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 2014

HIGHLIGHTS

1. Revenue was approximately RMB1,538.3 million, representing an increase of 16.9% from approximately RMB1,316.2 million for the first half of 2013.

2. Gross profit increased by approximately 3.0% from RMB180.5 million to RMB185.9 million.

3. Gross profit margin in the first half of 2014 was 12.1% (13.7% for the same period in 2013).

4. Profit of the Group for the first half of 2014 was approximately RMB45.9 million, while there was loss of approximately RMB104.4 million for the same period in 2013.

5. As at 30 June 2014, the Group had a total of 43 self-operated stores, versus 46 stores at the end of the corresponding period of 2013. Retail revenue represented 29.3% of the total revenue of the Group for the first half of 2014 (35.2% for the same period in 2013).

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 2014 together with the comparative figures for the corresponding period in 2013. These condensed consolidated interim financial information have been reviewed by the audit committee of the Board of the Company.

The condensed consolidated income statement and the condensed consolidated statement of comprehensive income for the six months ended 30 June 2014 and the condensed consolidated balance sheet as at 30 June 2014 of the Group together with the accompanying notes 1 to 10 as set out below are extracted from the condensed consolidated interim financial statements of the Group for the six months ended 30 June 2014 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

		Unaudited	
		Six months ended 30 June	
		2014	2013
	Note	**RMB'000**	RMB'000
Revenue	7	**1,538,339**	1,316,196
Cost of sales		**(1,352,456)**	(1,135,720)
Gross profit		**185,883**	180,476
Other income		**6,693**	7,185
Other (losses)/gains — net		**(2)**	3,123
Selling and marketing expenses		**(70,942)**	(81,884)
Administrative expenses		**(17,161)**	(221,085)
Operating profit/(loss)		**104,471**	(112,185)
Finance income		**24,056**	24,780
Finance costs		**(46,036)**	(38,503)
Finance costs — net		**(21,980)**	(13,723)
Share of loss of a joint venture		**(5,698)**	—
Profit/(loss) before income tax		**76,793**	(125,908)
Income tax (expense)/credit	8	**(30,882)**	21,473
Profit/(loss) for the period		**45,911**	(104,435)
Attributable to:			
– Equity holders of the Company		**41,321**	(103,987)
– Non-controlling interests		**4,590**	(448)
		45,911	(104,435)
Earnings/(loss) per share for profit/(loss) attributable to equity holders of the Company (expressed in RMB cents per share)			
– Basic	9	**3.94**	(9.92)
– Diluted	9	**3.24**	(8.62)
Dividends	10	**—**	—

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Profit/(loss) for the period	**45,911**	(104,435)
Other comprehensive income or loss	**—**	—
Total comprehensive income/(loss) for the period	**45,911**	(104,435)
Attributable to:		
– Equity holders of the Company	**41,321**	(103,987)
– Non-controlling interests	**4,590**	(448)
	45,911	(104,435)

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2014 RMB'000**	Audited 31 December 2013 RMB'000
ASSETS			
Non-current assets			
Land use rights		**22,608**	22,887
Property, plant and equipment		**194,761**	186,803
Investment properties		**5,830**	5,915
Intangible assets		**37,502**	38,001
Investment in and borrowing to a joint venture		**256,648**	—
Deferred income tax assets		**130,781**	145,610
Receivables		**2,910**	2,910
		651,040	402,126
Current assets			
Inventories		**443,954**	678,345
Trade and bills receivables	5	**88,284**	131,809
Prepayments, deposits and other receivables		**1,145,177**	958,133
Restricted bank deposits		**1,091,408**	965,265
Cash and cash equivalents		**58,468**	152,235
		2,827,291	2,885,787
Total assets		**3,478,331**	3,287,913

CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

	Note	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**7,162**	7,162
Reserves		**728,021**	684,472
		735,183	691,634
Non-controlling interests in equity		**41,534**	35,852
Total equity		**776,717**	727,486
LIABILITIES			
Non-current liabilities			
Borrowings		**550,797**	608,158
Deferred income tax liabilities		**211**	211
Deferred government grants		**2,818**	2,876
		553,826	611,245
Current liabilities			
Trade and bills payables	6	**983,883**	936,564
Accruals and other payables		**433,789**	319,735
Borrowings		**561,074**	541,774
Current income tax liabilities		**115,482**	97,549
Other current liabilities		**53,560**	53,560
		2,147,788	1,949,182
Total liabilities		**2,701,614**	2,560,427
Total equity and liabilities		**3,478,331**	3,287,913
Net current assets		**679,503**	936,605
Total assets less current liabilities		**1,330,543**	1,338,731

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 Floor 4, Willow House, Cricket Square, P.O. Box 2804, 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 (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 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 2014 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 2013, 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 21 August 2014.

These condensed consolidated interim financial statements have not been audited.

3 ACCOUNTING POLICIES

Except as stated below for new account items or which is specific for the interim period, 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 2013.

(a) Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of a new joint arrangement effective in this period regarding the operation of a 100% controlled subsidiary and determined it to be a joint venture. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

New/revised standards, amendments and interpretations to existing standards mandatory for the financial year beginning on 1 January 2014 that are relevant to the Group's operations

- HKAS 32 (Amendment) "Financial Instruments: Presentation" on offsetting financial assets and financial liabilities". The amendment clarifies the requirements for offsetting financial instruments on the balance sheet: (i) the meaning of 'currently has a legally enforceable right of set-off'; and (ii) that some gross settlement systems may be considered as equivalent to net settlement systems.

- HKAS 36 (Amendment) "Impairment of Assets" regarding recoverable amount disclosures. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- HKAS 39 (Amendment) "Financial Instruments: Recognition and Measurement" regarding novation of derivatives. This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.

- HK(IFRIC) 21 "Levies". This is an interpretation of HKAS 37, 'Provisions, Contingent Liabilities and Contingent Assets'. HKAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

3 ACCOUNTING POLICIES *(continued)*

The adoption of the above new amendments and interpretations starting from 1 January 2014 did not give rise to any significant impact on the Group's results of operations and financial position for the six months ended 30 June 2014.

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 2014.

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 unaudited segment results for the six months ended 30 June 2014 are as follows:

	Retail RMB'000	Bulk distribution RMB'000	All other segments RMB'000	Unallocated* RMB'000	Group RMB'000
Segment revenue	449,997	1,599,522	7,051	–	2,056,570
Inter-segment revenue	–	(518,231)	–	–	(518,231)
Revenue from external customers	449,997	1,081,291	7,051	–	1,538,339
Operating profit/(loss)	22,357	84,275	1,376	(3,537)	104,471
Finance costs - net					(21,980)
Share of loss of a joint venture					(5,698)
Profit before income tax					76,793
Income tax expense					(30,882)
Profit for the period					45,911
Other segment items are as follows:					
Capital expenditure	7,071	9,565	–	39	16,675
Depreciation charge	4,115	5,888	238	–	10,241
Amortisation charge	410	555	–	–	965

4 SEGMENT INFORMATION *(continued)*

The unaudited segment results for the six months ended 30 June 2013 are as follows:

	Retail RMB'000	Bulk distribution RMB'000	All other segments RMB'000	Unallocated* RMB'000	Group RMB'000
Segment revenue	462,923	1,282,255	4,868	—	1,750,046
Inter-segment revenue	—	(433,850)	—	—	(433,850)
Revenue from external customers	462,923	848,405	4,868	—	1,316,196
Operating profit/(loss)	(34,928)	(76,027)	1,686	(2,916)	(112,185)
Finance costs - net					(13,723)
Loss before income tax					(125,908)
Income tax credit					21,473
Loss for the period					(104,435)
Other segment items are as follows:					
Capital expenditure	11,556	10,665	—	—	22,221
Depreciation charge	7,790	3,775	35	—	11,600
Amortisation charge	69	874	—	—	943

* Unallocated mainly represented the expenses incurred by 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.

4 SEGMENT INFORMATION *(continued)*

Unaudited segment assets and liabilities as at 30 June 2014 are as follows:

	Retail RMB'000	Bulk distribution RMB'000	All other segments RMB'000	Group RMB'000
2014				
Segment assets	**274,149**	**2,244,619**	**26,391**	**2,545,159**
Unallocated assets				**933,172**
Total assets				**3,478,331**
Segment liabilities	**107,610**	**1,349,053**	**13,395**	**1,470,058**
Unallocated liabilities				**1,231,556**
Total liabilities				**2,701,614**

The audited segment assets and liabilities as at 31 December 2013 are as follows:

	Retail RMB'000	Bulk distribution RMB'000	All other segments RMB'000	Group RMB'000
2013				
Segment assets	428,400	1,902,848	264,008	2,595,256
Unallocated assets				692,657
Total assets				3,287,913
Segment liabilities	162,595	791,048	21,254	974,897
Unallocated liabilities				1,585,530
Total liabilities				2,560,427

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 investment in a joint venture, deferred tax assets, restricted bank deposits for borrowings 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 2014	31 December 2013
	RMB'000	RMB'000
Trade receivables	**67,962**	72,676
Less: Provision for impairment	**(4,258)**	(3,951)
Trade receivables, net	**63,704**	68,725
Bills receivable	**24,580**	63,084
Trade and bills receivables, net	**88,284**	131,809

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	
	30 June 2014	31 December 2013
	RMB'000	RMB'000
0 - 30 days	**16,475**	35,158
31 - 90 days	**39,162**	19,522
91 - 365 days	**4,987**	12,173
1 year - 2 years	**2,196**	4,638
2 years - 3 years	**4,651**	1,139
Over 3 years	**491**	46
Total	**67,962**	72,676

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 2014, no bills receivable had been pledged as collateral for the Group's bank acceptance bills. As at 31 December 2013, bills receivable with a carrying amount of RMB 6,700,000 had been pledged as collateral for the Group's bank acceptance bills of RMB 6,700,000 (Note 6).

6 TRADE AND BILLS PAYABLES

	As at	
	30 June	31 December
	2014	2013
	RMB'000	RMB'000
Trade payables	**46,580**	62,730
Bills payable	**937,303**	873,834
Total	**983,883**	936,564

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	
	30 June	31 December
	2014	2013
	RMB'000	RMB'000
0 - 30 days	**19,166**	32,761
31 - 90 days	**8,554**	17,931
91 - 365 days	**12,514**	6,932
1 year - 2 years	**2,878**	2,106
2 years - 3 years	**1,995**	2,323
Over 3 years	**1,473**	677
	46,580	62,730

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 2014, restricted bank deposits of RMB 547,408,000 (31 December 2013: RMB 421,265,000) had been pledged as collateral for the Group's bank acceptance bills of RMB 937,303,000 (31 December 2013: RMB 546,134,000).

As at 30 June 2014, no bills receivable had been pledged as collateral for the Group's bank acceptance bills. As at 31 December 2013, bills receivable with a carrying amount of RMB 6,700,000 (Note 5) had been pledged as collateral for the Group's bank acceptance bills of RMB 6,700,000.

7 REVENUE

Turnover of the Group comprises revenues recognised as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Sales of goods		
— Retail	**449,997**	462,923
— Bulk distribution	**1,081,291**	848,405
including:		
Sales to franchisees	**51,780**	253,103
Sales to other retailers and distributors	**1,029,511**	595,302
	1,531,288	1,311,328
Rendering of services		
— Maintenance service	**488**	2,988
— Installation service	**6,563**	1,880
	7,051	4,868
Total revenue	**1,538,339**	1,316,196

8 INCOME TAX EXPENSE/(CREDIT)

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
PRC enterprise and withholding income taxes		
– Current income tax	**24,733**	21,720
– Deferred income tax	**6,149**	(43,193)
	30,882	(21,473)

(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 2014 (30 June 2013: 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 six months ended 30 June 2014 as its PRC subsidiaries did not have any retained profits available for distribution outside the PRC at end of the period after setting off accumulated losses of previous years (30 June 2013: Nil).

9 EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit/(loss) 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	
	2014	2013
Profit/(loss) attributable to equity holders of the Company (RMB'000)	**41,321**	(103,987)
Weighted average number of ordinary shares in issue (thousand)	**1,048,342**	1,048,342
Basic earnings/(loss) per share (RMB cents)	**3.94**	(9.92)

(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.

	Six months ended 30 June	
	2014	2013
Profit/(loss) attributable to equity holders of the Company (RMB'000)	**41,321**	(103,987)
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)	**226,345**	157,653
Weighted average number of ordinary shares for diluted earnings/(loss) per share (thousand)	**1,274,687**	1,205,995
Diluted earnings/(loss) per share (RMB cents)	**3.24**	(8.62)

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 2014 (30 June 2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In the first half of 2014, the Chinese economy remained stable under the ever-changing market circumstances. According to the statistics of the National Bureau of Statistics of China, the GDP growth rate for the first half of 2014 reached 7.4%. With the increasing income of urban and rural residents, the growth rate of consumption in Mainland China picked up. Both the rapid development of the high-end home appliances market and the demand of customers for product replacements and upgrades brought new growth momentum for the household appliances industry.

According to the statistics published by the National Bureau of Statistics of China, the total retail sales of consumer goods in the country for the first half of 2014 was RMB12,419.9 billion, representing a year-on-year growth of 12.1% and a decrease of 0.6 percentage points as compared with the growth rate for the same period of last year. Retail sales of consumer goods in urban areas was approximately RMB10,725.3 billion, representing a year-on-year growth of 12.0%, while those in rural areas was approximately RMB1,694.6 billion, representing a year-on-year growth of 13.2%. Sales of household appliances and AV equipment reached approximately RMB353.7 billion, representing an increase of 7.9% over the same period of last year.

In terms of residents' income growth, the third and fourth-tier household appliances market in China still has room for development. Rural residents' income continues to grow faster than that of urban residents during the period under review. According to the data from the National Bureau of Statistics of China, for the first half of 2014, the disposable income per capita of urban residents was RMB14,959, representing an actual year-on-year growth of 7.1%; while the cash income per capita of rural residents was RMB5,396, representing an actual year-on-year growth of 9.8%. As the income gap between urban and rural residents gradually narrows down, the consumption potential of rural residents is huge and the demand of rural residents for high-quality household appliances will increase substantially.

Despite of the cessation of the energy conservation subsidy policy in 2013, the household appliance market is not facing a slowdown on its growth rate. With the implementation of "new urbanization", it is expected the demand in the third and fourth-tier household appliance markets will go up steadily. Meanwhile functional, smart, energy-saving and environment-friendly household appliances have become a new source of consumption growth. With more and more concern from the customers, the proportion of innovative health-care household appliances will continue to increase, which will bring new development opportunities for China's household appliance market.

BUSINESS REVIEW

An integrated four-pronged operation model

Since our establishment, the Group has been adhering to its integrated business model comprising retail sales, bulk distribution (including sales to franchised stores), client services and E-commerce. By making full use of its extensive sales network and resources in the third and fourth-tier markets and capturing premium market opportunities, the Group gradually became a leader in the third and fourth-tier home appliance markets in China. During the period under review, the Group actively expanded and deepened its network of self-operated stores and franchised stores and took advantage of its "Huiyin" brand and "Huiyin e-commerce platform", thereby further enhancing the recognition of the Group in targeted markets and strengthening its leading market position.

Supported by its existing retail business, the Group 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 supply chain management and customer relations management, strengthened its internal operation management, and enhanced customer loyalty while optimizing operation efficiency.

For the six months ended 30 June 2014, total revenue of the Group was approximately RMB1,538.3 million, representing an increase of 16.9% as compared with approximately RMB1,316.2 million for the same period in 2013. Profit of the Group for the period was approximately RMB45.9 million, while loss for the same period in 2013 was approximately RMB104.4 million. Gross profit margin decreased to 12.1%, representing a year-on-year decrease of 1.6 percentage points. The growth in total revenue and the profit recorded for the period were attributable to the rise of domestic demand for household appliances, the business development of the Group, and reversal of provisions made by the Group in respect of the amounts due from suppliers after taking into account of the recovery of operation in the upstream industry.

Retail business

Self-operated stores

The Group has placed its business focus on high-growth markets in third and fourth-tier cities in Jiangsu and Anhui Provinces, and sold a variety of products and brands through its self-operated stores.

During the period under review, the Group continued to optimize its store management program. As at 30 June 2014, the Group had 43 self-operated stores, including 35 general stores, 5 shop-in-shops located in department stores and 3 brand retail stores. During the period, the Group's revenue from self-operated stores decreased by 2.8% to RMB450.0 million, accounting for approximately 29.3% of the Group's total sales revenue.

During the period under review, the Group continued to optimize its product structure and flexibly adjusted product portfolio. With growing public concern over environment pollution, the Group launched several health-care products, such as air purifier and water cleaner, to improve profitability of its business and be attractive for the products in the stores.

In respect of client management, the Group continued to implement its business strategies focusing on establishing client relationship, whereby sorting out client information and establishing client database by means of alliance across different industries and group purchases, established and maintained good relationship with customers and gradually improved customer loyalty. Meanwhile, the Group continued to expand the connection of "Huiyin e-commerce platform" to its existing network, enhancing synergy and interaction of online and offline sales. Through the implementation of various optimization strategies such as store renovation and service-oriented marketing, the Group improved its overall competitiveness and operation efficiency significantly during the period under review.

Franchised stores

Most of the franchised stores of the Group were operated under the registered brand of "Huiyin". During the period under review, the Group continued to enhance the overall operating and management standards of existing franchised stores to optimize its franchise network and enhance its service quality. As of 30 June 2014, the Group had a total of 71 franchised stores. Revenue derived from sales to franchised stores decreased by 79.5% to RMB51.8 million, accounting for approximately 3.4% of the Group's total sales revenue.

During the period under review, the Group continued to increase its training efforts to staff of franchised stores, including the provision of periodic multi-facet and multi-level training sessions covering product knowledge, sales skills, and planning and promotion, etc., which resulted in a substantial improvement in the operational efficiency of our franchised stores. On the other hand, the Group also enhanced the interaction between headquarters and franchised stores, realized resource and information sharing through the e-commerce platform, and improved the sales confidence and operational quality of franchised stores through a diversity of promotional methods.

Store network

The Group adopted a strategy of expanding its store network of self-operated stores and franchised stores simultaneously, whereby the Group increased its market share in targeted markets and gradually strengthened its leading position in the highly-fragmented third and fourth-tier markets. As of 30 June 2014, the Group had an integrated retail network with 114 stores in 20 cities or districts of Jiangsu and Anhui Provinces, of which 43 and 71 were self-operated stores and franchised stores, and the total number of stores in Jiangsu and Anhui Provinces was 99 and 15 respectively.

Bulk distribution business

The Group distributes as a supplier to our franchised stores as well as other independent third parties. Bulk distribution business and retail business of the Group are complementary to each other, which provided stable supply for our self-operated stores and franchised stores. Meanwhile, backed by ownership of an established and extensive sales network in the third and fourth-tier markets, the Group well understands consumers' demand and preferences in target market, enabling it to better meet the market demand and consolidate its market position.

During the period under review, the Group continued to launch flexible and diversified promotion activities such as group purchase of brand products and warehouse marketing, and maintained its long-term and close relationship with upstream suppliers, resulting in the increase in market share and enhancement of industrial recognition.

Client services: after-sales and logistics management

After-sales service is important to the continued expansion of the Group's retail and bulk distribution business and also the competitive advantage of the Group. 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 2014, the Group managed a total of 34 service centers, providing quality services for customers across a broad geographical area.

The Group endeavoured to improve logistics management of its existing logistics network, warehouses and distribution centers in order to support its growing business operations. During the period under review, the Group enhanced information management and implemented real-time monitoring systems relating to its security system, inventory and employee performance. The Group has integrated after-sales and logistics into one centralized platform to improve efficiency and effectiveness of client service management.

E-commerce

During the period under review, the Group achieved the goal of a year-on-year growth in sales through the "Huiyin e-commerce platform" through building an on-line platform and organizing e-commerce professional team. Collaborated with major websites, Huiyin Lehu Mall developed a shopping experience combining online and offline sales by allowing customers to purchase online and receive delivery from its physical stores. The online to offline business integration allowed centralized management of its downstream business

Diversified marketing strategies

In order to meet the market demand of consumers in different regions, the Group has adopted diversified marketing and brand promotion strategies and has flexibly established strategic store locations in different areas. During the period under review, the Group continued to upgrade and renovate stores, optimized store distribution and product structure and made improvements in sales, management and services.

During the period under review, the Group continued to expand customer base through ecosystem development and achieved electronic customer information management. Diversified promotion activities were launched, including "Huiyin Spring Home Improvement Festival (滙銀春季家裝節)", "Brand Special Group Purchase (品牌專場團購)" and "Horizontal Alliance Special Promotion (異業聯盟專場促銷)", which offered more concessions to consumers and contributed to the Group's sales revenue.

In respect of brand marketing, by way of combing traditional home appliance marketing strategies and innovative media, the Group increased the awareness of "Huiyin" brand. During the period under review, in addition to cooperating with multi-media channels including TV, radio and internet, the Group started to promote through mobile devices to improve the communication and interaction with members of Huiyin.

Information technology system construction and information monitoring

The Group is committed to integrating and reforming its existing information management system to cope with its business growth and to obtain sufficient information for use by the Group and its franchised stores and in turn optimize its operations and management. During the period under review, the Group implemented "Huiyin e-commerce platform" to integrate the management of inventory and logistic system. Furthermore, the Group launched mobile communication platform to optimize customer experience and improve the efficiency of client services.

Information-based human resources management

As at 30 June 2014, the Group had 908 employees. During the period under review, the Group continued to optimize its human resources management structure and improve the skills of its employees. Through participating in diversified training sessions, the staff has developed their skills while gaining expertise. Meanwhile, the Group communicated with its employees regarding career planning and occupational health through "enterprise culture building", and provided them with new insights in terms of career development. During the period under review, the Group organized over 91 training sessions in various aspects, with a total of approximately 4,500 participating employees.

Outlook

In the second half of 2014, challenges will remain for the global economy, retail business such as the home appliances industry will continue to face huge pressure. Other than the steady demand from first-time buyers, China's consumption of household appliances now mainly derives from the need for replacement and upgrade. The growing size of cities with the progress of China's urbanization, the increase in residential income in third and fourth-tier cities and the improvement in housing conditions will support the growth of demand for home appliances and become new growth drivers for the market.

In the second half of 2014, 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 target markets to increase sales revenue, and to further increase its market share and solidify its market position through upgrading and integration of existing network in the third and fourth-tier markets. 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 and 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, the Group will deploy its network according to the "chain store" expansion plan and 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. On 15 May 2014, the Group announced that it had a positive outlook of the mobile telecommunications business in light of the increasing demand in such market and, therefore, decided to, leveraging on the Group's established channel of retail sales and experience on sales of mobile phones, engage in the mobile telecommunications re-sale business. The Group intended to study any business opportunity in the mobile telecommunications services industry. On 3 June 2014, 15 June 2014 and 6 July 2014 the Group entered into a sport lottery agency sales agreement, welfare lottery agency sales agreements and a strategic cooperation agreement of sport lotteries with relevant local authorities respectively. The Group was authorised to sell lottery as agent through its sales channel (including self-operated shops, franchised shops and other distribution network, totally approximately 1,659 points of sales) in Jiangsu Province. On 16 August 2014, the Group entered into a welfare lottery agency sales agreement with relevant local authorities. The Group was authorised to sell welfare lottery as agent through its sales channel (including self-operated shops, franchised shops and other distribution network, totally approximately 686 points of sales) in Auhui Province. The Group will engage in household appliances, mobile telecommunication re-sale and lottery sales business to seek strong growth drivers. Through these strategies, the Directors believe that the Group can achieve sustainable business expansion and fully improve its operational efficiency and profitability, thus creating better returns for its shareholders and investors.

FINANCIAL REVIEW

Revenue

During the period under review, due to the business development, the recovery in the household appliances consumer market and accelerated urbanization of rural area despite impact of macro-economic slowdown and expiration of the subsidies for energy-efficient household appliances in 2013, the Group's revenue was approximately RMB1,538.3 million, representing an increase of 16.9% from approximately RMB1,316.2 million for the same period of 2013.

Turnover of the Group comprises revenues by operation as follows:

	Six months ended 30 June			
	2014		2013	
	RMB'000		RMB'000	
Retail	**449,997**	**29.3%**	462,923	35.2%
Bulk distribution				
– Sales to franchisees	**51,780**	**3.4%**	253,103	19.2%
– Sales to other retailers and distributors	**1,029,511**	**66.9%**	595,302	45.2%
Rendering of services	**7,051**	**0.4%**	4,868	0.4%
Total revenue	**1,538,339**	**100.0%**	1,163,958	100.0%

In the first half of 2014, the increase in sales to other retailers and distributors and rendering of services was mainly attributable to the business development, the recovery in the household appliances consumer market and accelerated urbanization of rural area. Meanwhile, sales to franchisees decreased because the Group adjusted some of the franchised stores to third party distributors at the end of 2013, which also led to the increase in sales to other other retailers and distributors.

The following table sets out the Group's 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			
	2014		2013	
	RMB'000		RMB'000	
Air-conditioners	**1,175,269**	**76.8%**	819,372	62.5%
TV sets	**168,925**	**11.0%**	291,190	22.2%
Refrigerators	**79,423**	**5.2%**	90,282	6.9%
Washing machines	**44,015**	**2.9%**	49,230	3.8%
Others	**63,656**	**4.1%**	61,254	4.6%
Total revenue	**1,531,288**	**100.0%**	1,158,385	100.0%

The percentage of air-conditioner sales increased in the first half of 2014, which was mainly attributable to the expansion of distribution network for such products. The percentage of TV sets sales decreased, which was mainly attributable to a decline in TV market demand.

Cost of sales

Cost of sales increased by approximately 19.1% from RMB1,135.7 million for the six months ended 30 June 2013 to RMB1,352.5 million for the six months ended 30 June 2014, primarily due to an increase in sales volume. The rate of increase in cost of sales was higher than that of our revenue principally because of the increasing pricing pressure in the household appliance industry and fierce competing environment.

Gross profit

Our gross profit increased by approximately 3.0% from RMB180.5 million for the six months ended 30 June 2013 to RMB185.9 million for the six months ended 30 June 2014.

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

	Six months ended 30 June	
	2014	2013
Retail	**16.6%**	18.6%
Bulk distribution	**9.9%**	10.8%
Rendering of services	**61.4%**	65.7%
Overall	**12.1%**	13.7%

The decrease in gross profit margin of our retail and bulk distribution operations was mainly due to the increasing competition faced by the overall household appliances industry which led to great pressure on product selling price.

Other income

During the period under review, the Group recorded other income of approximately RMB6.7 million, representing a slight decrease from approximately RMB7.2 million for the same period in 2013.

Other (losses)/gains

During the period under review, the Group recorded other losses of approximately RMB1.6 thousand, while other gains of approximately RMB3.1 million was recorded in the same period in 2013. The gains in comparative period mainly included the receipt of insurance claim income amounting to RMB6.4 million arising from the fire which broke out on 25 October 2012.

Selling and marketing expenses

During the period under review, the Group's total selling and marketing expenses amounted to approximately RMB70.9 million, representing a decrease from approximately RMB81.9 million for the same period in 2013, which was in line with the decrease of store number.

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

	Six months ended 30 June	
	2014	2013
Employee benefit expenses	**1.14%**	1.23%
Service charges	**0.21%**	0.20%
Operating lease expenses in respect of buildings and warehouses	**1.33%**	2.18%
Promotion and advertising expenses	**0.62%**	0.72%
Depreciation of property, plant and equipment	**0.50%**	0.81%
Utilities and telephone expenses	**0.20%**	0.22%
Transportation expenses	**0.44%**	0.52%
Travelling expenses	**0.06%**	0.07%
Others	**0.11%**	0.27%
Total selling and marketing expenses	**4.61%**	6.22%

The decrease of percentage of selling and marketing expenses was mainly due to the increase of sales and decrease of selling and marketing expenses because of improvement in cost efficiency.

Administrative expenses

During the period under review, the Group's total administrative expenses amounted to approximately RMB17.2 million, representing a significant decrease from approximately RMB221.1 million for the same period of 2013, which was mainly due to the reversal of provision for impairment on receivables.

The following table sets out a summary for administrative expenses:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Employee benefit expenses	**18,177**	18,866
Pre-IPO share option expenses	**—**	602
Operating lease expenses in respect of buildings	**1,235**	2,735
Utilities and telephone expenses	**772**	1,121
Travelling expenses	**902**	720
Auditors' remuneration	**1,475**	1,525
Consulting expenses	**285**	830
Amortisation and depreciation	**4,359**	1,807
(Reversal)/Accrual of provision for impairment on receivables	**(32,409)**	174,171
Others	**22,365**	18,708
Total administrative expenses	**17,161**	221,085

The 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 since the second half year of 2012. During the period under review, contributable to the recovery of operation in upstream industry, the speed up of settlement of rebates receivable had led to a better ageing and a lower balance of provision for impairment, and brought about the reversal of provision.

Operating profit /(loss)

Profit from operations was approximately RMB104.5 million for the six months ended 30 June 2014, while there was loss from operations of approximately RMB112.2 million for the same period in 2013. The profit was mainly due to the combining effect of the increase in the gross profit and the decrease in operating expenses.

Finance costs — net

During the period under review, the Group's net finance costs was approximately RMB22.0 million, representing an increase from approximately RMB13.7 million for the six months ended 30 June 2013, which was mainly due to the foreign exchange losses on bank borrowings as a result of volatility in exchange rate of the RMB against the dollar.

Share of loss of a joint venture

During the period under review, the share of loss of a joint venture amounting to RMB5.7 million was share of loss of Yangzhou Huiyin Real Estate Co., Ltd. ("Huiyin Real Estate"), which had became a joint venture because of a co-operation agreement signed by the Group and Shanghai Coastal Weiying Equity Investment Fund Management Co., Ltd. ("Weiying") on 27 January 2014 to jointly control the legal and financial operations of Huiyin Real Estate to develop the land parcel. The Group recognizes the share of profit and loss of Huiyin Real Estate by applying equity method. The loss of Huiyin Real Estate was mainly due to the interest expense from borrowing owed to the Group, which was previously an intra-group charges.

Profit /(loss) before income tax

During the period under review, the profit before income tax was approximately RMB76.8 million, while there was loss before income tax of approximately RMB125.9 million for the same period of 2013.

Income tax

During the period under review, the Group's income tax expense was approximately RMB30.9 million, representing 40.2% of the profit before income tax, while there was income tax credit of approximately RMB21.5 million, representing 17.1% of the loss before income tax for the same period of 2013.

Profit/(loss) attributable to equity holders of the Company

The Group's profit attributable to equity holders for the period under review was approximately RMB41.3 million, while there was loss attributable to equity holders of approximately RMB104.0 million for the same period in 2013.

Investment in and borrowing to a joint venture

As announced by the Company on 27 January 2014, the Group entered into a co-operation agreement with Weiying effective on 4 March 2014 in respect of the development of the land parcel acquired in 2011. Under the co-operation agreement, Huiyin Real Estate, which was a 100% controlled subsidiary of the Company previously, would be the entity undertaking the project. The Group and Weiying would jointly control the legal and financial operations as well as other key relevant activities of Huiyin Real Estate. Accordingly, Huiyin Real Estate became a joint venture and its assets and financial results ceased to be consolidated in the accounts of the Group. The Group recognized its interest in Huiyin Real Estate as an investment in joint venture which includes capital contributed of RMB50.0 million and share of loss of RMB28.4 million as at 30 June 2014.

The Group intended to begin the construction on the land parcel in the second half of 2014.

Borrowing to Huiyin Real Estate as at 30 June 2014 includes principal amount of RMB197.2 million and interest receivable of RMB37.8 million. The borrowing carries an interest calculated at compound rate of 6.6% per annum which will be settled together with the principal amount upon the completion of the property project being undertaken by Huiyin Real Estate.

Cash and cash equivalents

As at 30 June 2014, the Group's cash and cash equivalents were approximately RMB58.5 million, representing a decrease of 61.6% from approximately RMB152.2 million at the end of 2013.

Inventories

As at 30 June 2014, the Group's inventories amounted to approximately RMB444.0 million, representing a decrease from RMB678.3 million at the end of 2013, which was mainly due to the exclusion of the cost of a land parcel amounting to RMB244.6 million owned by Huiyin Real Estate. Huiyin Real Estate had became a joint venture under the co-operation agreement dated 27 January 2014 and its assets, liabilities and financial results ceased to be consolidated in the accounts of the Group.

Prepayments, deposits and other receivables

As at 30 June 2014, prepayments, deposits and other receivables of the Group amounted to approximately RMB1,145.2 million, representing an increase from approximately RM958.1 million at the end of 2013.

Trade and bills receivables

As at 30 June 2014, trade and bills receivables of the Group amounted to approximately RMB88.3 million, representing a decrease from approximately RMB131.8 million at the end of 2013, which was mainly due to the decrease of bills receivable.

Trade and bills payables

As at 30 June 2014, trade and bills payables of the Group amounted to approximately RMB983.9 million, representing an increase from approximately RMB936.6 million at the end of 2013.

Gearing ratio and the basis of calculation

As at 30 June 2014, gearing ratio of the Group was 58.9%, representing a decrease from 61.3% as at 31 December 2013. The gearing ratio is equal to total borrowings divided by the sum of total equity and total borrowings.

Capital expenditure

During the period under review, capital expenditure of the Group amounted to approximately RMB16.7 million, representing a decrease from approximately RMB22.2 million for the same period in 2013.

Cash flows

During the period under review, net cash outflow from operating activities of the Group amounted to approximately RMB29.9 million as compared to approximately RMB117.0 million for the same period in 2013. The lower net cash outflow was mainly due to the better control in the working capital compared with the same period in 2013.

Net cash outflow from investing activities amounted to approximately RMB18.9 million as compared to approximately RMB24.2 million for the same period in 2013.

Net cash outflow from financing activities amounted to approximately RMB44.9 million, while the net cash inflow from financing activities amounted to approximately RMB191.4 million for the same period in 2013, which was mainly due to the decrease 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, medium-term notes and IPO proceeds. As at 30 June 2014, the interest-bearing bank borrowings of the Group amounted to RMB1,111.9 million, representing a decrease from RMB1,149.9 million as at 31 December 2013.

Pledging of assets

As at 30 June 2014, the Group's pledged bank deposits and merchandise held for resale amounted to RMB1,091.4 million and RMB90.0 million respectively. Certain land use rights, buildings and investment properties with a total net book amount of RMB178.2 million had been pledged.

Contingent liabilities

As at 30 June 2014, the Group had no contingent liabilities which have not been properly accrued for except for certain unfounded legal claims which the Group does not expect that it will incur any loss.

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. Net proceeds raised from our initial public offering ("IPO") were approximately HK$458.9 million (equivalent to approximately RMB403.5 million).

As stated in the prospectus of the Company dated 12 March 2010, we intend to use approximately HK$156.5 million (equivalent to approximately RMB137.9 million) for expansion of our retail network, approximately HK$203.2 million (equivalent to approximately RMB178.3 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 RMB4.4 million) for improving our existing information and management systems, and approximately HK$39.2 million (equivalent to approximately RMB34.5 million) as our general working capital.

As at 30 June 2014, 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 2014)** (RMB million)
Expansion of retail network	137.9	137.9
Acquisitions of home 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	3.7
General working capital	34.5	34.5
	403.5	292.8

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 2014, the Group had 908 employees, down 0.7% from 914 at the end of 2013.

INTERIM DIVIDEND

The Board of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2014.

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 code provisions as set out in the Corporate Governance Code (the "Code"), contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rule") throughout the six months ended 30 June 2014 except with the following deviations.

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 Company comprises three members, all of whom are independent non-executive Directors, namely Mr. Tam Chun Chung, who possesses professional accounting qualifications, Mr. Zhou Shuiwen and Mr. Lo Kwong Shun Wilson. Mr. Tam Chun Chung is the Chairman of the Audit Committee. The Audit Committee has adopted the terms of reference in line with the Code issued by the Stock Exchange. 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 2014. In addition, the Company's auditor PricewaterhouseCoopers has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2014.

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 2014.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The 2014 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, 21 August 2014

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. Lo Kwong Shun Wilson.