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 2017

HIGHLIGHTS

1. Revenue was approximately RMB681.9 million, representing an increase of 8.2% from approximately RMB630.1 million for the first half of 2016.

2. Gross profit increased by approximately 296.4% from RMB27.8 million to RMB110.2 million.

3. Gross profit margin in the first half of 2017 was 16.2% (4.4% for the same period in 2016).

4. Profit of the Group for the first half of 2017 was approximately RMB16.0 million, while loss of the Group was approximately RMB256.1 million for the same period in 2016.

The board (the "Board") of directors (the "Directors") of Huiyin Smart Community 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 2017 together with the comparative figures for the corresponding period in 2016. 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 2017 and the condensed consolidated balance sheet as at 30 June 2017 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 2017 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.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2017** *RMB'000*	Audited 31 December 2016 RMB'000
ASSETS			
Non-current assets			
Land use rights		**45,302**	45,857
Property, plant and equipment		**224,787**	225,737
Investment properties		**5,320**	5,405
Intangible assets		**3,083**	3,744
Investment in a joint venture		**16,097**	—
Investment in associates		**923**	934
Deferred income tax assets		**9,348**	11,486
		304,860	293,163
Current assets			
Inventories		**250,524**	228,547
Trade and bills receivables	5	**84,486**	68,524
Prepayments, deposits and other receivables		**709,792**	499,756
Restricted bank deposits		**262,013**	646,712
Available for sale financial assets		**18,000**	-
Cash and cash equivalents		**51,767**	159,118
		1,376,582	1,602,657
Total assets		**1,681,442**	1,895,820
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**11,462**	11,462
Reserves		**325,082**	302,852
		336,544	314,314
Non-controlling interests in equity		**66,959**	22,436
Total equity		**403,503**	336,750

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

	Note	**Unaudited 30 June 2017** *RMB'000*	Audited 31 December 2016 *RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings		**7,231**	7,358
Deferred income tax liabilities		**211**	211
Deferred government grants		**2,672**	2,701
		10,114	10,270
Current liabilities			
Trade and bills payables	6	**491,657**	850,852
Accruals and other payables		**396,441**	326,047
Borrowings		**304,085**	305,084
Current income tax liabilities		**22,082**	13,257
Other current liabilities		**53,560**	53,560
		1,267,825	1,548,800
Total liabilities		**1,277,939**	1,559,070
Total equity and liabilities		**1,681,442**	1,895,820

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2017	2016
	Note	***RMB'000***	*RMB'000*
Revenue	7	**681,862**	630,065
Cost of sales		**(571,632)**	(602,285)
Gross profit		**110,230**	27,780
Other income		**17,600**	4,449
Other losses – net		**(49)**	(378)
Selling and marketing expenses		**(89,325)**	(71,175)
Administrative expenses		**9,481**	(166,596)
Operating (loss)/profit		**47,937**	(205,920)
Finance income		**4,168**	7,301
Finance costs		**(20,358)**	(28,030)
Finance costs – net		**(16,190)**	(20,729)
Share of loss of a joint venture		**(1,603)**	(1,148)
Share of loss of associates		**(11)**	(183)
Profit/(loss) before income tax		**30,133**	(227,980)
Income tax expense	8	**(14,086)**	(28,073)
Profit/(loss) for the period		**16,047**	(256,053)
Attributable to:			
– Equity holders of the Company		**22,436**	(244,071)
– Non-controlling interests		**(6,389)**	(11,982)
		16,047	(256,053)
Earnings/(loss) per share for profit attributable to equity holders of the Company (expressed in RMB cents per share)			
– Basic	9	**1.31**	(16.75)
– Diluted	9	**1.10**	(16.75)
Dividends	10	**—**	—

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Profit/(loss) for the period	**16,047**	(256,053)
Other comprehensive income or loss	**—**	—
Total comprehensive profit/(loss) for the period	**16,047**	(256,053)
Attributable to:		
– Equity holders of the Company	**22,436**	(244,071)
– Non-controlling interests	**(6,389)**	(11,982)
	16,047	(256,053)

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 had been changed from Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1 - 1112, Cayman Islands to P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1 - 1205 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 the retail and bulk distribution sales of household appliances, e-commerce and import merchandise business, and other services in the People's Republic of China (the "PRC").

The Group's businesses are primarily carried out by Yangzhou Huiyin Technology Group Co., Ltd. ("Yangzhou Huiyin") and its subsidiaries. In preparation for the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing"), certain reorganisation steps (the "Reorganisation") were carried out in 2008. After the completion of the Reorganisation on 3 April 2008, the Company became the holding company of the subsidiaries comprising the Group.

The 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 2017 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 2016, 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 25 August 2017.

These condensed consolidated interim financial statements have not been audited.

Going Concern

The Group meets its day-to-day working capital requirements through its operating cash inflow and banking facilities. The current economic conditions create uncertainty particularly over (a) the level of demand for the Group's merchandises; and (b) the availability of bank finance for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current banking facilities secured by the Group's assets and guaranteed by related parties together with its internally generated fund from operating cash flows. After making necessary enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements, except for available for sale financial assets that are non-derivatives intended to be disposed of within 12 months of the end of the reporting period; and the estimation of income tax using the tax rate that would be applicable to the total annual earnings and the adoption of amendments to HKFRSs effective for the financial year beginning on 1 January 2017.

(a) New amendments and interpretation of HKFRSs mandatory for the financial year beginning on 1 January 2017 that are relevant to the Group's operations:

- Amendments to HKAS 12 "Income Taxes"
- Amendments to HKAS 7 "Statement of Cash Flows"
- Interpretation of HK(IFRIC) 23 "Uncertainty over Income Tax Treatments"
- Amendments to HKFRS 12 "Disclosure of Interest in Other Entities"

The adoption of the above new standard, amendments and improvements beginning on 1 January 2017 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 2017.

(b) The following are new standards and amendments to HKFRSs that have been issued and are relevant to the Group's operations but are not yet effective for the financial year beginning on 1 January 2017 and have not been early adopted by the Group:

- HKFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018)
- HKFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018)
- HKFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019)

3 ACCOUNTING POLICIES *(continued)*

- Amendments to HKFRS 10 and HKAS 28 "Regarding sale or contribution of assets between an investor and its associate or joint venture" (effective for annual periods to be announced)

The Group has not early adopted any new accounting and financial reporting standards or amendments to existing standards which have been issued but are not yet effective for the six months ended 30 June 2017. The Group is in the process of making an assessment on the impact of these new standards and amendments and does not anticipate that the adoption when they become effective will result in any material impact on the Group's results of operations and financial position, except for the new financial reporting standard HKFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019) which the Group is not yet in a position to conclude.

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 all 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, included the results from sales of household appliances through retail and wholesale channels.

- E-commerce and import merchandise business, included the results from sales of household appliances and import merchandise through online channels and sales of import merchandise through retail channel.

4 SEGMENT INFORMATION *(continued)*

Other operations of the Group mainly comprise provision of maintenance and installation services to customers, and real estate business from January 2016 with the acquisition of a subsidiary to October 2016 with the disposal of a subsidiary.

The unaudited segment results for the six months ended 30 June 2017 are as follows:

	Traditional business *RMB'000*	E-commerce and import merchandise business *RMB'000*	All other segments *RMB'000*	Unallocated *RMB'000*	Group *RMB'000*
Segment revenue	489,904	325,926	6,302	—	822,132
Intra-segment revenue	(140,270)	—	—	—	(140,270)
Revenue from external customers	349,634	325,926	6,302	—	681,862
Operating profit/(loss)	9,357	(816)	2,237	37,159	47,937
Finance costs - net					(16,190)
Share of loss of a joint venture					(1,603)
Share of loss of associates					(11)
Profit before income tax					30,133
Income tax expense					(14,086)
Profit for the period					16,047
Other segment items are as follows:					
Capital expenditure	5,032	3,347	—	17,700	26,079
Depreciation charge	5,705	3,240	419	—	9,364
Amortisation charge	790	383	—	—	1,173

4 SEGMENT INFORMATION *(continued)*

The unaudited segment results for the six months ended 30 June 2016 are as follows:

	Traditional business	E-commerce and import merchandise business	All other segments	Unallocated	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	555,305	318,430	5,035	—	878,770
Intra-segment revenue	(248,705)	—	—	—	(248,705)
Revenue from external customers	306,600	318,430	5,035	—	630,065
Operating profit/(loss)	(165,090)	2,298	1,888	(45,016)	(205,920)
Finance costs – net					(20,729)
Share of loss of a joint venture					(1,148)
Share of loss of an associate					(183)
Loss before income tax					(227,980)
Income tax expense					(28,073)
Loss for the period					(256,053)
Other segment items are as follows:					
Capital expenditure	800	3,478	411	—	4,689
Depreciation charge	5,476	5,685	90	—	11,251
Amortisation charge	610	633	10	—	1,253

Unallocated mainly represented the expenses incurred in the Company, such as reversal of provision for impairment on prepayment to suppliers, 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 2017 are as follows:

	Traditional business *RMB'000*	**E-commerce and import merchandise business** *RMB'000*	**All other segments** *RMB'000*	**Group** *RMB'000*
2017				
Segment assets	**868,926**	**433,247**	**5,979**	**1,308,152**
Unallocated assets				**373,290**
Total assets				**1,681,442**
Segment liabilities	**443,017**	**311,429**	**3,857**	**758,303**
Unallocated liabilities				**519,636**
Total liabilities				**1,277,939**

The audited segment assets and liabilities as at 31 December 2016 are as follows:

	Traditional business *RMB'000*	**E-commerce and import merchandise business** *RMB'000*	**All other segments** *RMB'000*	**Group** *RMB'000*
2016				
Segment assets	725,739	442,204	5,343	1,173,286
Unallocated assets				722,534
Total assets				1,895,820
Segment liabilities	634,377	397,462	1,983	1,033,822
Unallocated liabilities				525,248
Total liabilities				1,559,070

4 SEGMENT INFORMATION *(continued)*

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 and corporate liabilities.

5 TRADE AND BILLS RECEIVABLES

	As at	
	30 June	31 December
	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**78,353**	66,637
Less: Provision for impairment	**(4,513)**	(3,253)
Trade receivables, net	**73,840**	63,384
Bills receivable	**10,646**	5,140
Trade and bills receivables, net	**84,486**	68,524

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.

5 TRADE AND BILLS RECEIVABLES *(continued)*

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
	2017	2016
	RMB'000	*RMB'000*
0 - 30 days	**45,485**	23,619
31 - 90 days	**19,497**	34,675
91 - 365 days	**8,857**	3,433
1 year - 2 years	**3,389**	1,619
2 years - 3 years	**829**	2,442
Over 3 years	**296**	849
Total	**78,353**	66,637

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.

6 TRADE AND BILLS PAYABLES

	As at	
	30 June	31 December
	2017	2016
	RMB'000	*RMB'000*
Trade payables	**147,617**	122,142
Bills payable	**344,040**	728,710
Total	**491,657**	850,852

6 TRADE AND BILLS PAYABLES *(continued)*

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
	2017	2016
	RMB'000	*RMB'000*
0 - 30 days	**104,912**	93,457
31 - 90 days	**18,231**	10,147
91 - 365 days	**22,692**	13,449
1 year - 2 years	**628**	2,675
2 years - 3 years	**221**	1,493
Over 3 years	**933**	921
	147,617	122,142

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 2017, restricted bank deposits of RMB145,660,000 (31 December 2016: RMB529,999,000) had been pledged as collateral for the Group's bank acceptance bills of RMB344,040,000 (31 December 2016: RMB728,710,000).

7 REVENUE

Turnover of the Group comprises revenues recognised as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Sales of goods		
– Traditional business	**349,634**	306,600
including:		
Retail	**143,104**	150,770
Bulk distribution	**206,530**	155,830
– Online distribution channels	**325,926**	318,430
	675,560	625,030
Rendering of services		
– Maintenance and installation service	**6,302**	5,035
Total revenue	**681,862**	630,065

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
PRC enterprise and withholding income taxes		
– Current income tax	**11,948**	(110,756)
– Deferred income tax	**2,138**	138,829
	14,086	28,073

(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 2017 (six months ended 30 June 2016: 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 corporate 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 corporate income tax purpose.

8 INCOME TAX EXPENSE *(continued)*

(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 2017 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 (six months ended 30 June 2016: 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	
	2017	2016
Profit/(loss) attributable to equity holders of the Company (RMB'000)	**22,436**	(244,071)
Weighted average number of ordinary shares in issue (thousand)	**1,718,860**	1,456,860
Basic earnings/(loss) per share (RMB cents)	**1.31**	(16.75)

9 EARNINGS/(LOSS) 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	
	2017	2016
Profit attributable to equity holders of the Company (RMB'000)	**22,436**	(244,071)
Weighted average number of ordinary shares in issue (thousand)	**1,718,860**	1,456,860
Adjustment for:		
– Exercise of conversion right of convertible bonds (thousand)	**—**	—
– Settlement in ordinary shares for the contingent consideration arising from business combination (thousand)	**90,723**	—
– Exercise of share options granted under share option schemes (thousand)	**231,680**	—
Weighted average number of ordinary shares for diluted earnings/(loss) per share (thousand)	**2,041,263**	1,456,860
Diluted earnings/(loss) per share (RMB cents)	**1.10**	(16.75)

For the six months ended 30 June 2016, the impact of exercise of the conversion right of the convertible bonds, settlement in ordinary shares for the contingent consideration arising from business combination, and exercise of the share options granted under share option schemes was anti-dilutive.

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 2017 (six months ended 30 June 2016: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In the first half of 2017, 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 2017 increased to 6.9%. 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 2017 was RMB17,236.9 billion, representing an increase of 10.4% over the same period of last year. Retail sales of consumer goods in urban areas was approximately RMB14,778.6 billion, representing an increase of 10.1% over the same period of last year, while those in rural areas was approximately RMB2,458.3 billion, representing an increase of 12.3% over the same period of last year. Notably, the online retail sales reached approximately RMB3,107.3 billion, representing an increase of 33.4% over the same period of last year.

In terms of residents' income growth, there is still a space for development in China. According to the data from the National Bureau of Statistics of China, for the first half of 2017, the disposable income per capita of residents was RMB12,932.0, representing an actual increase of 7.3% over the same period of last year. With the steady increase in income level of urban and rural residents, the consumption potential of residents is huge. Consumers will spend more on high-end products as well as services to improve their life quality.

As the continuous Chinese people's demand for a high quality life and the vigorously promoted internet, online to offline ("O2O") business has become a new source of consumption growth. New consumption models have been developed and consumption upgrading has been promoted. 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, import merchandise business, and community e-commerce operator, and was striving to be a leader of smart community life service platform and in the import merchandise direct selling industry in China. During the period under review, facing the rapid progress of consumption upgrading, the Group actively captured opportunities to realize transformation. The Group fully leveraged sales network and client resources it already has, promoted the construction of smart community life service platform rapidly, and applied the thinking of Internet + to constitute a perfect closed-loop of our business model. Stores have been opened in second-tier cities such as Nanjing City and Suzhou City to expand our network into first and second-tier markets. Taking advantage of its famous brand name "Huiyin" and "Huiyin Lehu • Global Community (滙銀樂虎 • 全球家)", the Group further enhanced the brand awareness of the "Huiyin" and "Huiyin Lehu" brand in the consumer market, expanded the range of products and services available, and captured the change in consumption temperament and shopping habit of consumers.

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

During the period under review, the Group continued to optimize its store management program. As at 30 June 2017, the Group had 45 self-operated stores, including 29 general stores, 3 brand retail stores and 13 import merchandise experience bases. For the six months ended 30 June 2017, total revenue of the Group was approximately RMB681.9 million, representing a increase of 8.2% as compared with approximately RMB630.1 million for the same period in 2016. Profit of the Group for the period was approximately RMB16.0 million, while loss for the same period in 2016 was approximately RMB256.1 million. Gross profit margin increased to 16.2%, representing an increase of 11.8 percentage points. The substantial increase in the profit was mainly attributable to decrease in the expenses incurred in connection with the grant of the share options to eligible participants based on the demand of human resources for the rapid expansion of e-commerce and import merchandise business, and decrease in the provisions made by the Group in respect of the amounts due from suppliers of prepayment and rebate receivable.

E-commerce and import merchandise business

By the online to offline sales network of "Huiyin Lehu • Global Community (滙銀樂虎 • 全球家)", the Group's e-commerce and import merchandise business developed rapidly. During the period under review, revenue through the "Huiyin Lehu • Global Community" was approximately RMB325.9 million, representing an increase of 2.3% from RMB318.4 million for the same period in 2016. Sales revenue through e-commerce and import merchandise business includes retail sales ("business to customers" ("B2C")) of household appliance and import merchandise and bulk distribution ("business to business" ("B2B")) of household appliance.

Import business

As the economy developed, Chinese middle class is growing fast, and the consumer market is presenting a tendency of changing from satisfying basic needs to meeting diversified demand and consumption upgrading. With the increasing number of food safety problems and consumer concerns, demand for foreign goods increased dramatically, which has boosted the procurement agent industry and import merchandise business. In response to this situation, the Group entered into the import merchandise business from the end of Year 2015.

During the period under review, the Group's import merchandise business developed rapidly. As at 30 June 2017, partnering with "Ningbo Free Trade Zone Administrative Committee (寧波保稅區管委會)" and other carefully selected suppliers, the Group has established "Huiyin Lehu" branded import merchandise experience bases in Yangzhou City, Nanjing City, Nantong City, Taizhou City, Suzhou City and Hefei City. The import merchandise experience bases usually have a business area of 3000-5000 square meters, and provide with thousands of import merchandise including maternal and infant products, food, cosmetics, personal care products, healthcare products, and wine etc. The Group has been seeking to purchase selected merchandise directly from producers. With less intermediate agencies, this advantage enables the Group to provide customers with products of higher quality with lower price, and meanwhile suppliers can get payment more quickly. Through the effective supply chain management, our inventory turnover increased and costs are well controlled. We can achieve the target of win-win together with the suppliers.

The Group has launched the membership system during the period under review. Adhere to customer-centric principle, we lay emphasis on membership experience. Customers can enjoy the member preferential price as well as prominent services by investing in the membership. Kinds of membership activities were held to build close connections with them. Sales of the membership not only brings steady cash flow to the Group, but also increases customer loyalty. Members can also order import merchandise through our online platform. Two new brands named "Huiyin Lehu • Global Community (滙銀樂虎 • 全球家)" and "Excellent Home (優家)" were created to support the import merchandise business. This business model was welcomed by local government, which enabled the Group to expand at low cost.

E-commerce

The Group achieved the goal of a year-on-year growth in e-commerce sales through building an on-line platform and organizing an e-commerce professional team. Mobile application, wechat mall, electronic shelves and PC terminal went live and helped to increase online traffic in all channels. A mobile application for the brand "Huiyin Lehu • Global Community (滙銀樂虎 • 全球家)" had been developed. During the period under review, in order to enhance customer experience and cater to user habits, the Group has been optimizing the user interface, system management, as well as ordering and payment process based on customer feedback continuously. Membership statistics from offline stores has been synchronized to the online application to get through the online and offline membership system. We also use content marketing on the online platform. Online social media distribution and feedback sharing was provided to promote user interaction and activity. Merging and leveraging the flood of data from customers, new approach such as big data analysis and personas was used to model user interest and provide appropriate purchase recommendations to users accordingly. Along with offline promotion and high-quality logistic system, the Group attracts consumers and improves consumer loyalty successfully.

With the support of the Group's extensive sales network and well-covered logistics system, "Huiyin Lehu • Global Community" 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 ("O2O")" business integration allowed centralized management of the Group's downstream business.

To really solve the "last mile" problem of O2O business, in-store multi-media terminals are connected with the online platform which enables customers to purchase products without leaving their homes, and the easy-to-use interface helps to strengthen user experience. Customers can choose delivery to home at agreed time, or pick-up by themselves from the two types of storage containers in community life service platforms, one of which is for refrigeration. Meanwhile the Group provides community life services such as housekeeping and household appliance maintenance service to bring more convenience to residents. In addition, to fulfill our corporate social responsibility, the Group organizes public welfare activities regularly, which is also helped to improve our brand awareness.

Traditional business of household appliances

Retail business

The Group has placed its traditional household appliance 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. Benefited from the rapid development of technology, household appliances have become more functionalized, intelligent and personalized, and the smart household appliances have great significance on improving the quality of life. As people pay more attention to the comfort and safety on daily life, demand for central air-conditioning, central heating as well as fresh air system have been growing fast. With growing public concern over environment pollution, the Group launched a series of health-care products, such as air purifier and water cleaner to meet customers' needs. To improve profitability of its business, the Group also focused on supply chain management and inventory management, and maintained long-term cooperation relationship with household manufacturers.

In respect of client management, the Group continued to implement its business strategies focusing on client relationship management with efforts including 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 sales network, enhanced 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 and corporate advertisement, the Group improved its overall competitiveness and operation efficiency effectively during the period under review.

Bulk distribution business

The Group distributes as a supplier to its franchised stores as well as other independent third parties, which mainly include household appliance retailers and corporate customers. With the help of an extensive well-developed sales network in the third and fourth-tier markets, the Group well understands consumers' demand and preferences in target market, which enabled 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. However, due to the burden of extensive investment in working capital of the bulk distribution business, the Group surrendered certain distribution rights from the end of year 2015 so as to support the new e-commerce and import merchandise business and smooth our transition process.

Client services: after-sales and logistics management

Offering of after-sales services is not only an important contributor to the continuous Group's businesses but also a competitive advantage of the Group. The Group offers a broad range of installation and maintenance services for household appliance products purchased from the Group or from other third party vendors and suppliers, which also provides satisfactory services and technical support for the Group's businesses. During the period under review, the Group offered free 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 investment and operational risks. As at 30 June 2017, the Group operated and managed a total of 35 authorized service centers, which provided thoughtful and diversified after-sales warranty services for consumers across a broad geographical area.

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 established our own logistics team. 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 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. 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 change of the Old for New Program offered to attract community consumer.

In respect of brand marketing, by combing traditional marketing strategies with innovative media, the Group increased the awareness of "Huiyin" and "Huiyin Lehu • Global Community" 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. Public welfare events such as community recreational and sports activities, health lectures, parent-child activities and campus activities were held to improve the perceptions of consumers toward the brand.

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 to optimize its operations and management. Informatisation platform has been implemented to integrate the management of inventory, logistic and client service system. During the period under review, the Group modified management system to cope with the development of import merchandise business. We have also implemented membership management system to analyze membership data and provide members with outstanding services. 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 2017, the Group had 1,285 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 15 training sessions in various aspects, with a total of approximately 800 participating employees.

Outlook

In the second half of 2017, challenges will remain for the global economy, retail business will continue to face significant operational pressures and the domestic consumer market will face the change in growth pattern and structural integration. Demand on high-end products and imported commodities increased fast. 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, leveraging on its unique business model and its sales network and client resources, and is strategically poised to realize future growth and to become a leading community e-commerce and import merchandise direct selling operator in China. Household appliance sales 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 bring new development opportunities for domestic household appliances market.

In the second half of 2017, the Group will take innovative measures in three aspects – store management, brand building and human resources. 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. The Group will copy the successful model of import merchandise experience base in other cities in Yangtze River Delta. Furthermore, the import merchandise business will enter into the first-tier city. This is of great significance to the Group's transformation. In addition to self-operated stores, the Group will also expand franchised stores. Meanwhile, the Group will actively implement its brand marketing strategy, enhance its brand image (including further optimization of the Group's integrated online platform covering various aspects such as procurement, sales and customer services), reinforce the cultivation of members and franchisees, and improve the Group's overall asset management efficiency, so as to deepen the Group's relationship with suppliers and customers. In addition, service-oriented and customer-focused, the Group plans to strengthen corporate culture, internal management and upgrade the development of "Huiyin Business School" in order to train more retail and e-commerce talents and provide customers with professional services.

The transformation of our Group to be a leader of smart community e-commerce platform and import merchandise direct selling industry 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 resources according to the expansion plan and to develop a strategic alliance with its suppliers, to pursue the Group's leading position in the consumer markets. The Group will improve the interaction with community resources and provide creative service to customers, to further reinforce the awareness of the "Huiyin" and "Huiyin Lehu • Global Community" brand in target market through traditional business, as well as e-commerce and import merchandise business. The integration and interplay between online and offline business will bring about more convenience to residents and promote our smart community life service strategy. Through these strategies, the board (the "Board") of directors (the "Directors") believes 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 Group's business development, and recovery in the household appliances consumer market, the Group's revenue was approximately RMB681.9 million, representing an increase of 8.2% from approximately RMB630.1 million for the same period of 2016.

Turnover of the Group comprises revenues by operation as follows:

	Six months ended 30 June			
	2017		2016	
	RMB'000		*RMB'000*	
Sales from traditional business				
– Retail	**143,104**	**21.0%**	150,770	23.9%
– Bulk distribution	**206,530**	**30.3%**	155,830	24.7%
Sales from e-commerce and Import merchandise business	**325,926**	**47.8%**	318,430	50.5%
Rendering of services	**6,302**	**0.9%**	5,035	0.8%
Total revenue	**681,862**	**100.0%**	630,065	100.0%

Cost of sales

Cost of sales decreased by approximately 5.1% from RMB602.3 million for the six months ended 30 June 2016 to RMB571.6 million for the six months ended 30 June 2017, primarily due to an increase in rebate received from suppliers as deductions to cost of sales.

Gross profit

Our gross profit increased by approximately 296.8% from RMB27.8 million for the six months ended 30 June 2016 to RMB110.2 million for the six months ended 30 June 2017.

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Traditional business	**20.6%**	0.7%
E-commerce and import merchandise business	**10.8%**	7.0%
Maintenance and installation services	**66.8%**	64.4%
Overall	**16.2%**	4.4%

During the period under review, the gross profit margin of the traditional business increased, which was primarily due to recovery in the household appliances consumer market.

Other income

During the period under review, the Group recorded other income of approximately RMB17.6 million, representing an increase from approximately RMB4.4 million for the same period in 2016, which is mainly due to the increase in the sales of membership, income from suppliers on promotion activities and government subsidy.

Other losses

During the period under review, the Group recorded other losses of approximately RMB49,000, representing a decrease from approximately RMB378,000 for the same period in 2016.

Selling and marketing expenses

During the period under review, the Group's total selling and marketing expenses amounted to approximately RMB89.3 million, representing an increase from approximately RMB71.2 million for the same period in 2016, which is mainly due to the increase of employee benefit expenses resulting from the rapid expansion of e-commerce and import merchandise business.

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

	Six months ended 30 June	
	2017	2016
Employee benefit expenses	**4.70%**	3.02%
Service charges	**0.17%**	0.11%
Operating lease expenses in respect of buildings and warehouses	**2.55%**	2.98%
Promotion and advertising expenses	**1.80%**	1.77%
Depreciation and amortisation	**0.84%**	1.37%
Utilities and telephone expenses	**0.51%**	0.50%
Transportation expenses	**0.54%**	0.62%
Travelling expenses	**0.10%**	0.13%
Others	**1.89%**	0.79%
Total selling and marketing expenses	**13.10%**	11.30%

Administrative expenses

During the period under review, the Group's total administrative credit amounted to approximately RMB9.5 million, while expenses approximately RMB166.6 million for the same period of 2016, which was mainly due to the reversal of provision for impairment on prepayment to suppliers, and the decrease of share option expenses and impairment provision on rebate receivable from suppliers.

The following table sets out a summary for administrative expenses:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Employee benefit expenses	**16,155**	18,211
Share option expenses	**—**	44,832
Operating lease expenses in respect of buildings	**614**	1,767
Utilities and telephone expenses	**723**	738
Travelling expenses	**1,677**	2,236
Auditors' remuneration	**1,763**	1,500
Consulting expenses	**625**	94
Amortisation and depreciation	**4,819**	4,492
(Reversal)/accrual of provision for impairment on prepayment to and rebate receivable from suppliers	**(40,743)**	87,112
Others	**4,886**	5,614
Total administrative expenses	**(9,481)**	166,596

The Group enters into agreement with various suppliers whereby the Group is entitled to inventory purchase rebates primarily upon achievement of specified volume purchasing levels. The Group assesses the entitled supplier rebates as earned, and adjusts them by taking into consideration of the estimated recoverability based on the historical settlement record and the future purchase plan of the Group from these suppliers. The provision for impairment on receivables was mainly due to making of certain provision for advance payment to and rebates receivable from suppliers after taking into account of the financial position of upstream companies in the industry and collectability of the receivables. During the period under review, the group reversed provision of RMB40,743,000 for advance payment to a supplier upon receipt of repayment of the advance payment subsequently as that supplier had not fulfilled the Group's orders for merchandise.

Further details on the accruals of rebates from suppliers and provision for supplier rebates receivable are set out in the paragraph headed "Key Audit Matters – Accruals of rebates from suppliers and provision for supplier rebates receivable" in the independent auditor's report, and note 4(a) headed "Accruals of rebates from suppliers and provision for supplier rebates receivable" in the annual report for the year ended 31 December 2016 of the Group.

The share option expenses incurred by the Group for the six months ended 30 June 2016 was due to the share options granted to eligible participants based on the demand of human resources for the rapid expansion of smart community and e-commerce business, under share option schemes launched on 14 May 2015 and 22 December 2015.

Operating profit/(loss)

Profit from operations was approximately RMB47.9 million for the six months ended 30 June 2017, while there was an operating loss amounting to approximately RMB205.9 million for the same period in 2016.

Finance costs – net

During the period under review, the Group's net finance costs was approximately RMB16.2 million, representing a decrease from approximately RMB20.7 million for the six months ended 30 June 2016.

Share of loss of a joint venture

During the six months ended 30 June 2017, share of loss of a joint venture was share of loss of Jiangsu Huisheng Supply Chain Management Co., Ltd. (江蘇滙晟供應鏈管理有限公司) ("Huisheng"). On 22 January 2017, Yangzhou Huiyin Technology Group Co., Ltd. (揚州滙銀科技集團有限公司) ("Yangzhou Huiyin"), an indirectly owned subsidiary of the Company, together with Yangzhou Maikensu Investment Partnership (揚州麥肯蘇投資合夥企業), a limited partnership established in the PRC and a non-controlling interest party of certain indirectly owned subsidiaries of the Company, and Jinjia Asset Management Co., Ltd. (金甲資產管理有限公司), an independent third party limited liability company established in the PRC, set up Huisheng in Nanjing, Jiangsu Province. During the six months ended 30 June 2017, Huisheng has a net loss of RMB2.9 million and the Group recognised share of loss of Huisheng of RMB1.6 million.

During the six months ended 30 June 2016, the share of loss of a joint venture amounting to RMB1.1 million was share of loss of Yangzhou Huiyin Real Estate Co., Ltd. ("Huiyin Real Estate"), which had become 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 owned by Huiyin Real Estate. On 27 January 2016, the co-operation agreement was terminated and the assets, liabilities and financial results of Huiyin Real Estate had been consolidated in the financial statement of the Group since then. Before the termination of the co-operation agreement, the Group recognized the share of profit and loss of Huiyin Real Estate by applying equity method, and the loss of Huiyin Real Estate was mainly due to the interest expense from borrowing owed to the Group, which became intra-group charges thereon.

On 16 December 2016, the Group entered into an equity transfer agreement, pursuant to which the Group sold and transferred all the equity interest held in Huiyin Real Estate to a third party. Upon completion of this transaction, Huiyin Real Estate ceased to be a subsidiary of the Group.

Share of loss of associates

During the first half of 2017, the share of loss of an associate amounting to RMB11,000 (Six months ended 30 June 2016: RMB183,000) was share of loss of Taixing Shengshi Huazhang Electronic Sales Co., Ltd. ("Huazhang"), which is an associate set up by Yangzhou Shengshi Xinxing Electronic Sales Co., Ltd., an indirectly owned subsidiary of the Company, together with 2 third party companies on 29 September 2014. The Group recognized the share of profit and loss of Huazhang by applying equity method.

Profit/(loss) before income tax

During the period under review, the profit before income tax was approximately RMB30.1 million, while there was loss of approximately RMB228.0 million for the same period of 2016.

Income tax

During the period under review, the Group's income tax expense was approximately RMB14.1 million, representing 46.7% of the profit before income tax, while there was income tax expense of approximately RMB28.1 million, representing 12.3% of the loss before income tax for the same period of 2016.

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

The Group's profit attributable to equity holders for the period under review was approximately RMB22.4 million, while there was loss attributable to equity holders of approximately RMB244.1 million for the same period in 2016.

Cash and cash equivalents

As at 30 June 2017, the Group's cash and cash equivalents were approximately RMB51.8 million, representing a decrease of 67.4% from approximately RMB159.1 million at the end of 2016.

Inventories

As at 30 June 2017, the Group's inventories amounted to approximately RMB250.5 million, representing an increase from RMB228.5 million at the end of 2016.

Prepayments, deposits and other receivables

As at 30 June 2017, prepayments, deposits and other receivables of the Group amounted to approximately RMB709.8 million, representing an increase from approximately RM499.8 million at the end of 2016, which was mainly due to the increase of advance payments to suppliers as a result of the recovery of domestic household appliances consumer market.

Trade and bills receivables

As at 30 June 2017, trade and bills receivables of the Group amounted to approximately RMB84.5 million, representing an increase of 23.4% from approximately RMB68.5 million at the end of 2016, which was mainly due to the recovery of domestic household appliance market.

Trade and bills payables

As at 30 June 2017, trade and bills payables of the Group amounted to approximately RMB491.7 million, representing a decrease of 42.2% from approximately RMB850.9 million at the end of 2016, which was mainly due to the decrease of bills payable.

Gearing ratio and the basis of calculation

As at 30 June 2017, gearing ratio of the Group was 43.6%, representing a decrease from 48.1% as at 31 December 2016. The gearing ratio equals 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 RMB26.1 million, representing an increase from approximately RMB4.7million for the same period in 2016, which is mainly due to the investment in a joint venture.

Cash flows

During the period under review, net cash outflow from operating activities of the Group amounted to approximately RMB132.5 million as compared to approximately RMB189.7 million for the same period in 2016. The lower net cash outflow was mainly due to the better control in the working capital compared with the same period in 2016.

Net cash outflow from investing activities amounted to approximately RMB38.3 million, while there was net cash inflow from investing activities amounted to approximately RMB2.3 million for the same period in 2016, which was mainly due to increase of available for sale financial assets and investment in a joint venture.

Net cash inflow from financing activities amounted to approximately RMB63.5 million, as compared to approximately RMB427.9 million for the same period in 2016, which was mainly due to the decrease of proceeds from advance of subscription of new shares and advance from third parties. On 30 June 2016, the Group entered into a subscription agreement upon which the Group agreed to allot and issue an aggregate of 262,000,000 new shares to a third party at the subscription price of HK$0.80 per subscription share. On 12 July 2016, the conditions of the subscription agreement were fulfilled and the subscription was completed.

Liquidity and financial resources

During the period under review, the Group's working capital, capital expenditure and cash for investment were funded from cash on hand, bank borrowings, and proceeds from issuance of ordinary shares. As at 30 June 2017, the interest-bearing borrowings of the Group amounted to RMB311.3 million, representing a decrease from RMB312.4 million as at 31 December 2016.

Pledging of assets

As at 30 June 2017, the Group's pledged bank deposits amounted RMB262.0 million. Certain land use rights, buildings and investment properties with a total net book amount of RMB167.8 million had been pledged.

Contingent liabilities

As at 30 June 2017, the Group had no contingent liability which has not been properly accrued for except for certain unfounded legal claims which the Group does not expect to incur any significant loss.

Foreign currencies and treasury policy

All the Group's income and the majority of its expenses were denominated in Renminbi. During the year, the Group has not entered into any forward contracts to hedge its exposure to foreign exchange risks. The Group does not have a foreign currency hedging policy. However, the directors monitor the Group's foreign exchange exposure closely and may, depending on the circumstances and trend of foreign currencies, consider adopting appropriate foreign currency hedging policy in the future.

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 2017, 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 2017)** *(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 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 2017, the Group had 1,285 employees, increased by 12.9% from 1,138 at the end of 2016.

INTERIM DIVIDEND

The Board of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2017.

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 2017 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 board should attend the annual general meeting. Mr. Cao Kuanping, the chairman of the board of the Company was unable to attend the annual general meeting of the Company held on 31 May 2017 due to his commitment for the Company's business and Mr. Wang Zhijin, executive Director, has acted as the chairman of the annual general meeting.

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 review of the unaudited interim report for the six months ended 30 June 2017. 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 2017.

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 2017.

EVENT AFTER THE REPORTING PERIOD

As stated in the announcement of the Company dated 4 August 2017, an aggregate of 339,100,000 subscription shares have been successfully issued and allotted at the subscription price of HK$0.81 per subscription share. The net proceeds from the subscription amounted to approximately HK$274.4 million and will be used as general working capital of the Group and for development of the existing business of the Group.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The 2017 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, 25 August 2017

As at the date of this announcement, the Board of Directors of the Company comprises four executive Directors, namely Mr. Cao Kuanping, Mr. Mo Chihe, Mr. Wang Zhijin and Mr. Lu Chaolin; two non-executive Directors, namely Mr. Song Liwu and Mr. Wang Cai; and three independent non-executive Directors, namely Mr. Zhou Shuiwen, Mr. Tam Chun Chung and Mr. Lo Kwong Shun Wilson.