HUIYIN SMART COMMUNITY CO., LTD.
汇银智慧社区有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1280)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

HIGHLIGHTS

1. Revenue was approximately RMB1,222.1 million, representing a decrease of 20.6% from approximately RMB1,538.3 million for the first half of 2014, which was mainly due to given-up of some distribution right to support the business of e-commerce and smart community.

2. Gross profit margin in the first half of 2015 was 13.8% (12.1% for the same period in 2014). The increase was mainly due to change of product structure and well developed business of e-commerce and smart community.

3. Profit of the Group for the first half of 2015 was approximately RMB52.4 million, representing an increase of 14.2% from approximately RMB45.9 million for the same period in 2014.

4. The core profit of the Group was approximately RMB68.2 million for the first half of 2015, representing an increase of 48.6% over the same period of 2014.

5. By means of “Huiyin Lehu Platform” on PC, mobile APP, Wechatmall, multimedia terminals at stores and other online to offline network, the Group’s e-commerce and smart community business was integrated and rapidly developed. For the first half of 2015, the Group’s sales revenue through e-commerce and smart community business was approximately RMB302.7 million, representing an increase of 1,563.2% from RMB18.2 million for the same period in 2014. The operating profit of e-commerce and smart community business was approximately RMB36.0 million for the period under review, while operating profit of e-commerce and smart community business for the same period in 2014 was approximately RMB1.7 million.

The board (the “Board”) of directors (the “Directors”) of Huiyin Smart Community Co., Ltd. (formerly known as 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 2015 together with the comparative figures for the corresponding period in 2014. 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 2015 and the condensed consolidated balance sheet as at 30 June 2015 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 2015 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	
	Note	**2015**	2014
		RMB'000	*RMB'000*
Revenue	7	**1,222,054**	1,538,339
Cost of sales		**(1,053,531)**	(1,352,456)
Gross profit		**168,523**	185,883
Other income		**9,656**	6,693
Other losses — net		**(6)**	(2)
Selling and marketing expenses		**(84,183)**	(70,942)
Administrative expenses		**13,715**	(17,161)
Operating profit		**107,705**	104,471
Finance income		**19,370**	24,056
Finance costs		**(36,090)**	(46,036)
Finance costs — net		**(16,720)**	(21,980)
Share of loss of a joint venture		**(5,913)**	(5,698)
Share of profit of an associate		**102**	—
Profit before income tax		**85,174**	76,793
Income tax expense	8	**(32,787)**	(30,882)
Profit for the period		**52,387**	45,911
Attributable to:			
- Equity holders of the Company		**55,361**	41,321
- Non-controlling interests		**(2,974)**	4,590
		52,387	45,911
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB cents per share)			
- Basic	9	**4.72**	3.94
- Diluted	9	**4.55**	3.24
Dividends	10	**—**	—

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June 2015 *RMB'000*	2014 *RMB'000*
Profit for the period	**52,387**	45,911
Other comprehensive income or loss	**—**	—
Total comprehensive income for the period	**52,387**	45,911
Attributable to:		
- Equity holders of the Company	**55,361**	41,321
- Non-controlling interests	**(2,974)**	4,590
	52,387	45,911

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2015** *RMB'000*	Audited 31 December 2014 *RMB'000*
ASSETS			
Non-current assets			
Land use rights		**47,518**	48,149
Property, plant and equipment		**229,320**	223,280
Investment properties		**5,660**	5,745
Intangible assets		**37,491**	37,429
Investment in and loan to a joint venture		**258,947**	256,976
Investment in an associate		**718**	618
Deferred income tax assets		**131,873**	134,924
		711,527	707,121
Current assets			
Inventories		**327,909**	413,843
Trade and bills receivables	5	**132,235**	120,473
Prepayments, deposits and other receivables		**1,239,586**	1,143,634
Restricted bank deposits		**736,378**	986,063
Cash and cash equivalents		**123,989**	25,314
		2,560,097	2,689,327
Total assets		**3,271,624**	3,396,448
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital: nominal value		**8,447**	7,819
Reserves		**1,004,900**	793,858
		1,013,347	801,677
Non-controlling interests in equity		**42,171**	45,145
Total equity		**1,055,518**	846,822

CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

	Note	**Unaudited 30 June 2015** *RMB'000*	Audited 31 December 2014 *RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings		**6,252**	—
Deferred income tax liabilities		**211**	211
Deferred government grants		**2,789**	2,818
		9,252	3,029
Current liabilities			
Trade and bills payables	6	**910,567**	949,869
Accruals and other payables		**335,187**	367,390
Borrowings		**754,360**	1,048,068
Current income tax liabilities		**153,180**	127,710
Other current liabilities		**53,560**	53,560
		2,206,854	2,546,597
Total liabilities		**2,216,106**	2,549,626
Total equity and liabilities		**3,271,624**	3,396,448
Net current assets		**353,243**	142,730
Total assets less current liabilities		**1,064,770**	849,851

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, and then changed its name to Huiyin Smart Community Co., Ltd. on 16 July 2015.

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, e-commerce and smart community business and other services 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 condensed consolidated interim financial statements for the six months ended 30 June 2015 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 2014, 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 10 August 2015.

These condensed consolidated interim financial statements have not been audited.

3 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those used for and described inthe annual consolidated financial statements of the Company for the year ended 31 December 2014.

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

(b) New amendment and improvements adopted by the Group in 2015:

- Amendment to HKAS 19 "Defined Benefit Plans: Employee Contributions"

- Annual improvements 2012, affecting the following 4 standards: HKFRS 8 "Operating Segments", HKAS 16 "Property, Plant and Equipment", HKAS 24 "Related Party Disclosures" and HKAS 38 "Intangible Assets"

- Annual improvements 2013, affect the following 3 standards: HKFRS 3 "Business Combinations'', HKFRS 13 "Fair Value Measurement" and HKAS 40 "Investment Property''

The adoption of the above new amendment and improvements starting from 1 January 2015 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 2015.

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 2015.

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:

- Traditional business

- E-commerce and smart community business

Other operations of the Group mainly comprise provision of maintenance and installation services to customers, the real estate business until March 2014 during which such business was deconsolidated and became a joint venture of the Group and starting from September 2014, the agency service for sales of lotteries.

4 SEGMENT INFORMATION *(continued)*

The unaudited segment results for the six months ended 30 June 2015 are as follows:

	Traditional business *RMB'000*	E-commerce and smart community business *RMB'000*	All other segments *RMB'000*	Unallocated *RMB'000*	Group *RMB'000*
Segment revenue	**1,030,694**	**302,742**	**13,602**	**—**	**1,347,038**
Inter-segment revenue	**(124,984)**	**—**	**—**	**—**	**(124,984)**
Revenue from external customers	**905,710**	**302,742**	**13,602**	**—**	**1,222,054**
Operating profit/(loss)	**92,485**	**36,019**	**(1,227)**	**(19,572)**	**107,705**
Finance costs - net					**(16,720)**
Share of loss of a joint venture					**(5,913)**
Share of profit of an associate					**102**
Profit before income tax					**85,174**
Income tax expense					**(32,787)**
Profit for the period					**52,387**
Other segment items are as follows:					
Capital expenditure	**13,710**	**4,583**	**—**	**39**	**18,332**
Depreciation charge	**8,539**	**2,854**	**128**	**—**	**11,521**
Amortisation charge	**1,023**	**342**	**15**	**—**	**1,380**

4 SEGMENT INFORMATION *(continued)*

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

	Traditional business *RMB'000*	E-commerce and smart community business *RMB'000*	All other segments *RMB'000*	Unallocated *RMB'000*	Group *RMB'000*
Segment revenue	1,525,298	18,180	7,051	—	1,234,244
Inter-segment revenue	(12,190)	—	—	—	(12,190)
Revenue from external customers	1,513,108	18,180	7,051	—	1,222,054
Operating profit/(loss)	104,978	1,654	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	16,378	258	—	39	16,675
Depreciation charge	9,848	155	238	—	10,241
Amortisation charge	950	15	—	—	965

Traditional business included the results from sales of household appliances through retail and wholesale channel.

E-commerce and smart community business included the results from sales of household appliances, foods and other merchandise through online and smart community channel.

All other segments included the results from rendering maintenance and installation services and commission from agency services for sales of lotteries.

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

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.

4 **SEGMENT INFORMATION** *(continued)*

Unaudited segment assets and liabilities as at 30 June 2015 are as follows:

	Traditional business	E-commerce and smart community business	All other segments	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2015				
Segment assets	**2,024,482**	**630,286**	**28,319**	**2,683,087**
Unallocated assets				**588,537**
Total assets				**3,271,624**
Segment liabilities	**952,539**	**287,778**	**12,930**	**1,253,247**
Unallocated liabilities				**962,859**
Total liabilities				**2,216,106**

The audited segment assets and liabilities as at 31 December 2014 are as follows:

	Traditional business	E-commerce and smart community business	All other segments	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2014				
Segment assets	2,448,081	47,811	13,038	2,508,930
Unallocated assets				887,518
Total assets				3,396,448
Segment liabilities	1,334,222	26,057	13,359	1,373,638
Unallocated liabilities				1,175,988
Total liabilities				2,549,626

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 pledged for bank borrowings and corporate assets.

Segment liabilities comprise operating liabilities and exclude items such as deferred income tax liabilities, current income tax liabilities, borrowings, advance from a shareholder for subscribtion of ordinary shares of the Company and corporate liabilities.

5 TRADE AND BILLS RECEIVABLES

	As at	
	30 June	31 December
	2015	2014
	RMB'000	*RMB'000*
Trade receivables	**117,187**	110,588
Less: Provision for impairment	**(5,000)**	(4,376)
Trade receivables, net	**112,187**	106,212
Bills receivable	**20,048**	14,261
Trade and bills receivables, net	**132,235**	120,473

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	31 December
	2015	2014
	RMB'000	*RMB'000*
0 - 30 days	**55,717**	68,683
31 - 90 days	**49,924**	34,418
91 - 365 days	**6,046**	1,860
1 year - 2 years	**1,272**	2,821
2 years - 3 years	**3,717**	2,332
Over 3 years	**511**	474
Total	**117,187**	110,588

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 2015, no bills receivable had been pledged as collateral for the Group's bank acceptance bills. As at 31 December 2014, bills receivable with amount of RMB 5,000,000 had been pledged as collateral for the Group's acceptance bills of RMB5,000,000 (Note 6)

6 TRADE AND BILLS PAYABLES

	As at	
	30 June	31 December
	2015	2014
	RMB'000	*RMB'000*
Trade payables	**124,778**	34,816
Bills payable	**785,789**	915,053
Total	**910,567**	949,869

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
	2015	2014
	RMB'000	*RMB'000*
0 - 30 days	**113,621**	1,493
31 - 90 days	**1,382**	19,605
91 - 365 days	**4,925**	6,453
1 year - 2 years	**1,726**	4,009
2 years - 3 years	**2,072**	1,202
Over 3 years	**1,052**	2,054
	124,778	34,816

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 2015, restricted bank deposits of RMB 459,378,000 (31 December 2014: RMB 468,563,000) had been pledged as collateral for the Group's bank acceptance bills of RMB 745,789,000 (31 December 2014: RMB 837,053,000)

As at 30 June 2015, restricted bank deposits of RMB 20,000,000 (31 December 2014: RMB 22,500,000) together with certain land use rights and buildings with total net book amount of RMB 25,467,000 and RMB 31,176,000 respectively (31 December 2014: RMB25,820,000 and RMB31,537,000 respectively), had been pledged as collateral for the Group's bank acceptance bills of RMB 40,000,000 (31 December 2014: RMB 45,000,000).

As at 30 June 2015, no bills receivable had been pledged as collateral for the Group's bank acceptance bills. As at 31 December 2014, bills receivable with a carrying amount of RMB 5,000,000 (Note 5) had been pledged as collateral for the Group's bank acceptance bills of RMB 5,000,000.

7 REVENUE

Turnover of the Group comprises revenues recognised as follows:

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Sales of goods		
- Traditional business	**905,710**	1,513,108
including:		
Retail	**328,416**	431,818
Bulk distribution	**577,294**	1,081,290
- E-commerce and smart community business	**302,742**	18,180
	1,208,452	1,531,288
Rendering of services		
- Maintenance and installation service	**5,795**	7,051
- Agency service for sales of lotteries	**7,807**	—
	13,602	7,051
Total revenue	**1,222,054**	1,538,339

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
PRC enterprise and withholding income taxes		
- Current income tax	**29,736**	24,733
- Deferred income tax	**3,051**	6,149
	32,787	30,882

(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 2015 (30 June 2014: Nil).

8 INCOME TAX EXPENSE *(continued)*

(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 2015 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 2014: Nil).

9 EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2015	2014
Profit attributable to equity holders of the Company (RMB'000)	**55,361**	41,321
Weighted average number of ordinary shares in issue (thousand)	**1,172,497**	1,048,342
Basic earnings/(loss)per share (RMB cents)	**4.72**	3.94

9 EARNINGS PER SHARE *(continued)*

(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	
	2015	2014
Profit attributable to equity holders of the Company (RMB'000)	**55,361**	41,321
Weighted average number of ordinary shares in issue (thousand)	**1,172,497**	1,048,342
Adjustment for:		
- Settlement in ordinary shares for the contingent consideration arising from business combination (thousand)	**43,542**	226,345
Weighted average number of ordinary shares for diluted earnings per share (thousand)	**1,216,039**	1,274,687
Diluted earnings per share (RMB cents)	**4.55**	3.24

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 2015 (30 June 2014: Nil).

11 SUBSEQUENT EVENTS

On 17 July 2015, an aggregate of 35,000,000 ordinary shares of the Company had been successfully issued and allocated to a shareholder, China Ruike Investment & development Co., Ltd., at the price of HK$1.77 per share. The gross proceeds amounted to approximately HK$61,950,000 (equivalent to RMB48,866,000), which was prepaid to the Company on 3 June 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In the first half of 2015, the Chinese economy remained stable, and there are both many opportunities and challenges in 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 2015 dropped to 7.0%. Meanwhile, with the increase of income of urban and rural residents, consumption of commodities in Mainland China picked up. According to the statistics published by the National Bureau of Statistics of China, total retail sales of consumer goods in the country for the first half of 2015 was RMB14,157.7 billion, representing an increase of 10.4% over the same period of last year. Retail sales of consumer goods in urban areas was approximately RMB12,185.0 billion, representing an increase of 10.2% over the same period of last year, while those in rural areas was approximately RMB1,972.7 billion, representing an increase of 11.6% over the same period of last year. Notably, the online retail sales reached approximately RMB1,645.9 billion, representing an increase of 39.1% over the same period of last year.

In terms of residents' income growth, there is still a space for development in the third and fourth-tier market in China. 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 2015, the disposable income per capita of urban residents was RMB15,699, representing an actual increase of 6.7% over the same period of last year; while the cash income per capita of rural residents was RMB5,554, representing an actual increase of 8.3% over the same period of last year. As the income gap between urban and rural residents gradually narrows down, the consumption potential of rural residents is huge.

Cost of household appliances industry reduced strikingly with the falling bulk commodity price, and the demand in the third and fourth-tier market went up steadily with the implementation of "new urbanization". Meanwhile as the State Council and governments at all levels vigorously promoted internet, online to offline ("O2O") business has become a new source of consumption growth. The development of rural e-commerce, cross-border e-commerce as well as community e-commerce will lead to transformation and upgrading of many good enterprises.

BUSINESS REVIEW

An integrated business model

Since our establishment, the Company and its subsidiaries (collectively the "Group") gradually became a leader in the third and fourth-tier home appliance markets in China. However with the development and expansion of the business scope, the Group has transformed to a household appliances, internet+, community e-commerce and lottery operator, and was striving to be a smart community service platform leader in China. During the period under review, facing the rapid progress of urbanization, the Group actively captured opportunities to realize transformation and upgrading. The Group fully leveraged sales network and client resources it already has, promoted the construction of smart community e-commerce platform rapidly, and applied the thinking of Internet + to constitute a perfect closed-loop. Taking advantage of its famous brand name "Huiyin" and "Huiyin Lehu platform", the Group further enhanced the recognition of the "Huiyin" brand in the target markets, expanded the range of products and services available, and understood the change in consumption temperament and shopping habit of people.

Supported by its existing retail business, the Group actively expanded all business segments through self-operated stores and its extensive network. During the period under review, to enhance the customer stickiness, the Group further standardized its internal operation and communication, and provided extensive after-sales and logistic services to customers with supply chain management and customer relationship management as the core. Such efforts on client experiences were well received and recognized by the consumers.

For the six months ended 30 June 2015, total revenue of the Group was approximately RMB1,222.1 million, representing a decrease of 20.6% as compared with approximately RMB1,538.3 million for the same period in 2014. Profit of the Group for the period was approximately RMB52.4 million, representing an increase of 14.2% as compared with approximately RMB45.9 million for the same period in 2014. Gross profit margin increased to 13.8%, representing an increase of 1.7 percentage points. The growth in the profit recorded for the period were attributable to 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.

Traditional business of household appliances

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 through its self-operated stores.

During the period under review, the Group actively optimized its product structure and flexibly adjusted product portfolio in response to market demand. Benefit from rapid development of technology, household appliances have become more functionalized, intelligent and personalized, demand for smart household appliances have been growing fast. And 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. Meanwhile, kinds of fast moving consumer goods such as imported commodities, organic food, and lottery were introduced to enhance the customer stickiness and product attractiveness.

In respect of client management, the Group continued to implement its business strategies focusing on establishing client relationship. Efforts included sorting out client information and establishing client database by means of alliance across different industries, group purchases and community promotion, analyzing consumer characteristic of clients, establishing and maintaining good interaction with customers. Meanwhile, the Group continued to expand the connection of e-commerce platform to its existing network, enhancing synergy and interaction of online and offline sales, and realized resource and information sharing through the online platform. Through the implementation of various optimization strategies such as store renovation, merchandise display intelligentization, service-oriented marketing, staff skill improvement, supply chain management and corporate advertisement, the Group improved its overall competitiveness and operation efficiency significantly during the period under review.

During the period under review, the Group continued to optimize its store management program. As at 30 June 2015, the Group had 44 self-operated stores, including 36 general stores, 5 shop-in-shops located in department stores and 3 brand retail stores. An imported-goods store was opened in May, which is the first imported merchandise sales center in Yangzhou city. During the period, the Group's revenue from self-operated stores decreased by 23.9% to RMB328.4 million, accounting for approximately 26.9% of the Group's total sales revenue.

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. 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 at 30 June 2015, the Group had a total of 69 franchised stores, including 27 boutiques with smaller area, less cost but higher efficiency.

The Group had an integrated retail network with 113 stores in 20 cities or districts of Jiangsu and Anhui Provinces, of which 44 and 69 were self-operated stores and franchised stores, and the total number of stores in Jiangsu and Anhui Provinces was 97 and 16 respectively.

Bulk distribution business

The Group distributes as a supplier to our franchised stores as well as other independent third parties, mainly including household electronic product retailers and corporate customers. 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.

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 target customers during the period under review. Currently the Group is a long-standing bulk distributor for a number of well-known household appliances and consumer electronic brands in target markets, and maintained its long-term and close relationship with upstream suppliers, resulting in the increase in market position and enhancement of industrial recognition.

E-commerce and smart community business

E-commerce

By means of "Huiyin Lehu platform" on PC, mobile APP, wechat mall, multi-media terminals at stores and other online to offline network, the Group's e-commerce business developed rapidly. During the period under review, revenue through the

"Huiyin Lehu platform" was approximately RMB302.7 million, representing an increase of 1,563.2% from RMB18.2 million for the same period of 2014. Sales revenue through e-commerce includes online retail sales ("business to customers" ("B2C")) and online bulk distribution ("business to business" ("B2B")).

The Group achieved the goal of a year-on-year growth in e-commerce sales through building an on-line platform and organizing e-commerce professional team. Mobile application, electronic shelves and PC terminal have went live to increase online traffic in all channels. As at 30 June 2015, the Group had more than 500,000 registered members on "Huiyin Lehu platform". The Group launched several kinds of fast moving consumer goods including local fresh products, imported food, daily necessities, quality house appliances and digital electronics, provided local life services such as utilities and telephone bill payment and housekeeping service and advertise service for famous brand products on "Huiyin Lehu platform". Along with offline promotion and quality logistic system, the Group attract customers and improve user activity successfully.

Backed by the Group's extensive sales network and well-covered logistics system, "Huiyin Lehu platform" developed a shopping experience combining online and offline sales by allowing customers to purchase online and receive delivery at home or from its physical points. The online to offline business integration allowed centralized management of the Group's downstream business.

Smart community

Aiming to meet community residents' daily needs and preach safe and healthy shopping lifestyle, the Group developed the community life service platform as an important part of the Group's smart community strategy. As at 30 June 2015, the Group had 115 community life service platforms, basically covering the large and medium-size communities in Yangzhou city and its districts or counties.

To really solve the "last mile" problem of O2O business, in-store multi-media terminals which are connected to the online platform enabled customers to purchase products without leaving their homes, and the easy-to-use interface helped to lower user threshold. Customers can choose delivery to home upon their time request, or to collect goods by using the two storage containers in community life service platforms, one of which is for refrigeration. Various products and services are provided to community residents from "Huiyin Lehu platform". Collaborated with carefully selected suppliers and installed with sophisticated cold chain system, fresh agriculture products can be delivered to customers directly from agricultural base. Meanwhile the Group provides community life services such as housekeeping and household appliance repair and maintenance service to bring more convenience to residents. In addition, to raise brand awareness and increase user stickiness, the

Group organizes public welfare activities regularly, which is also underscoring our social responsibility. This one-stop community experience was welcomed by community management and well supported by local government, which enables the Group to expand the smart community network at low cost.

Lottery

The Group has engaged in the lottery sales business since the second half of 2014 based on a positive outlook of the lottery business in PRC. After entered into welfare lottery agency sales agreements, sport lottery agency sales agreements and strategic cooperation agreements of sport lotteries with relevant local authorities respectively, the Group currently was authorized to provide agency service for sales of lotteries through its sales channel (including self-operated stores, franchised stores and other distribution network) in Jiangsu Province, Anhui Province and Shanghai City. In response to changes in the market, the Group developed offline points actively. During the period under review, the Group realized a sales commission income of RMB7.8 million from providing agency service for lottery sales of RMB101.2 million.

Client services: after-sales and logistics management

Offering of after-sales services is an important contributor to the continued expansion of the Group's businesses and also the competitive advantage of the Group. The Group offers a broad range of installation and maintenance services for the household appliances purchased from the Group or from other third party vendors and suppliers. During the period under review, the Group offered free repair & maintenance service for registered members of the Group, which is widely welcomed and helpful to expand our membership. 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 2015, the Group operated and managed a total of 23 authorized service centers, which provided thoughtful and diversified after-sales warranty services for consumers across a broad geographical areas.

The Group was endeavouring 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. Meanwhile, in addition to cooperation with qualified third-party logistics suppliers, the Group also set up our own logistics team. Currently the Group can deliver twice per day for the same city shipment, and next day delivery can be achieved in the Yangtze River Delta. GPS was installed to optimize the product delivery process as well as the online shopping experience.

The Group has integrated after-sales and logistics into one centralized platform to improve efficiency and effectiveness of client service management.

Integration of marketing strategies

In order to meet the market demand of consumers in different regions, the Group has integrated 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. Promotion activities including "Brand Special Group Purchase (品牌專場團購)", "Horizontal Alliance Special Promotion (異業聯盟專場促銷)" and "Smart Community Service Marketing (智慧社區服務營銷)" were launched, which offered more concessions to consumers and contributed to the Group's sales revenue.

In respect of customer base expansion, the Group continued to develop ecosystem and achieved 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. Community services such as household appliances free maintenance, free housekeeping and trade-in were offered to promote accurately on big data of customers.

In respect of brand marketing, by way of combing traditional marketing strategies and innovative media, the Group improved adverting effect and 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 informatization platform to integrate the management of inventory, logistic and client service system. Furthermore, mobile communication platform has been used to optimize customer experience and improve the efficiency of client services.

Information-based human resources management

As at 30 June 2015, the Group had 944 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 80 training sessions in various aspects, with a total of approximately 2,500 participating employees.

Outlook

In the second half of 2015, challenges will remain for the global economy, retail business will continue to face significant operational pressure and the domestic consumer market will face the change in growth pattern and structural integration. With the technology development, E-commerce grew rapidly. Chinese government has released policies to vigorously promote O2O business. The Group is constantly taking advantage of its own advantages and taking the opportunities arising from market environment and industry consolidation, and is strategically poised to realize future growth. Household appliance is still an important part of our business. 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 2015, the Group will take innovative measures in three aspects — store management, brand building and human resources. In view of the urbanization, the Group will 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. The Group has entered into cooperation framework agreement in respect of construction of smart community service platforms with relevant local authorities in Nanjing city, upon which, our O2O community service business would commence in Nanjing, and will be expanded to other areas in Yangtze River Delta. 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.

The transformation of our Group to be a smart community service platform leader in China has found its most suitable business model, and the road is promising. Looking ahead to the coming year, the Group will deploy its network according to the smart community 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 improve the interaction with community resources and provide creative service to residents, to further reinforce the awareness of the "Huiyin" brand in target market through traditional business and smart community services. Through these strategies, the board (the "Board") of directors (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 impact of macro-economic slowdown and declining demand in the household appliances consumer market, the Group's revenue was approximately RMB1,222.1 million, representing an decrease of 20.6% from approximately RMB1,538.3 million for the same period of 2014.

Turnover of the Group comprises revenues by operation as follows:

	Six months ended 30 June			
	2015		2014	
	RMB'000		*RMB'000*	
Sales from traditional business				
- Retail	**328,416**	**26.9%**	431,818	28.1%
- Bulk distribution	**577,294**	**47.2%**	1,081,290	70.3%
Sales from e-commerce and smart community business	**302,742**	**24.8%**	18,180	1.2%
Rendering of services	**13,602**	**1.1%**	7,051	0.4%
Total revenue	**1,222,054**	**100.0%**	1,538,339	100.0%

In the first half of 2015, the decrease in sales from traditional channels was mainly attributable to the impact of macro-economic slowdown and the strategic change of the Group to focus on community e-commerce. Sales from e-commerce and smart community business sharply increased because: i) the Group developed the community life service network from the end of 2014 in Jiangsu province; and ii) after several years' preparation, the Group began to put much more concentration on the e-commerce business.

Cost of sales

Cost of sales decreased by approximately 22.1% from RMB1,352.5 million for the six months ended 30 June 2014 to RMB1,053.5 million for the six months ended 30 June 2015, primarily due to an decrease in sales volume.

Gross profit

Our gross profit decreased by approximately 9.4% from RMB185.9 million for the six months ended 30 June 2014 to RMB168.5 million for the six months ended 30 June 2015.

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

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Traditional business	**12.6%**	11.8%
E-commerce and smart community business	**14.7%**	15.5%
Rendering of services	**74.1%**	61.4%
Overall	**13.8%**	12.1%

The increase in overall gross profit margin was mainly due to change of our product structure to more higher-margin categories.

Other income

During the period under review, the Group recorded other income of approximately RMB9.7 million, representing an increase from approximately RMB6.7 million for the same period in 2014.

Other losses

During the period under review, the Group recorded other losses of approximately RMB6.1 thousand, while other losses of approximately RMB1.6 thousand was recorded in the same period in 2014.

Selling and marketing expenses

During the period under review, the Group's total selling and marketing expenses amounted to approximately RMB84.2 million, representing an increase from approximately RMB70.9 million for the same period in 2014, which was mainly due to the increase of promotion and advertising expenses.

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

	Six months ended 30 June	
	2015	2014
Employee benefit expenses	**1.71%**	1.14%
Service charges	**0.24%**	0.21%
Operating lease expenses in respect of buildings and warehouses	**1.76%**	1.33%
Promotion and advertising expenses	**1.09%**	0.62%
Depreciation of property, plant and equipment	**0.67%**	0.50%
Utilities and telephone expenses	**0.26%**	0.20%
Transportation expenses	**0.45%**	0.44%
Travelling expenses	**0.07%**	0.06%
Others	**0.64%**	0.11%
Total selling and marketing expenses	**6.89%**	4.61%

The increase of percentage of promotion and advertising expenses was mainly due to the rapid development of the community life service network and the e-commerce business.

Administrative expenses

During the period under review, the Group's total administrative expenses (credit) amounted to approximately RMB13.7 million, while expenses approximately RMB17.2 million for the same period of 2014, 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	
	2015	2014
	RMB'000	*RMB'000*
Employee benefit expenses	**14,163**	18,177
Share option expenses	**15,844**	—
Operating lease expenses in respect of buildings	**1,634**	1,235
Utilities and telephone expenses	**975**	772
Travelling expenses	**2,371**	902
Auditors' remuneration	**1,475**	1,475
Consulting expenses	**117**	285
Amortisation and depreciation	**4,692**	4,359
Reversal of provision for impairment on receivables	**(65,644)**	(32,409)
Others	**10,658**	22,365
Total administrative expenses	**(13,715)**	17,161

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

Profit from operations was approximately RMB107.7 million for the six months ended 30 June 2015, while approximately RMB104.5 million for the same period in 2014.

Finance costs — net

During the period under review, the Group's net finance costs was approximately RMB16.7 million, representing an decrease from approximately RMB22.0 million for the six months ended 30 June 2014, which was mainly due to the decrease of bank borrowings.

Share of loss of a joint venture

During the period under review, the share of loss of a joint venture amounting to RMB5.9 million (2014: 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.

Share of profit of an associate

During the first half of 2015, the share of profit of an associate amounting to RMB102,000 was share of profit of Taixing Shengshi Huazhang Electronic Sales Co., Ltd. ("Huazhang"), which is an associate set up by Yangzhou Shengshi Xinxing Electronic Sales Co., Ltd. ("Yangzhou Shengshi"), an indirectly owned subsidiary of the Company, together with 2 third party companies on 29 September 2014. The Group recognizes the share of profit and loss of Huazhang by applying equity method.

Profit before income tax

During the period under review, the profit before income tax was approximately RMB85.2 million, while approximately RMB76.8 million for the same period of 2014.

Income tax

During the period under review, the Group's income tax expense was approximately RMB32.8 million, representing 38.5% of the profit before income tax, while there was income tax expense of approximately RMB30.9 million, representing 40.2% of the loss before income tax for the same period of 2014.

Profit attributable to equity holders of the Company

The Group's profit attributable to equity holders for the period under review was approximately RMB55.4 million, while approximately RMB41.3 million for the same period in 2014. The core profit attributable to equity holders of the Company is the profit attributable to equity holders of the Company excluding share option expenses. The core profit attributable to equity holders of the Company was approximately RMB71.2 million for the first half of 2015, representing an increase of 72.4% over the same period of 2014.

Investment in and loan 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 accumulated loss of RMB35.3 million as at 30 June 2015.

The Group has begun the construction on the land parcel since the second half of 2014.

Loan to Huiyin Real Estate as at 30 June 2015 includes principal amount of RMB197.3 million and interest receivable of RMB46.9 million. The loan 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 2015, the Group's cash and cash equivalents were approximately RMB124.0 million, representing an increase of 112.0% from approximately RMB58.5 million at the end of 2014.

Inventories

As at 30 June 2015, the Group's inventories amounted to approximately RMB327.9 million, representing a decrease from RMB413.8 million at the end of 2014.

Prepayments, deposits and other receivables

As at 30 June 2015, prepayments, deposits and other receivables of the Group amounted to approximately RMB1,239.6 million, representing an increase of 8.4% from approximately RM1,143.6 million at the end of 2014.

Trade and bills receivables

As at 30 June 2015, trade and bills receivables of the Group amounted to approximately RMB132.2 million, representing an increase of 9.7% from approximately RMB120.5 million at the end of 2014.

Trade and bills payables

As at 30 June 2015, trade and bills payables of the Group amounted to approximately RMB910.6 million, representing a slight decrease from approximately RMB949.9 million at the end of 2014.

Gearing ratio and the basis of calculation

As at 30 June 2015, gearing ratio of the Group was 41.9%, representing a decrease from 55.3% as at 31 December 2014. 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 RMB18.3 million, representing an increase from approximately RMB16.7 million for the same period in 2014.

Cash flows

During the period under review, net cash outflow from operating activities of the Group amounted to approximately RMB156.6 million as compared to approximately RMB29.9 million for the same period in 2014. The higher net cash outflow was mainly due to the decrease of advances from customers.

Net cash inflow from investing activities amounted to approximately RMB5.6 million as compared to net cash outflow approximately RMB18.9 million for the same period in 2014. The inflow was mainly due to more interest income received in 2015.

Net cash inflow from financing activities amounted to approximately RMB249.4 million, while the net cash outflow from financing activities amounted to approximately RMB44.9 million for the same period in 2014, which was mainly due to the subscription of new shares amounting to RMB189.3 million during the first half of 2015. As at 30 June 2015, the Group's borrowings were mainly due for repayment within the next 12 months which was primarily due to medium-term notes in the aggregate principal amount of RMB 390,000,000 would come to the end of their 3 years term in August 2015. The Group is in the process of seeking for the most suitable re-financing with acceptable costs to replace. The directors are confident that alternative financing will be available on a timely basis.

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 proceeds from issurance of ordinary shares. As at 30 June 2015, the interest-bearing bank borrowings of the Group amounted to RMB760.6 million, representing a decrease from RMB1,048.1 million as at 31 December 2014.

Pledging of assets

As at 30 June 2015, the Group's pledged bank deposits and merchandise held for resale amounted to RMB736.4 million and RMB65.0 million respectively. Certain land use rights, buildings and investment properties with a total net book amount of RMB230.8 million had been pledged.

Contingent liabilities

As at 30 June 2015, the Group had no contingent liabilities which have not been properly accrued for.

Foreign currencies and treasury policy

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

USE OF FUNDS RAISED FROM INITIAL PUBLIC OFFERING

On 25 March 2010, the shares of our Company were successfully listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Our initial public offering ("IPO") was well received by investors in both the international offering and the Hong Kong public offering. Net proceeds raised from 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 RMB 137.9 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 2015, 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 2015)** *(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	4.4
General working capital	34.5	34.5
	403.5	293.5

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 2015, the Group had 944 employees, up 8.6% from 869 at the end of 2014.

INTERIM DIVIDEND

The Board of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2015.

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 Rules") throughout the six months ended 30 June 2015 except with the following deviations.

Under code provision A.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive 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.

Under code provision E.1.2 of the Code, the chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval. The independent non-executive directors of the Company were unable to attend the extraordinary general meeting of the Company held on 10 July 2015 due to their other business commitments.

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 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, in confidence, to raise 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 view of the unaudited interim report for the six months ended 30 June 2015. 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 2015.

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 2015.

EVENT AFTER THE REPORTING PERIOD

As stated in the announcement and circular of the Company dated 8 June and 18 June 2015 respectively, the Board proposed, among other things, to change the name of the Company from "Huiyin Household Appliances (Holdings) Co., Ltd." to "Huiyin Smart Community Co., Ltd." with the Chinese name of the Company changing from "汇银家电(控股)有限公司" to "汇银智慧社区有限公司" (the "Change of Company Name"). The Certificate of Incorporation on Change of Name of the Company was issued by the Registrar of Companies in the Cayman Islands on 16 July 2015, certifying that the Change of Company Name has been approved and registered. The Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 6 August 2015 confirming the registration of the new name of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong).

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The 2015 Interim Report of the Company will be dispatched to shareholders of the Company 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 Smart Community Co., Ltd.
Cao Kuanping
Chairman

Hong Kong, 10 August 2015

As at the date of this announcement, the Board of the Company comprises six executive Directors, namely Mr. Cao Kuanping, Mr. Mo Chihe, Mr. Mao Shanxin, Mr. Wang Zhijin, Mr. Lu Chaolin and Ms. Hu Yanyu; and three independent non-executive Directors, namely Mr. Zhou Shuiwen, Mr. Tam Chun Chung and Mr. Lo Kwong Shun Wilson.