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 2012

HIGHLIGHTS

1 Revenue was approximately RMB1,164.0 million, representing a decrease of 19.2% from RMB1,441.2 million in the first half of 2011.

2 Gross profit decreased by approximately 14.0% from RMB211.9 million to RMB182.2 million.

3 Gross profit margin in the first half of 2012 was 15.7% (14.7% for the same period in 2011).

4 Profit for the first half of 2012 and 2011 were approximately RMB4.7 million and RMB49.1 million respectively, representing a decrease of 90.4%.

5 As at 30 June 2012, we have a total of 59 self-operated stores, versus 63 stores for the corresponding period of 2011. Retail revenue represented 34.7% of the total revenue of the Group for the first half of 2012 (37.0% for the same period in 2011), while revenue from bulk distribution represented 64.8% of the total revenue of the Group for the first half of 2012 (62.4% for the same period in 2011).

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 2012 together with the comparative figures for the corresponding period in 2011. 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 2012 and the condensed consolidated balance sheet as at 30 June 2012 of the Group together with the accompanying notes 1 to 11 as set out below are extracted from the condensed consolidated interim financial statements of the Group for the six months ended 30 June 2012 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 **2012** **RMB’000**	 2011 RMB’000
Revenue	7	**1,163,958**	1,441,150
Cost of sales		**(981,755)**	(1,229,228)
Gross profit		**182,203**	211,922
Other income		**6,857**	8,070
Other losses — net		**(938)**	(3,444)
Selling and marketing expenses		**(85,629)**	(80,286)
Administrative expenses		**(71,448)**	(56,897)
Operating profit		**31,045**	79,365
Finance income		**7,706**	2,720
Finance costs		**(24,321)**	(10,717)
Finance costs — net		**(16,615)**	(7,997)
Profit before income tax		**14,430**	71,368
Income tax expense	8	**(9,696)**	(22,285)
Profit for the period		**4,734**	49,083
Attributable to:			
– Equity holders of the Company		**2,565**	47,945
– Non-controlling interests		**2,169**	1,138
		4,734	49,083
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB cents per share)			
– Basic	9	**0.24**	4.57
– Diluted	9	**0.23**	4.55
Dividends	10	**—**	—

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Profit for the period	**4,734**	49,083
Other comprehensive income	**—**	—
Total comprehensive income for the period	**4,734**	49,083
Attributable to:		
– Equity holders of the Company	**2,565**	47,945
– Non-controlling interests	**2,169**	1,138
	4,734	49,083

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2012 RMB'000**	Audited 31 December 2011 RMB'000
ASSETS			
Non-current assets			
Land use rights		**17,453**	17,792
Prepayments for land use rights		**125,047**	125,047
Property, plant and equipment		**179,453**	186,609
Investment properties		**27,764**	23,456
Intangible assets		**61,339**	73,355
Deferred income tax assets		**35,077**	30,161
		446,133	456,420
Current assets			
Inventories		**310,132**	382,661
Trade and bills receivables	5	**442,375**	173,653
Prepayments, deposits and other receivables		**996,017**	967,474
Restricted bank deposits		**434,064**	411,312
Cash and cash equivalents		**273,445**	123,715
		2,456,033	2,058,815
Total assets		**2,902,166**	2,515,235

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

	Note	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**7,162**	7,162
Reserves		**1,063,297**	1,058,050
		1,070,459	1,065,212
Non-controlling interests in equity		**43,007**	40,938
Total equity		**1,113,466**	1,106,150
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**5,134**	5,370
Other non-current liabilities		**9,105**	8,211
		14,239	13,581
Current liabilities			
Trade and bills payables	6	**490,172**	547,246
Accruals and other payables		**130,939**	137,321
Borrowings		**1,043,608**	599,089
Current income tax liabilities		**68,182**	70,288
Other current liabilities		**41,560**	41,560
		1,774,461	1,395,504
Total liabilities		**1,788,700**	1,409,085
Total equity and liabilities		**2,902,166**	2,515,235
Net current assets		**681,572**	663,311
Total assets less current liabilities		**1,127,705**	1,119,731

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") and its subsidiaries. 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 2012 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 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

These condensed consolidated interim financial statements are presented in thousands of Renminbi ("RMB'000"), unless otherwise stated and were approved by the Company's board of directors on 22 August 2012.

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 2011.

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

There are no new/revised standards, amendments and interpretations to existing standards mandatory for the financial year beginning on 1 January 2012 that are relevant to the Group's operations.

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 2012.

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 2012 are as follows:

	Retail RMB'000	Bulk distribution RMB'000	All other segments RMB'000	Unallocated* RMB'000	Group RMB'000
Segment revenue	403,703	993,524	5,573	—	1,402,800
Inter-segment revenue	—	(238,842)	—	—	(238,842)
Revenue from external customers	403,703	754,682	5,573	—	1,163,958
Operating profit/(loss)	8,511	25,426	988	(3,880)	31,045
Finance costs - net					(16,615)
Profit before income tax					14,430
Income tax expense					(9,696)
Profit for the period					4,734
Other segment items are as follows:					
Capital expenditure	6,154	4,301	—	—	10,455
Depreciation charge	6,914	6,058	37	—	13,009
Amortisation charge	741	1,614	—	—	2,355

4 SEGMENT INFORMATION *(continued)*

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	7,826	3,082	3	—	10,911
Amortisation charge	494	1,577	—	—	2,071

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

4 SEGMENT INFORMATION *(continued)*

Unaudited assets and liabilities as at 30 June 2012 are as follows:

	Retail RMB'000	Bulk distribution RMB'000	All other segments RMB'000	Group RMB'000
2012				
Segment assets	**319,298**	**2,407,697**	**137,663**	**2,864,658**
Unallocated assets				**37,508**
Total assets				**2,902,166**
Segment liabilities	**140,694**	**527,313**	**2,804**	**670,811**
Unallocated liabilities				**1,117,889**
Total liabilities				**1,788,700**

The audited segment assets and liabilities as at 31 December 2011 are as follows:

	Retail RMB'000	Bulk distribution RMB'000	All other segments RMB'000	Group RMB'000
2011				
Segment assets	392,207	1,945,432	140,151	2,477,790
Unallocated assets				37,445
Total assets				2,515,235
Segment liabilities	150,526	576,392	6,733	733,651
Unallocated liabilities				675,434
Total liabilities				1,409,085

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, investment properties, land use rights and intangible assets, including additions resulting from acquisitions through business combinations.

5 TRADE AND BILLS RECEIVABLES

	As at	
	30 June 2012	31 December 2011
	RMB'000	RMB'000
Trade receivables	**130,453**	144,830
Less: Provision for impairment	**(1,020)**	(871)
Trade receivables, net	**129,433**	143,959
Bills receivable	**312,942**	29,694
Trade and bills receivables, net	**442,375**	173,653

The average credit terms granted to customers by the Group range from 30 days to 90 days. The maturity of bills receivable ranges 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 2012	31 December 2011
	RMB'000	RMB'000
0 - 30 days	**40,269**	59,825
31 - 90 days	**76,646**	65,240
91 - 365 days	**12,476**	18,894
1 year - 2 years	**900**	871
2 years - 3 years	**162**	—
Total	**130,453**	144,830

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 2012, bills receivable with a carrying amount of RMB 3,300,000 (31 December 2011: Nil) had been pledged as collateral for bank acceptance bills of RMB 3,300,000 (31 December 2011: Nil) (Note 6).

As at 30 June 2012, bills receivable with a carrying amount of RMB 150,000,000 were discounted to the bank with recourse, the proceeds of RMB146,596,000 received from the bank were recorded as "borrowings" as at 30 June 2012 accordingly.

6 TRADE AND BILLS PAYABLES

	As at	
	30 June 2012	31 December 2011
	RMB'000	RMB'000
Trade payables	**50,837**	35,016
Bills payable	**439,335**	512,230
Total	**490,172**	547,246

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 2012	31 December 2011
	RMB'000	RMB'000
0 - 30 days	**20,957**	13,622
31 - 90 days	**15,873**	9,223
91 - 365 days	**11,225**	10,994
1 year - 2 years	**2,782**	1,177
	50,837	35,016

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 2012, restricted bank deposits of RMB 156,304,000 (31 December 2011: RMB195,480,000) had been pledged as collateral for bank acceptance bills of RMB 408,535,000 (31 December 2011: RMB 435,030,000).

As at 30 June 2012, restricted bank deposits of RMB 8,250,000 (31 December 2011: RMB 31,317,000), together with certain land use rights, buildings and investment properties with a total net book amount of RMB 87,209,000 (31 December 2011: RMB 88,352,000) had been pledged as collateral for bank acceptance bills of RMB 27,500,000 (31 December 2011: RMB 72,700,000) and bank borrowings of RMB 28,000,000 (31 December 2011: RMB 86,400,000).

As at 30 June 2012, bills receivable with a carrying amount of RMB 3,300,000 (31 December 2011: Nil) had been pledged as collateral for bank acceptance bills of RMB 3,300,000 (31 December 2011: Nil) (Note 5).

As at 31 December 2011, restricted bank deposits of RMB 2,500,000 had been pledged as collateral for bank acceptance bills of RMB 4,500,000, together with a personal guarantee of RMB 2,000,000 provided by a third party.

7 REVENUE

Turnover of the Group comprises revenues recognised as follows:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Sales of goods		
– Retail	**403,703**	533,071
– Bulk distribution	**754,682**	899,491
including:		
Sales to franchisees	**216,086**	370,397
Sales to other retailers and distributors	**538,596**	529,094
	1,158,385	1,432,562
Rendering of services		
– Maintenance service	**295**	1,046
– Installation service	**5,278**	7,542
	5,573	8,588
Total revenue	**1,163,958**	1,441,150

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
PRC enterprise and withholding income taxes		
– Current income tax	**14,848**	26,103
– Deferred income tax	**(5,152)**	(3,818)
	9,696	22,285

(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 2012 (30 June 2011: 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 company 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 the six months ended 30 June 2012 (30 June 2011: 10%).

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.

	Six months ended 30 June	
	2012	2011
Profit attributable to equity holders of the Company (RMB'000)	**2,565**	47,945
Weighted average number of ordinary shares in issue (thousand)	**1,048,342**	1,048,342
Basic earnings per share (RMB cents)	**0.24**	4.57

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 settlement in ordinary shares for contingent consideration arising from business combination assuming they were exercised.

	Six months ended 30 June	
	2012	2011
Profit attributable to equity holders of the Company (RMB'000)	**2,565**	47,945
Weighted average number of ordinary shares in issue (thousand)	**1,048,342**	1,048,342
Adjustments for:		
– Share options granted under the Pre-IPO Option Scheme (thousand)	**—**	6,320
– Settlement in ordinary shares for the contingent consideration arising from business combination (thousand)	**88,340**	—
Weighted average number of ordinary shares for diluted earnings per share (thousand)	**1,136,682**	1,054,662
Diluted earnings per share (RMB cents)	**0.23**	4.55

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 2012 (2011: Nil).

11 SUBSEQUENT EVENTS

As announced by the Company on 26 April 2011, Yangzhou Huiyin, a wholly-owned subsidiary of the Company, proposed to issue Medium-Term Notes ("Notes") in the PRC with an aggregate principal amount of not more than RMB 400 million. An application had been made for the registration of the Notes with the National Association of Financial Market Institutional Investors ("Association").

On 20 July 2012, Yangzhou Huiyin received the notice of acceptance for registration from the Association confirming the registration of the issue of the Notes with the Association. According to the notice, it was approved, inter alia, Yangzhou Huiyin may issue the Notes in an aggregate principal amount of RMB 390 million, within a period of two years from the date of the notice. The Notes shall be listed and transferable on the inter-bank debenture market in the PRC.

On 20 August 2012, Yangzhou Huiyin completed the issuance of the Notes in the PRC in the amount of RMB 390 million, at the interest rate of 6.3% per annum, and with a term of three years. 74.36% of the proceeds from the issue of the Notes will be used for enhancing sales network and 25.64% of the proceeds will be used for repaying part of the existing bank loans of Yangzhou Huiyin.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Increasing consumption power in China

With the sluggish global economy in 2012, the financial crisis continued to have a material impact on the pace of economic development in various regions. Affected by the domestic and international macroeconomic situations, the global economic structure was facing a major adjustment. The economic development in China was also inevitably impacted. This, together with the gradual withdrawal of the "Rural Appliance Rebate Program" and the "Old for New Program", led to a slowdown in the growth of demand in the household appliance market. However, supported by the policy introduced by the central government in May 2012 to facilitate the long-term and steady development of the household appliance industry, the industry development will be confronted with both opportunities and challenges.

As announced by the National Bureau of Statistics of China, the total retail sales of consumer goods in the country for the first half of 2012 was RMB9,822.2 billion, representing a year-on-year growth of 14.4% and a decrease of 2.4 percentage points over the same period last year. Retail sales of consumer goods in urban areas was approximately RMB8,512.3 billion, representing a year-on-year growth of 14.3%, while those in rural areas was approximately RMB1,309.9 billion, representing a year-on-year growth of 14.5%. The growth of retail sales of consumer goods slowed down compared to that for the same period last year. However, with the implementation of the energy conservation subsidy policy for household appliances, the decline in sales of household appliances and AV equipment narrowed during the period, with a decrease of 3.8% over the same period in 2011.

In terms of residents' income, the rural market still offered room for development. Rural residents' income still grew faster than that of urban residents during the review period. According to data from the National Bureau of Statistics of China, for the first half of 2012, the gross income per capita of urban residents was RMB13,679 with a real growth of 9.7%; while the gross income per capita of rural residents was RMB4,303, representing a real year-on-year growth of 12.4%. As the income gap between urban and rural residents starts to narrow down, the consumption potential of rural residents is huge and the demand of rural residents for high-quality household appliances will increase substantially.

The new subsidy policy for household appliances and development opportunities

With the gradual cessation of the sales promotion policies such as the "Rural Appliance Rebate Program" and the "Old for New Program" from 2011 onwards, the household appliance market is facing a slowdown in its growth to some extent. In May 2012, the Executive Meeting of the State Council approved the policies and measures for boosting the consumption of products such as energy-saving household appliances. The promotion period commences from 1 June 2012 and lasts for one year tentatively. The policy arranges for a financial subsidy of RMB36.3 billion used to initiate the promotion of the four major categories of products that meet the energy-saving standards including energy-saving household appliances. This is expected to drive consumption needs by approximately RMB450 billion, which will help increase the sales of energy-saving household appliances. In addition, the "Consumption Promotion Month" was first held throughout the country during the period between April and May 2012. Apart from successfully calling upon enterprises to carry out marketing activities of various kinds, the "Consumption Promotion Month" also inspired medium and long-term policy framework for promoting consumption and covered various aspects such as reducing the burden and logistics costs of circulation enterprises, promoting industrial upgrade, energy conservation and environmental protection, which was conducive to enhancing the confidence of consumers and investors in the household appliance industry.

BUSINESS REVIEW

Unique and premium integrated business model

Being a retailer, agent and after-sales service provider in the third and fourth-tier home appliance markets, Huiyin has always strived to become a leader in the third and fourth-tier home appliance markets in China. The Group actively captured opportunities and fully leveraged its extensive sales network in the third and fourth-tier home appliance markets. The Group has successfully established an innovative and unique integrated business model in the target markets, integrating retail, bulk distribution (including sales to franchised stores) and after-sales services to further expand its share in the target markets and increase the local recognition of the "Huiyin" brand.

The Group provided support for its existing retail business and actively expanded all business segments through self-operated stores and its extensive franchise network. During the period under review, the Group continued to focus on client relations management and offered its products to franchised stores as well as other independent third parties through bulk distribution, effectively reinforcing customer loyalty.

In the first half of 2012, the Group strategically utilized its existing resources pursuant to the plan of the optimization of stores management to achieve steady development across all business segments. For the six months ended 30 June 2012, revenue of the Group was RMB1,164.0 million, down 19.2% as compared with RMB1,441.2 million for the same period in 2011. Net profit of the Group decreased to RMB4.7 million, representing a decrease of 90.4% over the same period last year and gross profit margin increased to 15.7%, representing an increase of 1 percentage point compared to the same period last year. The drop in net profit was attributable to the macro policy for the home appliance industry, increasing operating cost pressure, and the provisions made by the Group in respect of the amounts due from suppliers after taking into account the increased operating pressure in the upstream industry during the first half of 2012.

Retail business

➢ **Self-operated stores**

The Group has put its business focus on high growth markets such as third and fourth-tier cities and sold a great variety of products and brands. As at 30 June 2012, the Group had 59 self-operated stores. Together with its Yangzhou flagship store, the Group had a total of 44 general stores, 6 shop-in-shops located in department stores mainly offering high-end home appliances and consumer electronics, and 9 brand retail stores. For the six months ended 30 June 2012, the Group opened a total of three self-operated stores in Xuzhou and Nantong, in Jiangsu Province and Suzhou, in Anhui Province. Revenue of the self-operated stores was approximately RMB403.7 million, down 24.3% from the same period last year.

The Group has 43 stores in Jiangsu Province, located in Yangzhou, Taizhou, Nanjing, Huai'an, Zhenjiang and Nantong respectively. The Group successfully entered the Haian County market in Nantong in the first half of 2012. The new store has brought a great impact on the home appliance market in Nantong with its integration of new store style. The Group has also maintained a steady number of self-operated stores in Anhui Province, another business focus of the Group, and has opened a total of 16 stores in Huainan, Xuancheng and Wuhu, which effectively increased the Group's local awareness and influence.

The enhancement of the overall operating efficiency of stores and the development of stores is one of the major objectives of the Group this year. During the period under review, apart from introducing more "3C home appliances" (i.e. computers, communication products and consumer electronic products), the Group also established an integrated procurement and sales centre, a chain store management centre and brand and planning centre as well as a compound chain retail system to cope with future competition in the retail end market.

➢ **Franchised stores**

Most of the franchised stores of the Group were operated under the registered brand of "Huiyin". To maintain a steady growth in the franchise business, Huiyin has optimized its franchised store network and increased the market competitiveness and service quality of its stores during the period under review. In addition, the Group officially joined the franchise consolidation management committee in 2012 which has significantly raised the quality of stores and the operation and management standards of franchised stores. The franchise consolidation management continued to increase the franchise standard of the Group, enhance the staff training efforts of franchised stores from product types to brands and helped to guide franchised stores to conduct sales promotion by sending trained staff on site to boost store sales each month.

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 enterprise resource standardization system and store information management system, so as to maintain the profitability and operating efficiency of the Group's franchised stores. As at 30 June 2012, there were 113 franchised stores under the Group. For the six months ended 30 June 2012, income derived by the Group from sales to franchised stores was RMB216.1 million, representing a decrease of 41.7% compared to the same period last year.

➢ **Store network**

The retail network of the Group continued to expand rapidly. To strengthen its leading position in the highly scattered third and fourth-tier markets, the Group has adopted a unique expansion strategy with self-operated stores complementary to franchised stores to gradually increase its penetration in the target markets. As at 30 June 2012, the Group had an integrated retail network with 172 stores in 30 cities/districts of Jiangsu and Anhui Provinces, of which 59 and 113 were self-operated stores and franchised stores respectively, and the total number of self-operated stores and franchised stores in Jiangsu and Anhui Provinces was 154 and 18 respectively.

The distribution of self-operated stores and franchised stores of the Group as at 30 June 2012 is set out below:

	Self-operated stores	**Franchised stores**
Jiangsu Province		
Yangzhou	20	88
Taizhou	5	16
Nanjing	6	2
Huai'an	4	0
Zhenjiang	2	3
Suzhou	2	0
Yancheng	1	1
Nantong	2	0
Xuzhou	1	0
Lianyungang	0	1
Sub-total	43	111
Anhui Province		
Huainan	9	0
Xuancheng	3	0
Wuhu	1	0
Chuzhou	1	2
Ma'anshan	1	0
Suzhou	1	0
Sub-total	16	2
Total	59	113

Bulk distribution business

The Group as a supplier distributes products to its franchised stores as well as other independent third parties, including home electronic products retailers and corporate customers. Leveraging its sound and extensive sales network in the third and fourth-tier markets as well as a deep understanding of consumption patterns in the target markets, Huiyin kept abreast of consumers' preferences and demand in the third and fourth-tier home appliance markets in China, which helped the Group remain as a long-standing bulk distributor for well-known home appliances and consumer electronic brands. In anticipation of a market environment full of challenges, the Group locked on its target customers in 2012 and continued to maintain the dominant position of the Huiyin distribution brand in the market by adopting flexible and diversified sales promotion methods such as brand group purchase and warehouse marketing. Currently, the Group is a bulk distributor for more than 20 internationally or domestically renowned brands and has maintained close relationships with suppliers.

The bulk distribution business model adopted by the Group and the retail business were complementary to each other, which provided a reliable supply of goods and a stable source of income for our self-operated stores and franchised stores. This business model has been well-received by suppliers since it provided one-stop services ranging from delivery, warehousing to account management and distribution logistics for suppliers who were still able to deeply penetrate into the target markets of the Group without having to establish branches in such markets so as to reduce their operating risks.

After-sales services

Quality and sound after-sales services are the business advantage of the Group and also one of the keys to the continued expansion of the Group's retail and bulk distribution businesses. The Group provided retail business support and offered a broad range of installation and maintenance services for the products purchased from the Group or from other third party vendors and suppliers. Operating through authorized arrangements with independent third party operators allowed the Group to extend the geographic coverage of its after-sales customer service with less capital and operational risks. As at 30 June 2012, the Group operated and managed a total of 57 services centers, of which 5 were self-operated service centers and 52 were authorized service centers, providing quality maintenance services for customers across a broad geographical area.

During the period under review, the Group was committed to enhancing the service quality, customer loyalty and brand recognition through the introduction of diversified after-sales services. The percentage of the extended warranty plan (“汇金保”延保計劃) launched by the Group in retail sales was increasing year by year. Under the plan which covered various home appliances, customers may choose to extend their warranty period by paying a minimal one-off extended warranty fee to enjoy quality maintenance and repair services. The plan has been well received by customers since its launch. In 2012, the Group exerted great efforts to promote the sales of the extended warranty plan and provided extended warranty products in accordance with consumer needs and the market situation. The comprehensive and diversified after-sales service support offered to consumers were highly recognized.

Diversified marketing and promotion strategies

The Group has adopted diversified marketing and brand promotion strategies to meet the market demand of consumers in different regions. To keep abreast of consumption behavior and customer information, the Group launched a long-term customer membership scheme in the first half of 2012 whereby customers may become Huiyin members upon first spending at a Huiyin store and redeem designated products with spending points. Through the membership scheme, the Group realized the electronic management of customer resources and developed an accurate marketing model for long-term customers to enhance its customer marketing and brand promotion strategies.

In the first half of 2012, the Group strategically arranged its store locations in different areas, including the upgrade and renovation of five self-operated stores to achieve improvement in various aspects such as sales, management and service standard, which successfully boosted product sales. In line with the market trend, the Group flexibly adapted its sales promotion strategy during the period under review. Take sales promotion activities during the Labour Day holiday as an example, the Group introduced privileged customer booking services along with a refined media promotion plan. The Group achieved sales slightly higher than that for the same period last year and elevated the recognition of the "Huiyin" brand. In addition, in response to the adjustment in the overall home appliance market, the Group integrated upstream resources, subdivided customer needs and implemented innovative group purchase marketing of various brands in the first half of 2012, which successfully boosted product sales of the target brands.

The Group's online sales promotion also saw considerable progress. Huiyin's pinyi108.com was officially launched in 2011. The Group has enhanced the online purchase interface and flow during the period under review, and also integrated the online purchase front-end with the logistics, installation and after-sales platforms which attracted more brands and home appliance agents to join and successfully created a convenient and efficient shopping experience for customers.

Stable supplier partnership and purchase strategy

The Group has established good business relationships with its suppliers via its unique purchase strategy to maintain a unified and stable source of goods for each retail stores. As for product variety, the procurement department of the Group conducted reviews from time to time, continuously optimized the procurement process and improved the management of various aspects such as orders, capital, stocks and sales, in order to maintain a product structure of high-quality and diversified brands. With an increasing national consumption level, the market demand for high-end home appliances had been growing rapidly. By introducing 3C digital products of several internationally renowned brands, the Group has achieved regional strategic cooperation on such products during the period under review.

Information technology system construction and information monitoring

The Group was committed to integrating and reforming its existing information management system and optimized its procedures to cope with business operations which had been developing at an increasingly fast pace. In 2012, the Group reformed its supply chain system and process, including the advance preparation of procurement administration documents such as procurement undertakings, procurement or sales proposals and sales instructions, and added the functions of early warning and mail delivery of information statement. In addition, since Huiyin stores began to implement all members membership system sales in March this year, the Group has adopted the member management modules to conduct targeted and multi-dimensional analyses of member consumption information. During the period under review, the successful construction of the exclusive line network for the Group's stores and branches guaranteed the highest security level for the Group's information as well as enhanced the network speed.

Professional human resources management

As at 30 June 2012, the number of the Group's employees was 1,220. The Group was active in expanding human resources management to complement the Group's business reform and improve the quality of its employees. In the first half of 2012, the Group initially established a training management system under the "Employee Coach" model to further improve the sales and marketing skills of employees. The Group also shared experience in areas such as professional development, emotion management and occupational health with employees to cater to the needs of employees of all levels in an all-round manner. During the period under review, the Group organized more than 300 training sessions in various aspects, with a total of 1,306 participants.

In addition, undertaking the corporate social responsibility is particularly important for the long-term development of the Group. In the first half of 2012, the Group actively participated in a range of community welfare undertakings, including charitable donation, supporting local education projects. Meanwhile, the Group also encouraged its employees to participate in various community welfare events to fulfill the Group's corporate social responsibility of contributing to the society.

Outlook

Given the slower-than-expected global economic recovery and the sustained downturn in businesses in connection with the home appliance industry, the domestic home appliance industry is facing the change and consolidation as a result of growth. Confronted with challenges in the industry, the Group is continuously reinforcing its own advantages so as to make better deployment and preparation for its future development. Overall, product penetration in the PRC third and fourth-tier markets remains low. With the acceleration of urbanization and higher income level of rural residents, the growth potential of the PRC third and fourth-tier home appliance markets is still enormous. Leveraging its supply chain advantage in the PRC third and fourth-tier markets, the Group will continue to meticulously deploy the sales network in the target markets through retailing, agency sales, franchise and after-sales services combined with the development of e-commerce to consolidate the Group's supply chain advantage in the PRC third and fourth-tier markets and further reinforce the "Huiyin" brand in the PRC home appliance market.

In the second half of 2012, the Group will strive to implement accurate marketing strategies and strengthen budget and sales process management to improve the profitability of stores and increase the operating efficiency with a view to building an extensive and steady customer base for the Group. Apart from actively expanding its sales network, the Group is also committed to strengthening internal management and is active in reforming brand building, human resources and customer relations in an innovative way.

Looking ahead to the coming year, the Group will deploy its network according to the self-operated store expansion plan and the franchised store development plan. Besides, it will occupy high-quality commercial network on the basis of optimizing and transforming its existing stores so that the Group can maintain its leading position in the target markets. Being one of the leading enterprises in the PRC third and fourth-tier home appliance markets, the Group has laid a solid foundation for long-term growth in the future. We believe through the above strategies, the Group can achieve sustained business expansion, thus generating even better returns for our shareholders and investors.

FINANCIAL REVIEW

Revenue

During the period under review, due to the macro policy and the declining demand in the household appliances consumer market, the Group's revenue was approximately RMB1,164.0 million, representing a decrease of 19.2% from RMB1,441.2 million in the same period of 2011.

Turnover of the Group comprises revenues by operation as follows:

	Six months ended 30 June			
	2012		2011	
	RMB'000		RMB'000	
Retail	**403,703**	**34.7%**	533,071	37.0%
Bulk distribution				
– Sales to franchisees	**216,086**	**18.5%**	370,397	25.7%
– Sales to other retailers and distributors	**538,596**	**46.3%**	529,094	36.7%
Rendering of services	**5,573**	**0.5%**	8,588	0.6%
Total revenue	**1,163,958**	**100.0%**	1,441,150	100.0%

The decrease in sales of retail and bulk distribution was mainly attributable to the macro policy and the declining demand in the household appliances consumer market in the first half of 2012. During the period under review, the Group had 48 comparable self-operated stores in 2011, which accounted for 81.4% of the total number of self-operated stores at the end of the period under review.

During the period under review, the percentage of sales to franchisees of total revenue decreased and that of sales to other retailers and distributors increased primarily as a result that part of our franchise stores were changed to normal customers according to the Group's strategy in the third and fourth-tier markets.

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			
	2012		2011	
	RMB'000		RMB'000	
Air-conditioners	**674,378**	**58.2%**	942,515	65.8%
TV sets	**233,867**	**20.2%**	223,769	15.6%
Refrigerators	**95,155**	**8.2%**	101,181	7.1%
Washing machines	**59,606**	**5.2%**	59,381	4.1%
Others	**95,379**	**8.2%**	105,716	7.4%
Total revenue	**1,158,385**	**100.0%**	1,432,562	100.0%

The percentage of air-conditioner sales decreased primarily due to the weak macro environment and the declining demand for the air-conditioners in the first half of 2012.

Sales of TV sets increased mainly due to the new products, such as smart TVs and 3D TVs. The product upgrades stimulated market demand.

Cost of sales

Cost of sales decreased by approximately 20.1% from RMB1,229.2 million for the six months ended 30 June 2011 to RMB981.8 million for the six months ended 30 June 2012, primarily due to a decrease in sales volume. The rate of decrease in cost of sales was higher than that of our revenue principally because: (i) the decrease in merchandise cost in the industry; and (ii) the strengthened management of the product mix and gross profit margin.

Gross profit

As a result of the above principal factors, our gross profit decreased by approximately 14.0% from RMB211.9 million for the six months ended 30 June 2011 to RMB182.2 million for the six months ended 30 June 2012.

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

	Six months ended 30 June	
	2012	2011
Retail	**20.0%**	20.9%
Bulk distribution	**13.2%**	10.8%
Rendering of services	**27.8%**	38.1%
Overall	**15.7%**	14.7%

The gross profit margin of our retail operation decreased slightly compared with the same period in 2011.

The gross profit margin of our bulk distribution operation increased due to the decrease in merchandise cost in the industry.

Other income
During the period under review, the Group recorded other income of approximately RMB6.9 million, representing a slight decrease from RMB8.1 million in the same period in 2011.

Other losses
During the period under review, the Group recorded other losses of approximately RMB0.9 million, representing a decrease from RMB3.4 million in the same period in 2011, which mainly consisted of the fair value losses arising from the contingent consideration liabilities to an independent third party, who was the 90% owner of Huainan Xingfushu Electrical Appliances Company Limited. Its business was acquires 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 RMB85.6 million, representing an increase from RMB80.3 million in the same period in 2011, which was mainly due to the increase of the employee benefit expenses, operating lease expenses and other selling and marketing expenses.

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

	Six months ended 30 June	
	2012	2011
Employee benefit expenses	**1.31%**	0.84%
Service charges	**0.27%**	0.53%
Operating lease expenses in respect of buildings and warehouses	**2.45%**	1.51%
Promotion and advertising expenses	**1.24%**	1.05%
Depreciation of property, plant and equipment	**1.00%**	0.66%
Utilities and telephone expenses	**0.40%**	0.15%
Transportation expenses	**0.39%**	0.49%
Travelling expenses	**0.10%**	0.08%
Others	**0.20%**	0.27%
Total selling and marketing expenses	**7.36%**	5.58%

The increase of operating lease expenses in respect of buildings and warehouses and employee benefit expenses reflected the higher operating cost pressure in the industry.

Administrative expenses
During the period under review, the Group's total administrative expenses amounted to approximately RMB71.4 million, representing an increase from RMB56.9 million in the same period of 2011, which was mainly due to the provision for impairment on receivables and impairment loss against goodwill.

The following table sets out a summary for administrative expenses:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Employee benefit expenses	**22,696**	20,690
Pre-IPO share option expenses	**2,682**	6,122
Operating lease expenses in respect of buildings	**3,798**	2,908
Utilities and telephone expenses	**1,447**	3,094
Travelling expenses	**1,042**	1,099
Auditors' remuneration	**1,655**	1,875
Consulting expenses	**890**	1,828
Amortisation of intangible assets	**2,016**	1,852
Provision for impairment on receivables	**8,905**	—
Impairment loss against goodwill	**10,000**	—
Others	**16,317**	17,429
Total administrative expenses	**71,448**	56,897

The increase of provision for impairment on receivables was mainly due to making of certain provision for receivables from suppliers after having considered the increased operating pressure of upstream companies in the industry in the first half of 2012.

Impairment loss against goodwill was because the performance of the acquired business did not meet the expectation after the earthquake in Japan last year and the macro economic crisis in the whole world till now.

Operating profit
Profit from operations was approximately RMB31.0 million for the six months ended 30 June 2012, decreased by RMB48.3 million compared with the same period in 2011, which was mainly due to the combining effect of the decrease in the gross profit and the increase in operating expenses.

Finance income and costs
During the period under review, the Group's net finance costs was approximately RMB16.6 million, while the net finance costs was approximately RMB8.0 million for the six months ended 30 June 2011, which was mainly due to the fact that much more borrowings were incurred in the first half year of 2012.

Profit before income tax
During the period under review, the Group's profit before income tax was approximately RMB14.4 million, decreased by approximately 79.8% from RMB71.4 million in the same period of 2011.

Income tax
During the period under review, the Group's income tax was approximately RMB9.7 million, representing 67.2% of the profit before income tax, while approximately RMB22.3 million, representing 31.2% of the profit before income tax in the same period of 2011. The higher effective income tax rate during the period under review was mainly due to the increase of certain non-deductible expenses, including impairment loss against goodwill and etc.

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 2011 were approximately RMB2.6 million and RMB47.9 million respectively, representing a decrease of 94.7%.

Cash and cash equivalents
As at 30 June 2012, the Group's cash and cash equivalents were approximately RMB273.4 million, representing an increase of 121.0% from RMB123.7 million at the end of 2011.

Inventories
As at 30 June 2012, the Group's inventories amounted to approximately RMB310.1 million, representing a decrease from RMB382.7 million at the end of 2011.

Prepayments, deposits and other receivables
As at 30 June 2012, prepayments, deposits and other receivables of the Group amounted to approximately RMB996.0 million, representing a slight increase from RMB967.5 million at the end of 2011.

Trade and bills receivables
As at 30 June 2012, trade and bills receivables of the Group amounted to approximately RMB442.4 million, representing a significant increase from RMB173.7 million at the end of 2011, which was mainly due to the significant balance of bills receivable amounting to RMB312.9 million.

Trade and bills payables
As at 30 June 2012, trade and bills payables of the Group amounted to approximately RMB490.2 million, representing a decrease from RMB547.2 million at the end of 2011.

Gearing ratio and the basis of calculation
The Group's gearing ratio as at 30 June 2012 and 31 December 2011 was 48.4% and 35.1% respectively. The increase was mainly due to the significant increase of borrowing balance. 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 RMB10.5 million, representing a significant decrease from RMB198.0 million in the same period in 2011. The decrease of the capital expenditure was mainly due to the prepayments for the land use rights amounting to RMB125.0 million in 2011.

Cash flows
During the period under review, net cash outflow from operating activities of the Group amounting to approximately RMB200.9 million as compared to RMB21.4 million of net cash inflow in the same period in 2011. The negative cash flow in 2012 was mainly due to the significant increase of bills receivable.

Net cash outflow from investing activities amounted to approximately RMB5.9 million as compared to RMB205.9 million in the same period in 2011. Higher cash outflow in 2011 was mainly due to payments for purchase of the land use rights and acquisition of subsidiary.

Net cash inflow from financing activities amounted to approximately RMB356.9 million, while the net cash inflow from financing activities amounted to RMB141.9 million in the same period in 2011. The higher cash inflow was mainly due to the increase of proceeds from bank borrowings.

Liquidity and financial resources

During the period under review, the Group's working capital, capital expenditure and cash for investment were funded from cash on hand, bank borrowings and IPO proceeds. As at 30 June 2012, the interest-bearing bank borrowings of the Group amounted to RMB1,043.6 million, representing a substantially increase from RMB599.1 million as at 31 December 2011.

Of all the short term bank borrowings, the three bank borrowing balances of US$20.8 million, equivalent to RMB131.7 million, were utilized in the Mainland China in the form of additional capital injection, which were registered at local administration of foreign exchange. The Group was under negotiation with the relevant banks for the change of utilization of the three borrowings as specified in the loan agreements.

On 20 July 2012, Yangzhou Huiyin received the notice of acceptance for registration from the Association confirming the registration of the issue of the Notes with the Association. According to the notice, it was approved, inter alia, Yangzhou Huiyin may issue the Notes in an aggregate principal amount of RMB 390 million, within a period of two years from the date of the notice. The Notes shall be listed and transferable on the inter-bank debenture market in the PRC.

On 20 August 2012, Yangzhou Huiyin completed the issuance of the Notes in the PRC in the amount of RMB 390 million, at the interest rate of 6.3% per annum, and with a term of three years. 74.36% of the proceeds from the issue of the Notes will be used for enhancing sales network and 25.64% of the proceeds will be used for repaying part of the existing bank loans of Yangzhou Huiyin.

Pledging of assets

As at 30 June 2012, the Group's pledged bank deposits and bills receivable amounted to RMB434.1 million and RMB3.3 million respectively. Certain land use rights, buildings and investment properties with a total net book amount of RMB87.2 million had been pledged.

Contingent liabilities

As at 30 June 2012, the Group had no contingent liabilities which have not been properly accrued for.

Foreign currencies and treasury policy

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

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 (equivalents 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 2012, our use of net proceeds raised from IPO was as follows:

	Net proceeds from IPO	
	Available to utilise (RMB million)	Utilised (up to 30 June 2012) (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**	48.4
Improving information and management systems	**4.4**	2.1
General working capital	**34.5**	34.5
	403.5	290.9

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 30 June 2012, the Group had 1,220 employees, down 11.3% from 1,375 at the end of 2011.

INTERIM DIVIDEND

The Board of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2012.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code (the "Code") during the period from 1 April 2012 to 30 June 2012, as set out in Appendix 14 of the Listing Rules for the six months ended 30 June 2012 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 terms of reference in line with the Corporate Governance 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 unaudited interim report for the six months ended 30 June 2012.

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 2012.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The 2012 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, 22 August 2012

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, and three independent non-executive Directors, namely Mr. Zhou Shuiwen, Mr. Tam Chun Chung and Mr. Tan Bien Kiat.