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

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1280)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

HIGHLIGHTS

1. Revenue for 2012 was RMB2,457.5 million, a decrease of 13.3% compared with 2011.
2. Gross profit margin for 2012 was 12.6%, while that of 2011 was 12.8%.
3. Operating loss was approximately RMB224.6 million for 2012, while there was operating profit of approximately RMB53.7 million for 2011.
4. Loss for the year was approximately RMB227.0 million, while there was profit of approximately RMB19.0 million for the year of 2011.
5. As at 31 December 2012, the Group had a total of 54 self-operated stores, a decrease of 11.5% from 61 stores at the end of 2011. Retail revenue represented 33.6% of the total revenue of the Group for 2012 (38.1% for 2011).

The board (the "Board") of directors (the "Directors") of Huiyin Household Appliances (Holdings) Co., Ltd. (the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively, the "Group" or "Huiyin") for the year ended 31 December 2012 together with the comparative figures for 2011.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Note	Year ended 31 December	
		2012	2011
		RMB'000	RMB'000
Revenue	7	**2,457,541**	2,835,129
Cost of sales		**(2,147,102)**	(2,473,727)
Gross profit		**310,439**	361,402
Other income		**15,199**	17,952
Other losses - net		**(10,646)**	(10,342)
Selling and marketing expenses		**(165,596)**	(172,752)
Administrative expenses		**(373,954)**	(142,603)
Operating (loss) /profit		**(224,558)**	53,657
Finance income		**16,904**	9,195
Finance costs		**(63,682)**	(21,799)
Finance costs - net		**(46,778)**	(12,604)
(Loss)/profit before income tax		**(271,336)**	41,053
Income tax credit/ (expense)	8	**44,337**	(22,023)
(Loss)/profit for the year		**(226,999)**	19,030
Attributable to:			
– Equity holders of the Company		**(226,687)**	15,509
– Non-controlling interests		**(312)**	3,521
		(226,999)	19,030
(Loss)/earnings per share for (loss) /profit attributable to equity holders of the Company (expressed in RMB cents per share)			
– Basic	9	**(21.62)**	1.48
– Diluted	9	**(19.25)**	1.40
Dividends	10	**—**	—

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
(Loss)/profit for the year	**(226,999)**	19,030
Other comprehensive income	**—**	—
Total comprehensive (loss) /income for the year	**(226,999)**	19,030
Attributable to:		
– Equity holders of the Company	**(226,687)**	15,509
– Non-controlling interests	**(312)**	3,521
	(226,999)	19,030

CONSOLIDATED BALANCE SHEET

As at 31 December 2012

	Note	As at 31 December 2012 RMB' 000	2011 RMB' 000
ASSETS			
Non-current assets			
Land use rights		**17,355**	17,792
Prepayments for land use rights		**125,047**	125,047
Property, plant and equipment		**192,771**	186,609
Investment properties		**6,085**	23,456
Intangible assets		**39,363**	73,355
Deferred income tax assets		**92,288**	30,161
		472,909	456,420
Current assets			
Inventories		**387,160**	382,661
Trade and bills receivables	5	**437,130**	173,653
Prepayments, deposits and other receivables		**911,088**	967,474
Restricted bank deposits		**805,847**	411,312
Cash and cash equivalents		**75,198**	123,715
		2,616,423	2,058,815
Total assets		**3,089,332**	2,515,235
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**7,162**	7,162
Reserves		**835,853**	1,058,050
		843,015	1,065,212
Non-controlling interests in equity		**40,326**	40,938
Total equity		**883,341**	1,106,150
LIABILITIES			
Non-current liabilities			
Borrowings		**479,078**	—
Deferred income tax liabilities		**211**	5,370
Other non-current liabilities		**—**	8,211
		479,289	13,581
Current liabilities			
Trade and bills payables	6	**570,410**	547,246
Accruals and other payables		**213,261**	137,321
Borrowings		**826,886**	599,089
Derivative financial instruments		**1,007**	—
Current income tax liabilities		**63,479**	70,288
Other current liabilities		**51,659**	41,560
		1,726,702	1,395,504
Total liabilities		**2,205,991**	1,409,085
Total equity and liabilities		**3,089,332**	2,515,235
Net current assets		**889,721**	663,311
Total assets less current liabilities		**1,362,630**	1,119,731

NOTES:

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 Company changed its name from China Yinrui Investment Holding Co., Ltd. to Huiyin Household Appliances (Holdings) Co., Ltd. on 8 December 2009. The address of its registered office has been changed from Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112, Cayman Islands to 4th Floor, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands since 3 December 2012.

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 (Group) Co., Ltd. ("Yangzhou Huiyin", formerly known as "Yangzhou Huiyin Household Appliance Co., Ltd.") 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 Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 25 March 2010.

2 BASIS OF PREPARATION

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

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

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

3 ACCOUNTING POLICIES

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

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

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 ended on 31 December 2012. The Group is in the process of making an assessment on the import of these standards, amendments and interpretations which are relevant to the Group's operations and does not anticipate that the adoption when they become effective will result in any material impact on the Group's results of operations and financial position.

4 SEGMENT INFORMATION

The chief operating decision-maker ("CODM"), being the chairman and executive 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 chairman and executive 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 segment results for the year ended 31 December 2012 are as follows:

Segment results	**Retail RMB' 000**	**Bulk distribution RMB' 000**	**All other segments RMB' 000**	**Unallocated* RMB' 000**	**Group RMB' 000**
Segment revenue	**825,845**	**2,185,960**	**12,449**	**—**	**3,024,254**
Inter-segment revenue	**—**	**(566,713)**	**—**	**—**	**(566,713)**
Revenue from external customers	**825,845**	**1,619,247**	**12,449**	**—**	**2,457,541**
Operating profit/ (loss)	**(37,177)**	**(181,586)**	**4,440**	**(10,235)**	**(224,558)**
Finance costs - net					**(46,778)**
Loss before income tax					**(271,336)**
Income tax credit					**44,337**
Loss for the year					**(226,999)**
Other segment items are as follows:					
Capital expenditure	**6,364**	**5,977**	**—**	**—**	**12,341**
Depreciation charge	**9,081**	**10,950**	**59**	**—**	**20,090**
Amortisation charge	**2,635**	**1,789**	**—**	**—**	**4,424**

The segment results for the year ended 31 December 2011 are as follows:

Segment results	Retail RMB' 000	Bulk distribution RMB' 000	All other segments RMB' 000	Unallocated* RMB' 000	Group RMB' 000
Segment revenue	1,080,486	2,567,329	19,586	—	3,667,401
Inter-segment revenue	—	(832,272)	—	—	(832,272)
Revenue from external customers	1,080,486	1,735,057	19,586	—	2,835,129
Operating profit/ (loss)	44,637	15,303	6,382	(12,665)	53,657
Finance costs - net					(12,604)
Profit before income tax					41,053
Income tax expense					(22,023)
Profit for the year					19,030
Other segment items are as follows:					
Capital expenditure	16,530	90,484	125,502	—	232,516
Depreciation charge	3,342	19,079	31	—	22,452
Amortisation charge	2,632	2,236	—	—	4,868

* Unallocated mainly represented the expenses incurred in the Company, such as Pre-IPO Option Scheme expenses, certain key management compensation and exchange gains/(losses) arising from the bank deposits denominated in foreign currencies.

Segment assets and liabilities as at 31 December 2012 are as follows:

Segment assets and liabilities	**Retail** RMB'000	**Bulk distribution** RMB'000	**All other segments** RMB'000	**Group** RMB'000
Segment assets	**308,612**	**2,542,757**	**139,818**	**2,991,187**
Unallocated assets				**98,145**
Total assets				**3,089,332**
Segment liabilities	**164,492**	**666,992**	**2,836**	**834,320**
Unallocated liabilities				**1,371,671**
Total liabilities				**2,205,991**

Segment assets and liabilities as at 31 December 2011 are as follows:

Segment assets and liabilities	Retail RMB'000	Bulk distribution RMB'000	All other segments RMB'000	Group RMB'000
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 31 December	
	2012	2011
	RMB'000	RMB'000
Trade receivables	**120,715**	144,830
Less: Provision for impairment	**(2,126)**	(871)
Trade receivables, net	**118,589**	143,959
Bills receivable	**318,541**	29,694
Trade and bills receivables, net	**437,130**	173,653

The credit term granted to customers by the Group ranges 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 the balance sheet date is as follows:

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
0 — 30 days	**54,569**	59,825
31 — 90 days	**51,749**	65,240
91 — 365 days	**11,175**	18,894
1 year — 2 years	**2,643**	871
2 years — 3 years	**579**	—
Total	**120,715**	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 31 December 2012, trade receivables of RMB 2,126,000 (2011: RMB 871,000) were past due, impaired and provided for. The ageing analysis of these trade receivables is as follows:

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
1 year — 2 years	**1,547**	871
2 years — 3 years	**579**	—
Total	**2,126**	871

As at 31 December 2012, trade receivables of RMB 15,046,000 (2011: RMB 21,226,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
31 — 90 days	**2,775**	2,332
91 — 365 days	**11,175**	18,894
1 year — 2 years	**1,096**	—
Total	**15,046**	21,226

Movements on the Group's provision for impairment of trade receivables are as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
At beginning of the year	**871**	1,362
Accrual/(reversal) of provision for receivable impairment	**1,255**	(491)
At end of the year	**2,126**	871

Bills receivable do not contain impaired assets.

As at 31 December 2012, bills receivable with a carrying amount of RMB 2,800,000 (2011: Nil) had been pledged as collateral for the Group's bank acceptance bills of RMB 2,800,000 (2011: Nil) (Note 6).

As at 31 December 2012, bills receivable with a carrying amount of RMB 222,240,000 (2011: Nil) were discounted to the bank with recourse, the proceeds of RMB 218,728,000 (2011: Nil) received from the bank were recorded as "borrowings" as at 31 December 2012 accordingly.

6 TRADE AND BILLS PAYABLES

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Trade payables	**49,601**	35,016
Bills payable	**520,809**	512,230
	570,410	547,246

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

Ageing analysis of trade payables as at the balance sheet date is as follows:

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
0 — 30 days	**25,996**	13,622
31 — 90 days	**13,375**	9,223
91 — 365 days	**6,837**	10,994
1 year — 2 years	**2,716**	1,177
2 year —3 years	**677**	—
	49,601	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 31 December 2012, restricted bank deposits of RMB 223,244,000 (2011: RMB 195,480,000) had been pledged as collateral for the Group's bank acceptance bills of RMB 508,009,000 (2011: RMB 435,030,000).

As at 31 December 2012, restricted bank deposits of RMB 3,000,000, together with certain land use rights and buildings with a total net book amount of RMB 135,724,000 had been pledged as collateral for the Group's bank acceptance bills of RMB 10,000,000 and bank borrowings of RMB 38,000,000.

As at 31 December 2012, bills receivable with a carrying amount of RMB 2,800,000 (2011: Nil) had been pledged as collateral for the Group's bank acceptance bills of RMB 2,800,000 (2011: Nil) (Note 5).

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

As at 31 December 2011, restricted bank deposits of RMB 31,317,000, together with certain land use rights, buildings and investment properties with a total net book amount of RMB 88,352,000 had been pledged as collateral for the Group's bank acceptance bills of RMB 72,700,000 and bank borrowings of RMB 86,400,000.

7 REVENUE

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

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Sales of goods		
– Retail	**825,845**	1,080,486
– Bulk distribution	**1,619,247**	1,735,057
including:		
Sales to franchisees	**539,447**	691,714
Sales to other retailers and distributors	**1,079,800**	1,043,343
	2,445,092	2,815,543
Rendering of services		
– Maintenance service	**1,251**	1,327
– Installation service	**11,198**	18,259
	12,449	19,586
Total revenue	**2,457,541**	2,835,129

8 INCOME TAX (CREDIT)/EXPENSE

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
PRC enterprise and withholding income taxes		
— Current income tax	**22,949**	41,146
— Deferred income tax	**(67,286)**	(19,123)
	(44,337)	22,023

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the domestic tax rates applicable to (losses)/profits in the respective regions as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
(Loss)/profit before income tax	**(271,336)**	41,053
Tax calculated at domestic tax rates applicable to (losses)/profits in the respective regions	**(63,886)**	19,329
Tax effects of :		
Income not subject to tax	**(33)**	(7,081)
Expenses not deductible for tax purpose	**6,917**	9,498
Tax losses for which no deferred income tax asset was recognised	**12,677**	66
Utilisation of previously unrecognised deferred tax asset	**(12)**	—
Withholding tax on the unremitted earnings of PRC subsidiaries	**—**	211
Income tax (credit)/expense	**(44,337)**	22,023

The weighted average applicable tax rate was 24% (2011: 47%). The decrease is caused by a change in the profitability of the Group's subsidiaries in the respective regions.

(a) Hong Kong profits tax

The Group is not subject to Hong Kong profits tax as it has no assessable income arising in or derived from Hong Kong during the year (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 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 has not accrued for any PRC withholding income tax for the year ended 31 December 2012 as its PRC subsidiaries did not earn any profits earned during the year (2011: 10%).

9 (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the (loss)/profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2012	2011
(Loss)/profit attributable to equity holders of the Company (RMB' 000)	**(226,687)**	15,509
Weighted average number of ordinary shares in issue (thousand)	**1,048,342**	1,048,342
Basic (loss)/earnings per share (RMB cents)	**(21.62)**	1.48

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue for the potential dilutive effect caused by the settlement in ordinary shares for contingent consideration arising from business combination assuming it was settled by issuance of ordinary shares.

	Year ended 31 December	
	2012	2011
(Loss)/profit attributable to equity holders of the Company (RMB'000)	**(226,687)**	15,509
Weighted average number of ordinary shares in issue (thousand)	**1,048,342**	1,048,342
Adjustment for:		
– Settlement in ordinary shares for the contingent consideration arising from business combination (thousand)	**129,081**	58,709
Weighted average number of ordinary shares for diluted (loss)/earnings per share (thousand)	**1,177,423**	1,107,051
Diluted (loss)/earnings per share (RMB cents)	**(19.25)**	1.40

For the years ended 31 December 2012 and 2011, as the average market price of the ordinary shares during the year has lower than the subscription price, the impact of exercise of the share option granted under the Pre-IPO Option Scheme on (loss)/earnings per share is anti-dilutive.

10 DIVIDENDS

No interim dividend was declared during the year (2011: Nil) and the board of directors of the Company does not recommend the payment of any final dividend for the year ended 31 December 2012 (2011: Nil).

11 SUBSEQUENT EVENTS

(a) The Group has been leasing certain properties from Mr. Cao Kuanping, a substantial shareholder and a director of the Company, for office use since 2008. On 18 January 2013, a new leasing contract was entered into with Mr. Cao for such properties to replace the original leasing contract. In addition, another new leasing contract was entered into with Mr. Cao to lease further properties located at the same building for the purpose of opening a new retail store to replace the one which was caught by fire during 2012. The annual rent payable to Mr. Cao by the Group under the two new leasing contracts amounts to RMB 3,650,000 in aggregate for the 3 years from 2013 to 2015. The two leasing contracts will expire on 19 January 2016.

(b) The Group had successfully bid for the land use rights of a plot of land located in Yangzhou which is intended to develop into a real estate complex, including a large flagship retail store of the Group, and paid a deposit of RMB 117,710,000, being 50% of the consideration, in 2011. In January 2013, the Group settled the remaining 50% of the consideration, amounting to RMB 117,710,000 and obtained the land use rights certificate on 5 February 2013. Such land use rights, together with certain other land use rights, buildings and investment properties, with a total net book amount of RMB 280,447,000 were then pledged as collateral for the Group's medium-term notes with an aggregate principal amount of RMB 390,000,000 issued in 2012. Restricted bank deposits of RMB 100,000,000 originally pledged as collateral for the medium-term notes were released.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

An Integrated three-pronged business model

Huiyin has been striving to become a leader in the third and fourth-tier household appliance markets in China. Facing the rapid progress of urbanization, the Group actively captured opportunities and fully leveraged its sales network and resources in the third and fourth-tier markets during the year. The Group continued to pursue its integrated business model, integrating sales, bulk distribution (including sales to franchised stores) and after-sales services. Taking advantage of its famous brandname "Huiyin" and "Huiyin e-commerce platform", the Group further enhanced the recognition of the "Huiyin" brand in the target markets and reinforced its leading market position.

The Group actively expanded its business segments and provided support to its existing retail business through its self-operated stores and extensive franchise network. During the year, the Group further standardized its internal operation and communication, and provided extensive after-sales services to clients with supply chain management and client management as the core. Such efforts were well received and recognized by the consumers.

For the year ended 31 December 2012, revenue of the Group was RMB2,457.5 million, down 13.3% as compared with RMB2,835.1 million of the last year. Loss of the Group for the year was RMB227.0 million, while these was profit RMB19.0 million. Gross profit margin decreased to 12.6%, representing a year-on-year decrease of 0.2 percentage point. Such decrease was attributable to the declining household appliances demand due to the government's macro policy, increasing operating cost pressure in the household appliance industry, provisions made by the Group in respect of the amounts due from suppliers after taking into account of increased operation pressure in the upstream industry, direct and indirect loss incurred by the Group's flagship store in Yangzhou where a fire had occurred in a neighbouring store, and the underperforming businesses (which were mainly engaged in sale of a Japan branded household appliances in Japan) acquired by the Group due to the earthquake in Japan and the global financial crisis in 2011.

Retail business

Self-operated stores

The Group's self-operated stores provide a variety of products and famous brands. Approximately 5,483 product models were available at its self-operated stores as of 31 December 2012. The Group operated 54 self-operated stores, mainly located in Yangzhou, Taizhou, Nanjing, Huai'an, Zhenjiang and Nantong in Jiangsu Province. During the year, the Group actively optimized its product structure and flexibly adjusted product varieties in response to market demand. Benefiting from the rapid development of the Internet and mobile application technologies, demand for mobile devices such as smartphones and notebooks grew ever greater. Meanwhile, with more extensive application of environmental, intelligent and cloud technologies, household appliances become more functionalized, intelligent and personalized. The Group launched several energy-saving products during the year, increasing the high-end energy-saving product sales proportion, in a bid to improve profitability of its business.

While optimizing its product mix, the Group also enhanced client relations management and resource integration. In 2012, the Group changed its promotion strategy to a new business strategy focusing on establishing and organizing client relations. Efforts included identifying new clients, establishing and maintaining good relationship with clients, emphasizing interaction and promoting service-oriented marketing, etc. The Group aimed to enhance competitiveness and operational performance of self-operated stores among other stores in the market through various reforms such as resource integration, improvement of staff skills, supply chain management and corporate advertisement during the year.

As at 31 December 2012, the Group had a total of 54 general stores, including 5 shop-in-shops located in department stores mainly offering high-end household appliances and consumer electronics products and 7 brand retail stores. During the year ended 31 December 2012, revenue of the self-operated stores of the Group accounted for 33.6% of the total sales revenue of the Group, down approximately 23.6% from the previous year to RMB825.8 million.

Franchised stores

Most of the franchised stores of the Group were operated under the registered brand of "Huiyin", offering more than 1,000 product models for clients in the third and fourth-tier markets. As at 31 December 2012, there were 103 franchised stores under the Group. During the year, the Group enhanced the overall operating and management standards of existing franchised stores to optimize its franchise network and enhance its service quality. Meanwhile, the Group also increased its training efforts to staff of franchised stores, including professional training on product knowledge, sales skills, and planning and promotion, etc., which significantly improved the operating efficency of our franchised stores.

During the year, the Group successfully connected "Huiyin e-commerce platform" to its existing franchised stores, enhancing synergy and interaction of online and offline sales. In addition, the Group also cooperated with franchised stores to carry out direct sales activities in target markets by enhancing the interaction between the headquarters and franchised stores. The Group also arranged outstanding employees to participate in promotional activities of franchised stores in order to effectively increase the recognition and competiveness of franchised stores in target markets. Income derived by the Group from sales to franchised stores amounted to approximately RMB539.4 million for the year ended 31 December 2012, down 22.0% from the previous year, and accounted for approximately 22.0% of the total sales revenue of the Group.

Store network

To increase the Group's market share in target markets and strengthen its leading position in the highly fragmented third and fourth-tier markets, the expansion strategy adopted by the Group in respect of its store network was to expand self-operated stores and franchised stores simultaneously. As at 31 December 2012, the Group's retail network maintained steady development, and the Group had an integrated retail network with 157 stores in 29 cities/districts of Jiangsu and Anhui Provinces, of which 54 and 103 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 141 and 16, respectively.

Bulk distribution business

The Group as a supplier distributes products to its franchised stores as well as other independent third parties, mainly including household electronic product retailers and corporate customers. Huiyin well understands consumers' preferences and demand in third and fourth-tier markets in the PRC and owns an established and extensive sales network in those markets. Leveraging its deep understanding of consumption patterns in the target markets, the Group continued to adopt the model of combining the bulk distribution business with retail business during the year to provide one-stop services integrating delivery, warehousing, account management and distribution logistics to suppliers.

In response to the challenging market conditions, the Group launched flexible and diversified promotion activities such as group purchase of brand products and warehouse marketing to targeted customers in 2012, and obtained regional distribution agency rights of refrigerators, washing machines and TV sets under renowned brands during the year. Currently, the Group is a bulk distributor of products for more than 20 international and domestic renowned brands, and remains a long-standing bulk distributor for a number of well-known household appliances and consumer electronic brands in target markets. Leveraging its long-term and close relationship with supplies, Huiyin's market position in distribution among brands was strengthened.

After-sales services

After-sales services are one of the important steps to the continued expansion of the Group's retail and bulk distribution businesses. The Group offers a broad range of installation and maintenance services for the products purchased from the Group or from other third party vendors and suppliers, and has been providing satisfactory services and technical support for the Group's retail and bulk distribution businesses. As at 31 December 2012, the Group operated and managed a total of 54 service centers, including 3 self-operated service centers and 51 authorized service centers, which provided thoughtful and diversified after-sales warranty services for customers across a broad geographical areas.

During the year, the Group vigorously promoted the sales of the extended warranty plan ("汇金保"延保銷售計劃) and provided appropriate extended warranty products based on consumer needs and the market positioning, offering consumers comprehensive and diversified after-sales service protection. The plan covers various household appliances while customers can 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 consumers since its launch, and has enhanced the Group's product recognition and boosted its customer loyalty.

Efficient logistics management

Huiyin endeavours to improve logistics management of its existing logistics network, warehouses and distribution centers in order to support its growing business operations. During the year, the Group enhanced information management and implemented real-time monitoring systems relating to its security system, inventory and employee performance. In respect of product distribution, the Group has adopted a paper-less system and optimized system settings and streamlined operating processes to improve its logistics management efficiency.

Accurate marketing and promotion strategies

In response to the energy-saving household appliances development policy introduced by the PRC government, the Group has been actively adopting targeted marketing and business development strategies to cater for the needs of consumers and market in different regions. In 2012, the Group upgraded and renovated a number of stores, optimized the store distribution in various regions and made improvements in sales, management and services.

In respect of customer base expansion, the Group further segmented its customers and actively identified new target consumer groups, including newly-married couples, new property owners as well as corporate customers. Furthermore, the Group launched a loyal customer membership program during the year and achieved a electronic customer information management. This program has enabled the Group to formulate more accurate marketing approaches for loyal customers and improve its marketing and brand promotion strategies.

In respect of brand marketing, "Huiyin e-commerce platform" achieved considerable progress during the year. By building an on-line platform and recruiting additional e-commerce professionals, the Group realized the goal of a year-on-year growth in sales of "Huiyin e-commerce platform" in 2012. Our brand marketing network covered Jiangsu and Anhui Provinces and some surrounding regions. In addition, the Group increased the brand awareness of its "Huiyin" brand throughout the country by cooperating with muiti-media channels including TV, radio and Internet during the year.

Management information system integration and upgrade

Huiyin strives to integrate and innovate its existing management information system, so as to support its growing business operations. In 2012, the Group implemented Global Positioning System (GPS) management for all logistics distribution vehicles, thereby improving the efficiency of distribution vehicles to optimize the logistics and product delivery process. Moreover, the Group rolled out an all-customer membership sales approach on 1 March 2012 and developed a points redemption and customer feedback collection system to enable the Group to conduct targeted and multidimensional analysis of members' consumption model. During the year, the Group successfully installed a store and retail shopping guide system, in order to achieve more reasonable resource allocation and to significantly enhance the functionality of the information management system.

Informational human resources management

As at 31 December 2012, the number of the Group's employees was 997. During the year, the Group adjusted its structure at all levels to improve the professional skills of employees. By adopting informational human resources management, the Group also streamlined its department management process to further develop the human resources management system. In 2012, the Group organized over 600 training sessions of different topics covering staff induction training, product knowledge, sales skills, leadership skills and corporate culture to meet the needs of employees at different levels, with total attendances reaching 2,308.

During the year, the Group continued to fulfill its corporate social responsibility, and actively participated in community welfare undertakings to the society. In 2012, the Group was honoured with various awards, including "AAA Credit Enterprise (企業信用評價AAA級信用企業)" by China National Household Electronic Appliances Service & Maintenance Association and "Famous Brand of the Service Industry in Jiangsu Province (江蘇服務業品牌)" by the Top Brand Strategy Promotion Committee of Jiangsu Province (江蘇省名牌戰略推進委員會), which highlighted the Group's brand creditworthiness and recognition.

FINANCIAL REVIEW

Revenue

During the year, due to the macro policy and the declined demand in the household appliances consumer market, the Group's revenue was approximately RMB2,457.5 million, representing a decrease of 13.3% from RMB2,835.1 million in 2011.

Turnover of the Group comprises revenues by operation as follows:

	2012 **RMB'000**		2011 RMB'000	
Retail	**825,845**	**33.6%**	1,080,486	38.1%
Bulk distribution				
– Sales to franchisees	**539,447**	**22.0%**	691,714	24.4%
– Sales to other retailers and distributors	**1,079,800**	**43.9%**	1,043,343	36.8%
Rendering of services	**12,449**	**0.5%**	19,586	0.7%
Total revenue	**2,457,541**	**100.0%**	2,835,129	100.0%

The decrease in retail sales, sales to franchisees and rendering of services was mainly due to the macro policy and the declined demand in the household appliances consumer market. During the year, 45 self-operated stores of the Group which already operated in 2011 accounted for 83.3% of the total number of the self-operated stores in the year.

The following table sets out the Group's revenue derived from sales of merchandise through its retail and bulk distribution operations by product categories during the year:

	2012 RMB'000		2011 RMB'000	
Air-conditioners	**1,462,463**	**59.8%**	1,561,737	55.5%
TV sets	**549,335**	**22.5%**	621,872	22.1%
Refrigerators	**174,248**	**7.1%**	215,239	7.6%
Washing machines	**112,805**	**4.6%**	164,748	5.9%
Others	**146,241**	**6.0%**	251,947	8.9%
Total revenue	**2,445,092**	**100.0%**	2,815,543	100.0%

The percentage of air-conditioner sales increased in 2012, which was mainly attributable to the expansion of distribution network. The percentage of TV sets sales increased, which was mainly attributable to an increase in sales of new products, such as smart TVs and 3D TVs. The drive of replacement and upgrade stimulated demand and increased the capacity of TV market.

Cost of sales

Cost of sales decreased by approximately 13.2% from RMB2,473.7 million for 2011 to RMB2,147.1 million for 2012, primarily due to a decrease in sales volume. The rate of decrease in cost of sales was slightly lower than that of the sales decrease of the Group.

Gross profit

As a result of the above principal factors, the Group's gross profit decreased by approximately 14.1% from RMB361.4 million for 2011 to RMB310.4 million for 2012.

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

	2012	2011
Retail	**18.5%**	17.8%
Bulk distribution	**9.4%**	9.3%
Rendering of services	**43.6%**	39.5%
Overall	**12.6%**	12.8%

During the year, the gross profit margin of the Group slightly decreased, mainly due to the percentage of retail sales decreased while the gross profit margin of retail sales is higher than that of bulk distribution.

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

	2012	2011
Air-conditioners	**9.4%**	9.2%
TV sets	**13.9%**	14.3%
Refrigerators	**15.5%**	16.3%
Washing machines	**14.8%**	17.5%
Others	**32.9%**	22.6%
Overall	**12.5%**	12.6%

The gross profit margin of other products decreased, which was primarily due to strict control on the low-margin products and introduction of new categories with higher margin.

Other income

During the year, the Group's other income amounted to approximately RMB15.2 million, representing a slight decrease from RMB18.0 million for 2011.

Other losses

During the year, the Group's other losses amounted to approximately RMB10.6 million, representing a slight increase from RMB10.3 million for 2011.

Selling and marketing expenses

During the year, the Group's total selling and marketing expenses amounted to approximately RMB165.6 million, representing a decrease from RMB172.8 million for 2011.

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

As a percentage of revenue	**2012**	2011
Employee benefit expenses	**1.20%**	1.09%
Service charges	**0.19%**	0.53%
Operating lease expenses in respect of buildings and warehouses	**2.38%**	1.66%
Promotion and advertising expenses	**1.11%**	1.00%
Depreciation of property, plant and equipment	**0.72%**	0.73%
Utilities and telephone expenses	**0.38%**	0.31%
Transportation expenses	**0.45%**	0.48%
Travelling expenses	**0.09%**	0.11%
Others	**0.22%**	0.17%
Total selling and marketing expenses	**6.74%**	6.08%

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

Administrative expenses

During the year, the Group's total administrative expenses amounted to approximately RMB374.0 million, increasing from RMB142.6 million for 2011, which was mainly due to the increase of provision for impairment on receivables, impairment loss against goodwill and intangible assets, as well as employee benefit expenses.

The following table sets out a summary for administrative expenses:

	2012 RMB'000	2011 RMB'000
Employee benefit expenses	**46,370**	35,971
Pre-IPO share option expenses	**4,488**	10,553
Operating lease expenses in respect of buildings	**6,988**	10,403
Amortization and depreciation	**6,832**	6,564
Utilities and telephone expenses	**2,583**	2,085
Travelling expenses	**2,412**	4,009
Auditors' remuneration	**3,092**	3,825
Consulting expenses	**1,888**	3,108
Provision for impairment on receivables	**236,247**	32,910
Impairment loss against goodwill and intangible assets	**30,005**	2,500
Others	**33,049**	30,675
Total administrative expenses	**373,954**	142,603

The increase of provision for impairment on receivables was mainly due to making of certain provision for receivables from suppliers after taking into account of increased operating pressure of upstream companies in the industry in 2012.

The increase of impairment loss against goodwill and intangible asset was due to the performance of the acquired business, which primarily sells household appliances under brands in Japan, did not meet the expectation after the earthquake in Japan last year and the macro economic crisis in the whole world as well as the political negative impact from Diaoyu Island during the year.

Finance costs – net

During the year, the Group's net finance costs was approximately RMB46.8 million, compared to RBM12.6 million of net finance costs for 2011, which was mainly due to the fact that much more borrowings were incurred in 2012 compared with 2011. In addition, on 20 August 2012, Yangzhou Huiyin, a wholly owned subsidiary of the Company, completed the issuance of the Medium-Term Notes in the PRC in the aggregate principal amount of RMB390 million with a term of three years.

(Loss)/profit before income tax

During the year, the loss before income tax of the Group was approximately RMB271.3 million, while there was profit before income tax of approximately RMB41.1 million for 2011.

(Loss)/profit attributable to equity holders of the Company

The loss attributable to equity holders of the Group for 2012 was approximately RMB226.7 million, while there was profit attributable to equity holders of approximately RMB15.5 million for 2011.

Prepayments for land use rights

As announced by the Company on 28 January 2011, a wholly-owned subsidiary of the Company succeeded in the bid to acquire a land parcel in Yangzhou. The prepayment for land use rights represented 50% of the total consideration. The remaining 50% amounting to RMB117.7 million is to be paid upon the transfer of the land parcel from Yangzhou Municipal Land Bureau after they have completed the land clearance. The remaining portion was paid in January 2013.

Cash and cash equivalents

As at 31 December 2012, the Group's cash and cash equivalents were approximately RMB75.2 million, representing a decrease of 39.2% from RMB123.7 million as at 31 December 2011.

Inventories

As at 31 December 2012, the Group's inventories amounted to approximately RMB387.2 million, slightly increasing from RMB382.7 million as at 31 December 2011.

Prepayments, deposits and other receivables

As at 31 December 2012, prepayments, deposits and other receivables of the Group amounted to approximately RMB911.1 million, increasing from RMB967.5 million as at 31 December 2011.

Trade and bills receivables

As at 31 December 2012, trade and bills receivables of the Group amounted to approximately RMB437.1 million, representing a significant increase from RMB173.7 million as at 31 December 2011, which was mainly due to the increase of bills receivable.

Trade and bills payables

As at 31 December 2012, trade and bills payables of the Group amounted to approximately RMB570.4 million, representing a slight increase from RMB547.2 million as at 31 December 2011.

Gearing ratio and the basis of calculation

As at 31 December 2012, gearing ratio of the Group was 59.7%, representing an increase from 35.1% as at 31 December 2011, which was mainly due to the significant increase of borrowing balance. The gearing ratio is equal to total borrowing divided by total balances of equity and borrowings.

Capital expenditure

During the year, capital expenditure of the Group amounted to approximately RMB12.3 million, decreasing from RMB232.5 million in 2011. The decrease of the capital expenditure was mainly due to the prepayments for the land use rights, addition of logistics center construction costs and distribution agreements arising from the acquisition of a subsidiary amounting to approximately RMB125.0 million, RMB44.2 million and RMB22.9 million respectively in 2011.

Cash flows

During the year, net cash outflow from operating activities of the Group amounted to approximately RMB358.6 million as compared to RMB201.9 million in 2011. Higher net cash outflow from operating activities in 2012 was mainly due to the impact of increase in trade and bills receivable.

Net cash outflow from investing activities amounted to approximately RMB0.5 million, as compared to RMB227.0 million in 2011, which was mainly due to the prepayments for land use rights, amounting to approximately RMB125.0 million and acquisition of subsidiary amounting to approximately RMB46,627.0 million in 2011.

Net cash inflow from financing activities amounted to approximately RMB310.6 million, a decrease as compared to RMB371.1 million in 2011, which was mainly due to fact that there were more restricted bank deposits pledged for borrowings in 2012 as compared with 2011.

Capital structure

As at 31 December 2012, the Group's cash and bank balances were mainly held in Renminbi, and the Group's borrowings were denominated in Renminbi and in US dollar with floating or fixed interest rate.

As at 31 December 2012, equity attributable to shareholders of the Company amounted to RMB843.0 million, compared to approximately RMB1,065.2 million as at 31 December 2011.

Liquidity and financial resources

During the year, the Group's working capital, capital expenditure and cash for investment were funded from cash on hand, bank borrowings, Medium-Term Notes and IPO proceeds. As at 31 December 2012, the interest-bearing borrowings of the Group amounted to RMB1,306.0 million, representing a substantial increase from RMB599.1 million as at 31 December 2011.

Pledging of assets

As at 31 December 2012, the Group's pledged bank deposits amounted to RMB805.8 million, representing an increase from RMB411.3 million as at 31 December 2011. Certain land use rights, buildings and investment properties with a total net book value of RMB173.4 million and bills receivable of RMB225.0 million had been pledged.

Contingent liabilities

As at 31 December 2012, the Group had no contingent liabilities which have not been properly accrued for.

Capital commitments

As at 31 December 2012, the Group had commitments for capital and property development expenditure amounted to approximately RMB117.7 million.

Foreign currencies and treasure policy

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

Final dividend

The Board of the Company does not recommend the payment of any final dividend for the year ended 31 December 2012 (2011: Nil).

USE OF FUNDS RAISED FROM INITIAL PUBLIC OFEERING

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. 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 intended to use approximately HK$156.5 million (equivalent to approximately RMB137.9 million) for expansion of our retail network, approximately HK$203.2 million (equivalent to approximately RMB178.3 million) for potential acquisitions of household appliances and electronics retail enterprises in eastern China which target at the third and fourth-tier markets, approximately HK$55.0 million (equivalent to approximately RMB48.4 million) for expansion of our existing distribution and logistics centers in Jiangsu Province, approximately HK$5.0 million (equivalent to approximately RMB 4.4 million) for improving our existing information and management systems, and approximately HK$39.2 million (equivalent to approximately RMB34.5 million) as our general working capital.

As at 31 December 2012, our use of net proceeds raised from IPO was as follows:

	Net proceeds from IPO	
	Available to utilise (RMB million)	Utilised (up to 31 December 2012) (RMB million)
Expansion of retail network	137.9	137.9
Acquisitions of household appliances and electronics retail enterprises	178.3	68.3
Expansion of distribution and logistics centers in Jiangsu Province	48.4	48.4
Improving information and management systems	4.4	2.7
General working capital	34.5	34.5
	403.5	291.8

EMPLOYMENT AND REMUNERATION POLICY

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

HUMAN RESOURCES

As at 31 December 2012, the Group had 997 employees, down 27.5% from 1,375 at the end of 2011.

OUTLOOK

In 2013, the global economy will continue to be challenging. The household appliance industry and related businesses will continue to face significant operational pressure and the domestic household appliance industry will face the change in growth pattern and structural integration. Huiyin is constantly reinforcing its own advantages and taking the opportunities arising from industry consolidation, and is strategically poised to realize future growth. Overall, China's household electronic appliance manufacturing industry has been completed technical innovation, industry layout and the development of new technology will further drive the demand for new household electronic appliances. Benefiting from the implementation of the urbanization policy and the increasing per capita disposable income of rural residents, the demand in the third and fourth-tier household appliance markets significantly outgrows the first and second-tier markets in China and the overall household appliance market in the PRC still have great room for future development. Huiyin will continue its strategic positioning of becoming a leading enterprise in the third and fourth-tier household appliance markets in China, and will take advantage of its established network and supply chain to pursue greater business growth.

Due to the implementation of a new energy conservation subsidy policy for household appliances and the new urbanization construction policy, consumers demand for household appliances will hopefully maintain its growth momentum. It is expected that the energy conservation subsidy policy will start to impact the market in the second half of 2012 and the household appliance market will see positive growth in the next two to three years. On top of its continuous product mix optimization strategy, the Group will spare more efforts on store development and integration. In January 2013, the Group launched the Wenchang Boutique Store with an area of 3,000 square meters in Yangzhou. This further demonstrates Huiyin's influence on the regional markets in Jiangsu and Anhui Provinces.

In 2013, the Group will take innovative measures in three aspects—store distribution, brand building and human resources. In view of the urbanization, the Group will implement a strategy of "urbanize chain store development", which will enable the Group to expand its sales network in targeted markets to increase sales revenue, and to further increase its market share and solidify its market position through upgrading and integration of existing franchised stores. Meanwhile, the Group will actively implement its brand marketing strategy, enhance its brand image (including further optimization of the Group's integrated e-commerce platform covering various aspects such as procurement, sales and customer services) and improve the Group's overall asset management efficiency, so as to deepen the Group's relationship with suppliers or customers. In addition, the Group plans to strengthen corporate culture, internal management and upgrade the development of "Huiyin Business School" in order to train more retail talents and provide customers with professional services.

Looking ahead to the coming year, Huiyin will deploy its network according to the self-operated store expansion plan and the franchised store development plan as well as to develop a strategic alliance with its suppliers, to maintain the Group's leading position in the target markets. The Group will further reinforce the awareness of the "Huiyin" brand in domestic household appliance market through retailing, agency sales, franchise and after-sales services combined with the development of e-commerce platform. Through above strategies, we believe that the Group can achieve sustainable business expansion and fully improve its operational efficiency and profitability, thus creating better returns for our shareholders and investors.

CORPORATE GOVERNANCE CODE

In the opinion of the Board, the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and Corporate Governance Code (effective from 1 April 2012) (the "CG Code") (to the extent that such provisions are applicable) contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 December 2012, except for the deviations as explained below:-

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

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

2. Mr. Li Jung-Hsing, a non-executive director resigned on 30 June 2012, and Mr. Zhou Shuiwen and Mr. Tan Bien Kiat, independent non-executive directors, were unable to attend the 2012 annual general meeting held on 5 June 2012 as provided for in code provision A.6.7 due to other business engagement.

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 CG Code issued by the Stock Exchange. The principal duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company. The Audit Committee of the Company has in conjunction with management reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the audited consolidated financial statements of the Group for the year ended 31 December 2012 and the auditor's report thereon.

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

During the year ended 31 December 2012, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 5 June 2013 to Friday, 7 June 2013, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 4 June 2013.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Friday, 7 June 2013, the notice of which will be published and dispatched to shareholders as soon as practicable in accordance with the Company's Articles of Association and the Listing Rules.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The 2012 Annual Report of the Company will be dispatched to shareholders and published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.hyjd.com in due course. This announcement can also be accessed on these websites.

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

Hong Kong, 22 March 2013

As at the date of this announcement, the executive Directors are Mr. Cao Kuanping, Mr. Mo Chihe, Mr. Mao Shanxin, Mr. Wang Zhijin and Mr. Lu Chaolin, and the independent non-executive Directors are Mr. Zhou Shuiwen, Mr. Tam Chun Chung and Mr. Tan Bien Kiat.