenue for the Group, and most of the franchised stores are operated under the registered brand of ''Huiyin'' of the Company, offering more than 1,000 product models to the third and fourth-tier markets. During the period under review, the Group's franchise business continued to focus on the optimization of stores network and active implementation of self-operation management with a key on the enhancement of store quality. By upgrading the store image as well as the services and products, the Group was able to achieve an encouraging result by increasing the profitability and operating efficiency of franchised stores. For the six months ended 30 June 2011, the revenue of the Group derived from the sales to the franchised stores amounted to RMB370.4 million, up 87.0% from the corresponding period last year and accounting for approximately 25.7% of the total sales revenue of the Group.

In addition, the Group also 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. As of 30 June 2011, the Group had a total of 224 franchised stores.

➢ **Outlet network of the Group**

To strengthen its position in the highly scattered third and fourth-tier markets, we have adopted a unique expansion strategy with self-operated stores complementary to franchised stores to gradually penetrate into the target market. Since the opening of the first self-operated store in Yangzhou in 2003, the retail network of the Group have been rapidly expanding. As of 30 June 2011, we have already built an extensive retail network with 287 stores in 31 cities/districts of Jiangsu and Anhui Provinces, of which 63 and 224 stores were self-operated stores and franchised stores respectively.

The distribution of self-operated stores and franchised stores as at 30 June 2011 is set out below:

	Self-operated stores	Franchised stores
Jiangsu Province		
Yangzhou	22	122
Taizhou	7	34
Nanjing	6	2
Suzhou	3	2
Huai'an	4	1
Zhenjiang	2	4
Yancheng	1	2
Nantong	1	1
Changzhou	—	37
Wuxi	—	13
Lianyungang	—	1
Sub-total	46	219
Anhui Province		
Huainan	9	—
Xuancheng	3	—
Wuhu	2	—
Chuzhou	1	4
Huangshan	1	—
Ma'anshan	1	1
Sub-total	17	5
Total	63	224

2. Bulk distribution business

Unlike traditional retail chain operators, the Group distributes as a supplier to our franchised stores as well as other independent third parties. Bulk distribution business and retail business of the Group were complementary to each other, which provided reliable supply for our self-operated stores and franchised stores, and secured a stable source of income for the Group. Currently, the Group is a bulk distributor of products for more than 20 internationally or domestically renowned brands.

Leveraging on our proven retail experience in Jiangsu and Anhui provinces, as well as our deep understanding of consumers' preferences in the third and fourth-tier cities and a well-established sales network in those cities, the Group became a long-standing bulk distributor for the renowned home appliance and consumer electronics product brands. This operating model is well received by our suppliers, as they benefit from our one-stop service, from delivery, warehousing to account management and distribution logistics, without the need to establish branch stores in those 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 enhances our profitability.

3. After-sales services

Comprehensive after-sales services has been one of our strengths. 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. Quality and timely after-sales warranty 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. After-sales services were important to the continued expansion of the Group's retail and bulk distribution businesses. Operating through authorized arrangements with independent third party operators allowed the Group to extend the geographic coverage of our after-sales customer service with less capital requirements and operational risks. As of 30 June 2011, we operated and managed a total of 132 service centers, comprising 13 self-operated service centers and 119 authorized service centers, providing quality maintenance services for customers across a broad geographical area.

The Group has provided such authorized after-sales services to most of our branded electronics suppliers for more than three years. Our service quality is enhanced with the provision of a wide range of after-sales services, which in turn boosted customer loyalty and enhanced consumer confidence in and recognition of the Group. During the period under review, the Group launched an extended warranty plan ("滙金保"延保計劃), under which customers may choose to extend their warranty period by paying a minimal one-off extended warranty fee. The plan covers various home appliances and is well received by customers since its launch.

Innovative and diversified marketing strategies

The Group adopted diversified marketing and brand promotion strategies. In addition to undertaking market research and surveys regularly in order to collect market data in relation to matters such as consumer behaviour and feedback from customers on various marketing tactics adopted by stores, the Group also made use of its website and mass media channels including TV, newspapers and magazines to launch promotional activities and post different types of advertisements. In addition, the Group launched regular sales promotions, and conducted group purchase activities in agreement with several home appliance brands, under which different discounts were offered to customers based on the group purchase size, as a way to stimulate sales.

During the period under review, we launched several large-scale promotional activities, including Happy Community Express, which provided free checkup and repair services for home appliances to the public in our various target markets, thereby reinforcing the Group's reputation gained from its quality after-sales services; Labour Day sales promotion on May 1st, which offered additional discounts during the Labour day vacation, and provided special offers on the Group's online shopping portal ("滙銀易巴"); and "Here comes Lee Xiang – Group purchase with celebrity", which leveraged on the appeal of celebrities by inviting Lee Xiang, a famous TV hostess, to motivate the public to participate in group purchases in order to attract media coverage and underpin the Group's reputation. By providing customers with more new offerings and special offers, these large-scale promotional activities received positive response from consumers and stimulated growth in sales revenue.

Close working relationships with suppliers

Leveraging on its unique purchase strategy and good business relationships with suppliers, the Group strived to provide a great variety of products for customers and ensure stable sources of goods. The Group made prepayments to certain suppliers, as well as adopted 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 risk of bad debts. The purchasing department reviews product types from time to time, with a view to maintaining a wide range of high quality, branded consumer electronics products within our product mix, thereby strengthening our competitive edge. In addition, the Group communicates with suppliers regularly and maintains close working relationships with them in order to continuously secure supplies on competitive terms. Moreover, as the coverage of our dedicated brand retail stores continued to expand, our suppliers 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.

Optimised logistics and inventory management

An effective inventory logistics management system is crucial in the relatively scattered markets in third and fourth-tier cities. The Group has developed comprehensive localized logistics networks to serve its broad sales network. The Group strategically built a logistic center every 150 kilometers in the selected satellite cities where the population in surrounding areas was relatively dense and with good residential conditions and facilities in order to provide quality logistics support for such regions. Furthermore, the Group adopted an enterprise resource planning system to allow two-way access to the information system of its distribution centers and headquarters for the efficient central monitoring on distribution outlets scattered around different areas. Delivery of merchandise is either handled by a professional team of the Group or through independent contractors, thus ensuring service efficiency and saving the costs of maintaining a large delivery team and vehicle fleets. As of 30 June 2011, the Group has 18 warehouses and distribution centers covering a total area of over 38,800 sq.m. and provided services for stores in surrounding areas.

Upgrade of information technology system

The Group continuously enhanced its information technology system in line with the growth of the Group, and extended the scope of information sharing between the Group and some of its franchisees, which allowed it to effectively track the sales performance and stock level of its franchised stores on a real-time basis and ultimately facilitating its operation management in areas such as sourcing, inventory, replenishments and logistics. During the period under review, the Group integrated its existing information management system in the Group, meanwhile some of the franchised stores are now using the Group's supply chain system, thus facilitating central management of franchised stores' supply chain by the Group.

Seasoned workforce

As the business grows rapidly and evolves, the Group has been active in expanding its workforce and continued to enhance staff quality. The Group followed its tradition of good training and carried out various training courses, covering, among other things, product knowledge, sales and management skills, with a view to raising the overall quality of employees at all levels of the Group. So far in 2011, the Group organized 2,195 training sessions with more than 20,000 participants. Huiyin Business School, a platform established by the Group which composed of a set of standardized, systematic and differential education and training for employees, is offering its fourth programme since its establishment.

In addition, the Group has implemented an employee performance management strategy since 2011. All employees are required to undergo the wage KPI assessment, in which the work performance, abilities and attitudes of employees are objectively assessed by the relevant center based on the duties and responsibilities, work plan and performance benchmarks of the respective posts, with a view to helping employees enhance their own abilities, as well as raising the overall performance of the Group. The Group also engaged talented professionals from time to time to strengthen its workforce. As of 30 June 2011, the number of the Group's employees was 1,645, representing an increase of 1.3% from 1,624 as at the end of 2010.

PROSPECTS

Looking forward, the home appliance industry is expected to continue its growth momentum in the second half of 2011. The acceleration of urbanization in China and the favourable government policies will support the booming development of the home appliance retail sector. In view of the growing purchasing power of the third and fourth-tier cities and the slackening growth in the first and second-tier home appliance markets, many home appliance enterprises started to place more emphasis on the third and fourth-tier markets. Facing the trend of consolidation in the industry and the ever increasing competitive operating environment, the Group, as a leading home appliance enterprise in the third- and fourth-tier markets, will strive to maintain its leadership position in the target markets by continuously strengthening its competitive edges and accelerating corporate growth.

Benefitting from the network development in the third and fourth-tier markets as expedited by the rapid growth of e-commerce, and accelerated by urban development and urban-rural integration, the scale of e-commerce in the home appliance industry continued to expand. In order to capture the enormous business opportunities brought by e-commerce, the Group actively participated in the National consumer electronics sales channels alliance. The objective of the alliance is to promote the development of China's third and fourth-tier home appliance markets. In April 2011, the Group signed strategic co-operation agreements with other third and fourth-tier home appliance chain enterprises, including Zhuji Pengcheng Electronics Company Limited, to form Jiangsu Huicheng Net Alliance Network Technology Company Limited, which will commence the operation in later 2011, and establish Huicheng Net Alliance, a cross-region joint online shopping platform, with a view to promoting sustainable development of home appliance enterprises and create a harmonious market environment.

In future, the Group will upgrade its existing stores, expand its product offerings and strengthen its operational infrastructure to improve the profitability of its stores. Apart from active expansion of sales network, the Group will keep a close eye on the market to seek possible merger and acquisition opportunities in order to enlarge its business scale. In addition, the Group will boost its overall competitive strengths by enhancing its brand marketing activities, further strengthening relationships with its suppliers and further improving its information technology system. As for internal management, the Group will improve communication between departments, ensure thorough execution of the Group's plans, improve staff appraisal and remuneration system and workflow, as well as proactively encourage innovation in brand building, human resources and customer relationships. We believe that the effective implementation of the above strategies will enable the Group to achieve sustainable business growth, enhance profitability and operating efficiency, thereby securing leadership position in the third and fourth-tier home appliance markets and generating higher returns for shareholders and investors.

FINANCIAL REVIEW

Revenue

During the period under review, due to the business development and the booming growth in the third and forth-tier household appliances consumer market, the Group's revenue was approximately RMB1,441.2 million, representing an increase of 83.4% from RMB785.8 million when compared to the same period of 2010.

Turnover of the Group comprises revenues by operation as follows:

	Six months ended 30 June			
	2011		2010	
	RMB'000		RMB'000	
Retail	**533,071**	**37.0%**	338,777	43.1%
Bulk Distribution				
– Sales to franchisees	**370,397**	**25.7%**	198,124	25.2%
– Sales to other retailers and distributors	**529,094**	**36.7%**	242,124	30.8%
Rendering of services	**8,588**	**0.6%**	6,790	0.9%
Total revenue	**1,441,150**	**100.0%**	785,815	100.0%

During the period under review, 30 self-operated stores of the Group which already operated in 2010, accounted for 47.6% of the total number of self-operated stores at the end of the reporting period. The increase in retail sales was also attributable to an increase of sales in Anhui Province due to our enhanced brand recognition, improved store management and beneficial market conditions in the first half of 2011.

During the period under review, sales to franchisees increased primarily as a result of an increase in sales per franchised store. Accelerating urbanization process and raising farmers' income and consumption were the focus of the economic policies for 2011. The franchised stores captured market opprtunities through upgrading the store image, product selection, promotion skills and services, etc.

During the period under review, sales to other retailers and distributors increased mainly due to an increase in sales volume because of the booming demand and rapid-growing consumption capacity for the household appliances, 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			
	2011		2010	
	RMB'000		RMB'000	
Air-conditioners	**942,515**	**65.8%**	505,236	64.9%
TV sets	**223,769**	**15.6%**	142,491	18.3%
Refrigerators	**101,181**	**7.1%**	66,669	8.5%
Washing machines	**59,381**	**4.1%**	31,243	4.0%
Other small appliances	**105,716**	**7.4%**	33,386	4.3%
Total revenue	**1,432,562**	**100.0%**	779,025	100.0%

The percentage of air-conditioner sales in retail business was much lower than that in bulk distribution business. As the percentage of bulk distribution increased in the first half of 2011, the percentage of revenue derived from sales of air-conditioners increased accordingly.

Other small appliances increased mainly due to an increase in 3C products, such as computer, consumer electronic and communication. The fast product upgrades brought tremendous market demand.

Cost of sales

Cost of sales increased by approximately 90.1% from RMB646.7 million for the six months ended 30 June 2010 to RMB1,229.2 million for the six months ended 30 June 2011, primarily due to an increase in sales volume. The rate of increase in cost of sales was higher than that of our revenue growth principally because: (i) the sales volume of our bulk distribution operation increased at a faster rate than that of retail operation, as the prices that we charge for merchandise through our bulk distribution operation are generally lower than the prices of similar products sold at our self-operated stores; and (ii) the inflated costs and expenses of home appliances' manufacturers, and the cancellation of subsidies to the energy-saving appliances from 31 May 2011 raised the cost of sales.

Gross profit

As a result of the above principal factors, our gross profit increased by approximately 52.4% from RMB139.1 million for the six months ended 30 June 2010 to RMB211.9 million for the six months ended 30 June 2011.

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

	Six months ended 30 June	
	2011	2010
Retail	**20.9%**	23.2%
Bulk distribution	**10.8%**	13.1%
Rendering of services	**38.1%**	43.4%
Overall	**14.7%**	17.7%

The gross profit margin of our retail operation decreased because: (i) the production cost increased in this industry and the subsidies to the energy-saving appliances was cancelled, while the sales price could not be reflected immediately due to customers' price sensitivities; and (ii) the sales percentage in Anhui Province increased from 5.2% for the first half of 2010 to 13.8% of the whole retail business for the same period of 2011, while the gross profit margin in Anhui was lower than that in Jiangsu.

The gross profit margin of our bulk distribution operation was also decreased due to increased cost of the industry.

Other income

During the period under review, the Group recorded other income of approximately RMB8.1 million, representing a decrease from RMB10.6 million in the same period in 2010, which was mainly due to the grant from Yangzhou City for the award of successfully listing in the first half of 2010 amounting to RMB3.0 million.

Other losses

During the period under review, the Group recorded other losses of approximately RMB3.4 million, representing an increase from RMB1.0 million in the same period in 2010, which was mainly due to the fair value losses on the contingent consideration liabilities to an independent third party Mr. Jin, who was the 90% owner of Huainan Xingfushu Electrical Appliances Company Limited. Its business was acquired by the Group in 2010.

Selling and marketing expenses

During the period under review, the Group's total selling and marketing expenses amounted to approximately RMB80.3 million, representing an increase from RMB43.5 million in the same period in 2010, which was mainly due to the increase of the employee benefit expenses, operating lease expenses and other selling and marketing expenses in line with the growth of sales.

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

	Six months ended 30 June	
	2011	2010
Employee benefit expenses	**0.84%**	0.92%
Service charges	**0.53%**	0.33%
Operating lease expenses in respect of buildings and warehouses	**1.51%**	0.91%
Promotion and advertising expenses	**1.05%**	1.42%
Depreciation of property, plant and equipment	**0.66%**	0.64%
Utilities and telephone expenses	**0.15%**	0.09%
Transportation expenses	**0.49%**	0.58%
Travelling expenses	**0.08%**	0.24%
Others	**0.27%**	0.42%
Total selling and marketing expenses	**5.57%**	5.55%

The increase of operating lease expenses in respect of buildings and warehouses was due to the increased rental of newly opened self-operated stores. As at 30 June 2011, the Group had 63 self-operated stores, increasing by 29 stores compared to 34 self-operated stores as at 30 June 2010.

Administrative expenses

During the period under review, the Group's total administrative expenses amounted to approximately RMB56.8 million, representing an increase from RMB46.1 million in the same period of 2010, which was mainly due to the increase of the employee benefit expenses.

The following table sets out a summary for administrative expenses:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Employee benefit expenses	**20,690**	11,308
Pre-IPO Option Scheme expenses	**6,122**	6,336
Operating lease expenses in respect of buildings	**2,908**	2,319
Utilities and telephone expenses	**3,094**	1,973
Travelling expenses	**1,099**	2,117
Professional fees for the Listing of the Company	**—**	7,185
Auditor's remuneration	**1,875**	1,964
Consulting expenses	**1,828**	1,812
Amortisation of intangible assets	**1,852**	364
Others	**17,429**	10,759
Total administrative expenses	**56,897**	46,137

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.

Operating profit

Profit from operations was approximately RMB79.4 million for the six months ended 30 June 2011, increased by RMB20.2 million compared with the same period in 2010, which was mainly due to the combining effect of the increase in the gross profit and operating expenses.

Finance income and costs

During the period under review, the Group's net finance costs was approximately RMB8.0 million, while the net finance costs was approximately RMB2.0 million for the six months ended 30 June 2010, which was mainly due to the fact that more borrowings were incurred in the first half year of 2011, compared with the first half of 2010.

Profit before income tax

During the period under review, the Group's profit before income tax was approximately RMB71.4 million, increased by approximately 24.8% from RMB57.2 million in the same period of 2010.

Income tax

During the period under review, the Group's income tax was approximately RMB22.3 million, representing 31.2% of the profit before income tax, compared with approximately RMB20.3 million, representing 35.5% of the profit before income tax in the same period of 2010. The less effective income tax rate during the period under review was mainly due to the decrease of the non-deductible expenses, including the professional fees for the Listing of the Company in the first half of 2010.

Profit attributable to equity holders of the Company

The Group's profit attributable to equity holders for the period under review and the same period in 2010 were approximately RMB47.9 million and RMB36.3 million respectively, representing an increase of 32.0%. If the impact of Pre-IPO Option Scheme expenses, professional fees for the Listing of the Company, fair value changes on contingent Liabilities and amortisation expenses on the intangible assets arising from the acquisition are excluded, the increase rate would be approximately 16.7%.

Cash and cash equivalents

As at 30 June 2011, the Group's cash and cash equivalents were approximately RMB139.1 million, representing a decrease of 23.4% from RMB181.6 million at the end of 2010.

Inventories

As at 30 June 2011, the Group's inventories amounted to approximately RMB319.7 million, representing an increase from RMB276.4 million at the end of 2010, which was in line with the business expansion of the Group.

Prepayments, deposits and other receivables

As at 30 June 2011, prepayments, deposits and other receivables of the Group amounted to approximately RMB840.5 million, representing a slight increase from RMB789.4 million at the end of 2010.

Trade and bills receivables

As at 30 June 2011, trade and bills receivables of the Group amounted to approximately RMB177.7 million, representing a slight increase from RMB167.0 million at the end of 2010. Trade and bills receivables turnover days were 22 days, which represented a decrease compared with 28 days for 2010.

Trade and bills payables

As at 30 June 2011, trade and bills payables of the Group amounted to approximately RMB613.8 million, representing an increase from RMB526.9 million at the end of 2010. which was mainly due to the increase of the bills payable. Trade and bills payables turnover days were 84 days, which represented a decrease compared with 90 days in 2010.

Gearing ratio and the basis of calculation

The Group's gearing ratio as at 30 June 2011 and 31 December 2010 was 13.1% and 4.5% respectively. The increase 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 period under review, capital expenditure of the Group amounted to approximately RMB198.0 million, representing an increase from RMB12.2 million in the same period in 2010. The increase of the capital expenditure was mainly due to the prepayments for the land use rights, addition of logistic center construction costs and distribution agreement arising from the acquisition of a subsidiary amounting to approximately RMB125.0 million, RMB21.3 million and RMB22.9 million respectively in the first half of 2011.

Cash flows
During the period under review, net cash inflow from operating activities of the Group amounted to approximately RMB21.4 million as compared to RMB151.4 million outflows in the same period in 2010. The positive cash flow in 2011 was mainly due to the stability of inventories and prepayments, deposits and other receivables, as well as trade and bills payables, while the revenue increased significantly.

Net cash outflow from investing activities amounted to approximately RMB205.9 million as compared to RMB10.7 million in the same period in 2010. Higher cash outflows in 2011 was mainly due to the prepayments for the land use rights and acquisition of a subsidiary.

Net cash inflow from financing activities amounted to approximately RMB141.9 million, which was mainly due to the net increase of borrowings amounted to RMB 120.0 million. There was net cash inflow from financing activities amounted to RMB319.9 million in the same period in 2010, which was mainly due to the net proceeds from initial public offering of the Company's shares in March 2010.

Foreign currencies and treasury policy
All the Group's income and the majority of its expenses were denominated in Renminbi.

Pledging of assets
As at 30 June 2011, the Group's pledged bank deposits and bills receivable amounted to RMB239.4 million and RMB20 million respectively. There is no other asset pledged.

Contingent liabilities
As at 30 June 2011, the Group has no contingent liabilities which have not been properly accrued for.

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. 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 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 30 June 2011, our use of net proceeds raised from IPO was as follows:

	Net proceeds from IPO	
	Available to utilise	**Utilised (up to 30 June 2011)**
	(RMB million)	(RMB million)
Expansion of retail network	**137.6**	137.6
Acquisitions of home appliances and electronics retail enterprises	**178.6**	68.3
Expansion of distribution and logistics centers in Jiangsu Province	**48.4**	31.3
Improving information and management systems	**4.4**	1.9
General working capital	**34.5**	34.5
	403.5	273.6

The remaining net proceeds were held by us in short-term deposits with licensed banks and authorised financial institutions in 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 30 June 2011, the Group had 1,645 employees, up 1.29% from 1,624 at the end of 2010.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2011.

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 six months ended 30 June 2011 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. Tan Bien Kiat 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 2011.

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 2011.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The 2011 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 these websites.

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

Hong Kong, 24 August 2011

As at the date of this announcement, the Board of the Company comprises five executive Directors, namely Mr. Cao Kuanping, Mr. Mo Chihe, Mr. Mao Shanxin, Mr. Wang Zhijin, and Mr. Lu Chaolin, one non-executive Director, namely Mr. Li Jung-Hsing, and three independent non-executive Directors, namely Mr. Zhou Shuiwen, Mr. Tam Chun Chung and Mr. Tan Bien Kiat.