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 2018

HIGHLIGHTS

1. Revenue was approximately RMB568.1 million, representing a decrease of 16.7% from approximately RMB681.9 million for the first half of 201.7

2. Gross profit decreased by approximately 67.1% from RMB110.2 million to RMB36.3 million.

3. Gross profit margin in the first half of 2018 was 6.4% (16.2% for the same period in 2017).

4. Loss of the Group for the first half of 2018 was approximately RMB91.7million, while profit of the Group was approximately RMB16.0 million for the same period in 2017.

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 2018 together with the comparative figures for the corresponding period in 2017. 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 2018 and the condensed consolidated balance sheet as at 30 June 2018 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 2018 which have not been audited.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2018** *RMB'000*	Audited 31 December 2017 *RMB'000*
ASSETS			
Non-current assets			
Land use rights		**26,294**	27,740
Property, plant and equipment		**179,580**	183,377
Investment properties		**5,235**	5,235
Intangible assets		**785**	851
		211,894	217,203
Current assets			
Inventories		**226,383**	257,977
Trade and bills receivables	5	**44,923**	39,842
Prepayments, deposits and other receivables		**138,395**	165,607
Restricted bank deposits		**116,424**	278,350
Cash and cash equivalents		**111,989**	56,496
		638,114	798,272
Total assets		**850,008**	1,015,475
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**16,766**	13,739
Reserves		**(108,654)**	(212,033)
		(91,888)	(198,294)
Non-controlling interests in equity		**24,213**	28,756
Total equity		**(67,675)**	(169,538)

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

	Note	**Unaudited 30 June 2018 *RMB'000***	Audited 31 December 2017 *RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings		**7,158**	7,062
		7,158	7,062
Current liabilities			
Trade and bills payables	6	**302,454**	683,732
Accruals and other payables		**519,339**	308,645
Borrowings		**34,500**	131,289
Current income tax liabilities		**672**	725
Contingent consideration liabilities		**53,560**	53,560
		910,525	1,177,951
Total liabilities		**917,683**	1,185,013
Total equity and liabilities		**850,008**	1,015,475

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Revenue	7	**568,071**	681,862
Cost of sales		**(531,775)**	(571,632)
Gross profit		**36,296**	110,230
Other income		**8,994**	17,600
Other losses— net		**(632)**	(49)
Selling and marketing expenses		**(75,679)**	(89,325)
Administrative expenses		**(56,709)**	9,481
Operating profit		**(87,730)**	47,937
Finance income		**590**	4,168
Finance costs		**(3,405)**	(20,358)
Finance costs — net		**(2,815)**	(16,190)
Share of loss of a joint venture		**(806)**	(1,603)
Share of loss of associates		**—**	(11)
Profit/(loss) before income tax		**(91,351)**	30,133
Income tax expense	8	**(346)**	(14,086)
Profit/(loss) for the period		**(91,697)**	16,047
Attributable to:			
– Equity holders of the Company		**(87,154)**	22,436
– Non-controlling interests		**(4,543)**	(6,389)
		(91,697)	16,047
Earnings/(loss) per share for profit attributable to equity holders of the Company (expressed in RMB cents per share)			
– Basic	9	**(3.43)**	1.31
– Diluted	9	**(3.43)**	1.10
Dividends	10	**—**	—

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Profit/(loss) for the period	**(91,697)**	16,047
Other comprehensive income or loss	**—**	—
Total comprehensive profit/(loss)for the period	**(91,697)**	16,047
Attributable to:		
– Equity holders of the Company	**(87,154)**	22,436
– Non-controlling interests	**(4,543)**	(6,389)
	(91,697)	16,047

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 mainly engaged in the retail of household appliance, import merchandise and provision of maintenance and installation services for household appliances in the People's Republic of China (the "PRC").

The shares of the Company ("Shares") were listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 25 March 2010. On 26 March 2018, trading of the Shares of the Company were suspended on the Stock Exchange.

2 BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 June 2018 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 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

2 BASIS OF PREPARATION *(continued)*

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 20 February 2019.

These condensed consolidated interim financial statements have not been audited.

Going Concern

The Group incurred a net loss attributable to the equity holders of the Company of RMB87,153,610 and had a net operating cash outflow of RMB306,749,896 for the year ended 30 June 2018. As at the same date, the Group's current liabilities exceeded its current assets by RMB272,410,991. In view of these conditions the Group has undertaken a number of measures to improve its liquidity and insolvency:

(i) From January to March 2018, the Group successfully raised RMB200 million new funds through issuance of new shares of the Company to several individuals;

(ii) Between the period of January 2018 and January 2019, the Group obtained new borrowings totaled approximately RMB441 million from certain third parties and related parties for a period of two years, which will be due for repayment in 2020;

(iii) Up to the date of approval of this condensed consolidated interim financial statement, the Group has repaid bank borrowings of RMB93,289,000, while the remaining bank borrowings amounted to RMB30 million and RMB8 million have been renewed for one year with scheduled repayment dates in August 2019 and October 2019 respectively;

(iv) In January 2019, the Group secured a financial support arrangement from 重慶聖商信息科技有限公司 ("重慶聖商"), the parent company of the single largest shareholder of the Company, under which 重慶聖商 has undertaken that it would provide working capital loans for a maximum amount of RMB200 million to the Group as and when necessary to meet its working capital and other needs.

2 BASIS OF PREPARATION *(continued)*

Management has prepared a cashflow projection of the Group that covered a twelve months period from the date of approval of these condensed consolidated interim financial statements, fully taking into account of the reasonably possible adjustments to the scope and size of its business operations, which shows that the Group has adequate resources to continue in normal operation. The Group therefore continues to adopt the going concern basis in preparing these condensed consolidated interim financial statements. Further details of the borrowings of the Group are set out in note 19.

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements, except for the adoption of amendments to HKFRSs effective for the financial year beginning on 1 January 2018.

(a) New amendments and interpretation of HKFRSs mandatory for the financial year beginning on 1 January 2018 that are relevant to the Group's operations:

- HKFRS 9 "Financial instruments"

- HKFRS 15 "Revenue from Contracts with Customers"

The adoption of the above new standard, amendments and improvements beginning on 1 January 2018 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 2018.

3 ACCOUNTING POLICIES *(continued)*

(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 2018 and have not been early adopted by the Group:

- 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)

- HKFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019)

- HKFRS 23 "Uncertainty over Income Tax Treatments" (effective for annual periods beginning on or after 1 January 2018)

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 2018. 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.

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, including the results from sales of household appliances.

- New retail business, including the results from sales of import merchandise and general merchandise.

4 SEGMENT INFORMATION *(continued)*

Other operations of the Group mainly comprise provision of maintenance and installation services to customers. The unaudited segment results for the six months ended 30 June 2018 are as follows:

	Traditional business *RMB'000*	New retail business *RMB'000*	All other segments *RMB'000*	Unallocated *RMB'000*	Group *RMB'000*
Segment revenue	503,001	79,229	18,902	198	601,330
Inter-segment revenue	(33,259)	—	—	—	(33,259)
Revenue from external customers	469,742	79,229	18,902	198	568,071
Operating profit/(loss)	(52,006)	(22,892)	(4,825)	(8,007)	(87,730)
Finance costs - net					(2,815)
Share of loss of a joint venture					(806)
Share of loss of associates					—
Profit before income tax					(91,351)
Income tax expense					(346)
Profit for the period					(91,697)
Other segment items are as follows:					
Capital expenditure	1,381	414	11	—	1,806
Depreciation charge	3,689	957	104	—	4,750
Amortisation charge	981	1,119	9	—	2,109

4 SEGMENT INFORMATION *(continued)*

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

	Traditional business *RMB'000*	New retail business *RMB'000*	All other segments *RMB'000*	Unallocated *RMB'000*	Group *RMB'000*
Segment revenue	600,503	153,237	3,628	—	757,368
Inter-segment revenue	(75,506)	—	—	—	(75,506)
Revenue from external customers	524,997	153,237	3,628	—	681,862
Operating profit/(loss)	94,660	(44,959)	(1,764)	—	47,937
Finance costs – net					(16,190)
Share of loss of a joint venture					(1,603)
Share of loss of an associate					(11)
Loss before income tax					30,133
Income tax expense					(14,086)
Loss for the period					16,047
Other segment items are as follows:					
Capital expenditure	23,707	2,325	47	17,700	26,079
Depreciation charge	8,171	1,137	56	—	9,364
Amortisation charge	1,085	88	—	—	1,173

Unallocated mainly represented the expenses incurred by the Group, such as reversal of impairment for prepayment to an oversea supplier, 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 and intangible assets.

4 SEGMENT INFORMATION *(continued)*

Unaudited segment assets and liabilities as at 30 June 2018 are as follows:

	Traditional business *RMB'000*	**New retail business** *RMB'000*	**All other segments** *RMB'000*	**Group** *RMB'000*
2018				
Segment assets	**442,624**	**108,614**	**14,791**	**566,029**
Unallocated assets				**283,979**
Total assets				**850,008**
Segment liabilities	**551,146**	**189,813**	**53,801**	**794,760**
Unallocated liabilities				**122,923**
Total liabilities				**917,683**

The audited segment assets and liabilities as at 31 December 2017 are as follows:

	Traditional business *RMB'000*	New retail business *RMB'000*	All other segments *RMB'000*	Group *RMB'000*
2017				
Segment assets	648,069	72,621	11,327	732,017
Unallocated assets				283,458
Total assets				1,015,475
Segment liabilities	878,073	63,067	10,459	951,599
Unallocated liabilities				233,414
Total liabilities				1,185,013

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, available for sale financial assets, deferred tax assets, restricted bank deposits pledged for bank borrowings, amount due from a third party for disposal of a subsidiary 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
	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**40,682**	38,151
Less: Provision for impairment	**(14,253)**	(14,253)
Trade receivables, net	**26,429**	23,898
Bills receivable	**18,494**	15,944
Trade and bills receivables, net	**44,923**	39,842

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
	2018	2017
	RMB'000	*RMB'000*
0 - 30 days	**7,306**	16,877
31 - 90 days	**3,847**	3,776
91 - 365 days	**28,072**	3,245
1 year - 2 years	**29**	12,332
2 years - 3 years	**4**	1,059
Over 3 years	**1,424**	862
Total	**40,682**	38,151

As at 30 June 2018, all trade and bills receivables were dominated in RMB, and their carrying amounts approximated their fair values. Also, the maximum exposures of the Group to credit risk from trade and bills receivables 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
	2018	2017
	RMB'000	*RMB'000*
Trade payables	**83,544**	197,782
Bills payable	**218,910**	485,950
Total	**302,454**	683,732

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
	2018	2017
	RMB'000	*RMB'000*
0 - 30 days	**38,979**	133,211
31 - 90 days	**5,364**	22,259
91 - 365 days	**31,890**	38,667
1 year - 2 years	**6,811**	2,459
2 years - 3 years	**—**	253
Over 3 years	**500**	933
	83,544	197,782

The trade and bills payables were denominated in RMB and their carrying amounts approximate their fair values as at 30 June 2018.

As at 30 June 2018, restricted bank deposits of RMB116,424,000 (31 December 2017: RMB145,660,000) had been pledged as collateral for the Group's bank acceptance bills of RMB218,910,000 (31 December 2017: RMB344,040,000).

7 REVENUE

Turnover of the Group comprises revenues recognised as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Sales of goods		
– Traditional business	**469,742**	524,997
– New retail channels	**79,229**	153,237
	548,971	678,234
Rendering of services		
– Maintenance and installation service	**19,100**	3,628
Total revenue	**568,071**	681,862

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
PRC enterprise and withholding income taxes		
– Current income tax	**346**	11,948
– Deferred income tax (Note 10)	**—**	2,138
	346	14,086

(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 2018 (six months ended 30 June 2017: Nil).

(b) PRC enterprise income tax

Under the Corporate Income Tax Law of the PRC, the enterprise income tax rate applicable to the Group's subsidiaries located in mainland China is 25%.

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	
	2018	2017
Profit/(loss) attributable to equity holders of the Company (RMB'000)	**(87,154)**	22,436
Weighted average number of ordinary shares in issue (thousand)	**2,537,960**	1,718,860
Basic earnings/(loss) per share (RMB cents)	**(3.43)**	1.31

(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 consideration arising from business combination assuming it was settled by issuance of ordinary shares and exercise of share options granted under the Share Option Schemes.

9 EARNINGS/(LOSS)PER SHARE *(continued)*

(b) Diluted *(continued)*

	Six months ended 30 June	
	2018	2017
Profit/(loss) attributable to equity holders of the Company (RMB'000)	**(87,154)**	22,436
Weighted average number of ordinary shares in issue (thousand)	**2,537,960**	1,718,860
Adjustment for:		
– Settlement in ordinary shares for the contingent consideration arising from business combination (thousand)	**—**	90,723
– Exercise of share options granted under share option scheme (thousand)	**—**	231,680
Weighted average number of ordinary shares for diluted earnings/(loss) per share (thousand)	**2,537,960**	2,041,263
Diluted earnings/(loss) per share (RMB cents)	**(3.43)**	1.10

For the period ended 30 June 2018 and 31 December 2017, the impact of settlement in ordinary shares and exercise of the share options granted under the Share Option Scheme 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 2018 (six months ended 30 June 2017: nil).

MANAGEMENT DISCUSSION AND ANALYSIS MARKET REVIEW

MARKET REVIEW

From the perspective of economic cycle, there is a down fall in every 10-year cycle, such as the Asian financial turmoil in 1998 and the global financial crisis in 2008. In 2018, China's macroeconomic indicators have almost hit new lows with the macroeconomic environment experiencing a downturn.

In the first half of 2018, the risks and difficulties encountered by the global economy have increased significantly comparing with those in 2017. This includes the Sino-US trade wars which arose the concern all over the world. It has triggered slowdown in global major economies, surging inflation and the implementation of tight monetary policy. The European economies is still sluggish with the slow economic recovery in Japan. Apart from that, the performance of emerging market countries is siverse when some of them are under pressure from capital outflows. Financial markets were volatile, withe accumulated risks.

In the first half of 2018, according to the National Bureau of Statistics data, the GDP growth rate reached 6.8%, which was the same as the entire year last year, but there was slight decline in the nominal GDP growth rate. The Chinese government has launched a series of policies to maintain steady growth, promote reform, restructure, benefit people's livelihood and anti-risk, in the sake of economic transformation and upgrade. However, the external economic environment such as foreign trade is facing the unfavorable factors of increasing uncertainty.

In the first half of 2018, the environment of home appliance retail industry was affected by a series of factors such as the increase in raw material price, international trade situation and domestic consumption upgrade. The home appliance market was not calm at all, experiencing continuous impact on the market scale by the increase in price, the decrease in price and the shape falling of the sales volume. Meanwhile, there is a large variety of retail products and the market share of each integrated e-commerce is gradually expanding under the impetus of capital, making it difficult to obtain new customer flow via innovating new products. The development of retail business tends to be consumer-centric, focusing on producing unique products and service combination for the customers. It is also relying on the comprehensive interpretation of consumers with big data, artificial intelligence as a technical support for accurate marketing and positioning. In short, new retail business is evolving into a new consumption pattern.

BUSINESS REVIEW

Trading of the Company's shares has been suspended since 26 March 2018.

Integrated business model

After more than twenty years of operation and development, the Company and its subsidaries (collectively the "Group") has gradually become the leading brand in the household appliances market in China's third- and fourth-tier cities. With the continuous maturity of China's commercial economy, home appliances have shifted from the seller's market to the buyer's market. In the past few years, the Group has been continuously seeking transformation and upgrading in emerging industries. In 2015, the Group started to engage in direct sales of cross-border imported goods and try out the new retail model withe online and offline activities synchronised. After the market verification in the two years from 2016 to 2017, the cost of marketing is high and the convergence of talents is difficult. As at 30 June 2018, the Group had a total of 38 self- operated stores, including 27 comprehensive stores, 3 branded retail stores and 8 imported product experience stores. As at 30 June 2018, the Group's total revenue was approximately RMB568.1 million, representing a decrease of 16.7% from approximately RMB681.9 million for the year ended 30 June 2017. The Group's loss as at 30 June 2018 was approximately RMB91.7 million, while a profit of approximately RMB16.0 million was recorded on 30 June 2017. As at 30 June 2018, gross profit margin fell to 6.4%, down 9.8% from that as at 30 June 2017.

Although the stores have been opened in second-tier cities such as Nanjing and Suzhou, the offline store network has expanded to the first-tier and second-tier cities. However, although the Group has made full use of its existing sales network and customer resources to rapidly promote the construction of a smart community life service platform and implement the "Internet Plus" thinking, the Group failed to achieve the expected results in promoting the integration and symbiosis of online and offline channels. A significant loss was recorded as at 30 June 2018 and the loss was attributable to the decrease in gross profit margin and the increase in expenses arising from the shrink in sales and decrease in gross profit margin.

Traditional home appliance retail business

In recent years, China has entered a historical period of consumption upgrade, and consumers are increasingly favoring high-end products with superior quality, fashionable exterior, energy-saving and environmentally-friendly characteristics. Home appliances have also become more functional, smarter and more personalized with smart home appliances becoming extremely important for improving the quality of life. Inverter air conditioners, drum washing machines, high- end refrigerators with side-by-side door and multiple doors, large-size flat-panel TVs and delicate kitchen appliances are becoming more and more popular. As the younger generation of consumers gradually become the main force of household appliance consumption, their consumption habits and changes in consumption patterns have also prompted the home appliance industry into the revolution in channel. Consumers pay more attention to the comfort, safety and the technological use in their daily life, and the demand for new and unique electronic products and intelligent electronic products is growing rapidly.

The Group still focuses its traditional home appliance business on high-growth markets in Jiangsu and Anhui provinces in the third-tier and fourth-tier cities. During the reporting period of this condensed comprehensive report, our Group actively optimizes product structure and flexibly adjusts product mix for different market needs. At the same time, the Group focuses on supply chain management and inventory management and maintains long-term relationships with home appliance manufacturers and dealers.

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.

Meanwhile, the Group continued to expand the connection between the "Huiyin Lehu" APP platform and the existing sales network, strengthening complement and interact with online and offline customers so as to increase market share and expand sales profitability. However, due to the overall macroeconomic downturn in 2018, as well as the high cost of the home appliance market and the increased share of the large integrated e-commerce market, the Group is still in the stage of transition. In short, the Group will further study the market dynamics with its own competitive advantages to build a solid foundation for business reform.

New retail business

In the past two years, China has introduced a series of incentives to encourage the development of cross-border e-commerce. Under the call of such national policy, the Group actively seeks and organizes various producers of different category as product service providers instead of procurement with agents so as to reduce the procurement costs and in turn, enhance the effectiveness of supply chain management. In terms of customers, the company adheres to the customer- oriented philosophy, consistently implements the membership system, which offers discounts and value-added services to members. Members can order online for cross-border commodity via "Huiyin Lehu" APP and participate in different types of promotions for members.

Since 2015, the Group has successively opened Huiyin Lehu imported goods experience base in Yangzhou City, Nanjing City, Nantong City, Taizhou City, Suzhou City and Hefei City and opened dozens of directly-managed stores and franchise stores. However, these stores are all capital-driven, and the high cost of money-leaking, leading to one of the main reasons for the serious losses in recent years.

As at 30 June 2018, the sales revenue of the cross-border commodity business was approximately RMB79.2 million, representing a decrease of 48.3% as compared with approximately RMB153.2 million as at 30 June 2017. The data shows that the scale of the Group's new retail business has no breakthrough but in a serious shrink.

However, from the perspective of the domestic macro and micro policies and market dynamics, the new retail business is evolving into new consumption pattern, changing into side of supply to demand. Consumption is an eternal sunrise industry. The difference lie on how the consumption is done and how to grasp the direction of the trend in the process of retail consumption revolution. The Group will summarize the past lessons and build the Group's unique business model together with the advantageous resources accumulated by the Group's major shareholder, Noble Trade International Holdings Limited (聖行國際集團有限公司) ("Noble Trade") in the new consumption flow for many years!

Client services: after-sales and logistics management

Offering of after-sales services is not only an important contributor to the continuous operation of businesses but also a competitive advantage of the Company. The Company offers a broad range of installation and maintenance services for household appliance products purchased from the Company or from other third party vendors and suppliers, which also provides satisfactory services and technical support for the Company's businesses.

In recent years, the Company has provided free maintenance services to its registered members, which has been widely welcomed and has helped to expand the number of members of the Company. By operating under an authorised arrangement with an independent third-party operator, the Group is able to expand the geographical coverage of after-sales customer service by using less capital investment and lowering operational risks. On June 30, 2018, the Company operated and managed 35 authorized service outlets to provide intimate and diversified after-sales maintenance services to customers in a wide range of areas.

In addition, the Company is committed to optimizing the logistics management of existing logistics networks, warehouses and distribution centers to cope with the growing business operations. In recent years, the Company has strengthened its information management and implemented real-time monitoring systems such as security systems, warehouse goods, and employee performance. At the same time, in addition to working with qualified third-party logistics providers, the Company has also established its own logistics team. The Company has installed GPS to improve the delivery process and online shopping experience maximally. The Company has integrated after-sales and logistics into a centralized platform to improve the efficiency and effectiveness of customer service management.

Diversified marketing and promotion strategies

With the diversification of the Company's business, the Company adopted a diversified marketing and promotion strategy for different business operations in different regions to adapt to the Company's business development and increase market share.

Through research, the Company found that the main driving force of the post-real estate industry is the replacement and upgrading of home appliances. The renewal cycle of big household appliances is generally 8 years to 10 years. The demand released for replacement after the peak of home appliance purchases under the consumption stimulus policy in 2009-2011 is an important engine for the growth of large home appliances such as air conditioner, refrigerator, washing machine, etc.

Therefore, on the one hand, the Company attracted community consumers through the old-for-new program for the community, free maintenance of home appliances, and free housekeeping in 2018. On the other hand, in terms of customer base expansion, the Company had achieved more accurate customer marketing and brand promotion strategies through electronic management of customer data. In addition, by upgrading the stores and optimizing the store layout and product structure, the Company achieved sales, management and service enhancements. The Company adopted a brand promotion strategy to flexibly deploy strategic store layouts in various regions.

Management information and office system integration and upgrade

On the one hand, the Group implements an information platform to comprehensively manage inventory, logistics and customer service systems. On the other hand, it integrates member management systems to analyze membership data and provides excellent services to its members. The mobile communication platform has also been used to optimize the customer experience and improve customer service efficiency.

The Group upgrades the OA paperless approval system, upgraded the financial integration management system; and added an integrated fund management and control system, the BI information management and control systems which will be on authorization, business, inventory, funds, settlement, budget and analysis. There is also the implementation of a convenience and efficient multi-dimensional mobile terminal management process on multi-level such as the chairman, CEO, CFO, CTO, internal audit, high-level, middle-level and base-level. As at the date of this consolidated interim report, the system is upgraded to 80% of the total process.

At the same time, the management conducts self-examination of the internal control design and implementation, establishes internal and external training groups, undergoes training and upgrades with staff regularly and irregularly in terms of corporate culture, internal control, and professional skills.

The Group intends to create a strong and competitive new Huiyin through the optimization and re-engineering of various procedures!

FINANCIAL REVIEW

Revenue

During the reporting period, the Group's revenue was approximately RMB568.1 million, representing a decrease of 16.7% from approximately RMB681.9 million for the same period in 2017.

Turnover of the Group comprises revenues by operation as follows:

	Six months ended 30June			
	2018		2017	
	RMB'000		*RMB'000*	
Sales from traditional business	**469,742**	**82.7%**	524,997	77.0%
New retail business	**79,229**	**14.0%**	153,237	22.5%
Rendering of services	**19,100**	**3.3%**	3,628	0.5%
Total revenue	**568,071**	**100.0%**	681,862	100.0%

Cost of sales

Cost of sales decreased by approximately 7.0% from RMB571.6 million for the six months ended 30 June 2017 to RMB531.8 million for the six months ended 30 June 2018, primarily due to a decrease in sales volume.

Gross profit

The gross profit decreased by approximately 67% from RMB110.2 million for the six months ended 30 June 2017 to RMB36.3 million for the six months ended 30 June 2018.

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

	Six months ended 30 June	
	2018	2017
	RMB'000	**RMB'000**
Traditional business	**7.2%**	18.5%
New retail business	**4.4%**	8.3%
Maintenarce and installation services	**-6.7%**	18.3%
Total revenue	**6.4%**	16.2%

During the reporting period, the gross profit margin of the traditional business decreased, which was primarily due to intensify of the competition in the home appliance consumer market.

Other income

During the reporting period, the Group recorded other income amounted to approximately RMB9.0 million, representing a decrease by approximately 48.9% from approximately RMB17.6 million for the same period in 2017, which is mainly due to the decrease in other income from ancillary services caused by the decrease in the sales volume.

Other losses

During the reporting period, the Group recorded other losses of approximately RMB0.6 million (for the same period in 2017: approximately RMB0.05 million).

Selling and marketing expenses

During the reporting period, the Group's total selling and marketing expenses amounted to approximately RMB75.7 million, representing a decrease from approximately RMB89.3 million for the same period in 2017, which was mainly due to the decrease in sales volume.

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

	Six months ended June 30	
	2018	2017
Employee benefit expenses	**4.86%**	4.70%
Service charges	**0.17%**	0.17%
Operating lease expenses in respect of buildings and warehouses	**2.69%**	2.55%
Promotion and advertising expenses	**0.88%**	1.80%
Depreciation and amortisation	**0.01%**	0.84%
Utilities and telephone expenses	**0.77%**	0.51%
Transportation expenses	**0.72%**	0.54%
Travelling expenses	**0.13%**	0.10%
Others	**3.11%**	1.89%
Total selling and marketing expenses	**13.32%**	13.10%

Administrative expenses

During the reporting period, the Group's total administrative credit amounted to approximately RMB56.7 million, while expenses of approximately RMB9.5 million for the same period of 2017, which was mainly due to the reversal of provision for impairment on prepayment to suppliers of RMB40.7 million before 30 June 2017, and there was no such occurrence before 30 June 2018.

The following table sets out a summary for administrative expenses:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Employee benefit expenses	**15,089**	16,155
Operating lease expenses in respect of buildings	**—**	614
Utilities and telephone expenses	**2,401**	723
Travelling expenses	**1,045**	1,677
Auditor's remuneration	**6,609**	1,763
Consulting expenses	**15**	625
Amortization and depreciation	**8,304**	4,819
(Reversal)/accrual of provision for impairment on prepayment to and rebate receivable from suppliers	**—**	(40,743)
Others	**23,246**	4,886
Total administrative expenses	**56,709**	(9,481)

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.

Operating profit/(loss)

For the six months ended 30 June 2018, the operating loss was approximately RMB87.7 million and the operating profit for the same period in 2017 was approximately RMB47.9 million.

Finance costs – net

During the reporting period, the Group's net finance costs was approximately RMB2.8 million, representing a decrease by 82.6% from approximately RMB16.2 million of net finance costs for the six months ended ended 31 December 2017, mainly due to the significant decrease in bank borrowings.

Share of loss of a joint venture

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 wholly-owned subsidiary of the Group, together with Jinjia Asset Management Co., Ltd. (金甲資產管理有限公司) ("Jinjia"), a limited liability company established in the PRC, set up Jiangsu Huisheng Supply Chain Management Co., Ltd. (江蘇滙晟供應鏈管理有限公司) ("Huisheng"), accounting for 55% of the equity interest.

The registered capital of Huisheng is RMB50,000,000, of which Yangzhou Huiyin has contributed a total of RMB27,500,000 in cash in proportion in the year ended 31 December 2017. The main business of Huisheng is supply chain management services.

During the period from 22 January 2017 to 31 December 2017, Huisheng has a net loss of RMB60,738,000 and the Group recognized share of net loss of Huisheng of RMB27,500,000 which reduced its investment to zero. As a result, the loss of Huisheng was no longer shared starting from 30 June 2018.

Share of loss of an associate company

The Group has the following associated companies:

(i) As the business operations in Taixing Shengshi Huazhang Electronics Sales Co., Ltd. (泰興市盛世華章電器銷售有限公司) ("Huazhang") had become inactive since September 2017, management of the Group assessed that the likelihood for the recoverability of the Group's investment is remote and therefore the Group further recognised an impairment charge of RMB812,000 to fully provide for its investment exposure in Huazhang on 31 December 2017. As a result, there was no share of the loss of the associate company Huazhang as at 30 June 2018.

(ii) On 5 December 2016, Yangzhou Huiyin together with a third-party company set up Nanjing Ruihu Electronic Commercial Technology Co., Ltd. (南京瑞虎電子商務科技有限公司) ("Ruihu") in Nanjing, Jiangsu Province, the PRC. Ruihu has registered capital of RMB200,000,000 of which Yangzhou Huiyin has agreed to subscribe for 49% of the equity interest. The Group has not contributed any capital into Ruihu as at 30 June 2018. As the operation of Ruihu is inactive for the year ended 30 June 2018, the Group's share of Ruihu's result for the year was immaterial.

Profit/(Loss) before income tax

During the reporting period, the loss before income tax was approximately RMB91.4 million, while there was profit before tax of approximately RMB30.1 million for the same period of 2017, mainly due to the decrease in the sales volume as of 30 June 2018 comparing to the same period of 2017, and the reversal of provision for impairment on prepayments to suppliers of RMB40.7 million before 30 June 2017.

Income tax

During the reporting period, the Group's income tax expense was approximately RMB0.3 million, representing 0.4% of the loss before income tax, while there was income tax expense of approximately RMB14.1 million, representing 46.8% of the profit before income tax for the same period of 2017.

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

During the reporting period, the loss attributable to equity holders of the Group was approximately RMB87.2 million, while there was profit attributable to equity holders of approximately RMB22.4 million for the same period of 2017.

Cash and cash equivalents

As at 30 June 2018, the Group's cash and cash equivalents were approximately RMB112.0 million, representing an increase of 98.2% from approximately RMB56.5 million as at 31 December 2017, mainly due to the financial support of our substantial shareholder, Noble Trade Group and the issue of Shares.

Inventories

As at 30 June 2018, the Group's net inventories amounted to approximately RMB226.4 million, representing an decrease of 12.3% from approximately RMB258.0 million as at 31 December 2017, mainly due to the decrease in the sales volume.

Prepayments, deposits and other receivables

As at 30 June 2018, prepayments, deposits and other receivables of the Group amounted to approximately RMB138.4 million, representing a decrease of 16.4% from approximately RMB165.6 million as at 31 December 2017, which was mainly due to the decrease of prepayments to the supplier.

Trade receivables and bills receivables

As at 30 June 2018, trade receivables and bills receivables of the Group amounted to approximately RMB44.9 million, representing an increase of 12.8% from approximately RMB39.8 million as at 31 December 2017, which was mainly due to the increase of bills receivables.

Trade payables and bills payables

As at 30 June 2018, trade payables and bills payables of the Group amounted to approximately RMB302.5 million, representing a decrease of 55.8% from approximately RMB683.7 million as at 31 December 2017, which was mainly due to the decrease of bills payable.

Gearing ratio and the basis of calculation

As at 30 June 2018, gearing ratio of the Group was 108.0%, representing a decrease from 116.7% as at 31 December 2017. The gearing ratio is equal to total borrowings divided by the sum of total equity and total borrowings.

Capital expenditure

During the reporting period, capital expenditure of the Group amounted to approximately RMB1.8 million, representing a significant decrease from approximately RMB26.1 million for the same period in 2017, which is mainly due to the decrease in foreign investment.

Cash flows

During the reporting period, net cash outflow from operating activities of the Group amounted to approximately RMB306.8 million, as compared to RMB132.5 million for the same period of 2017. The higher net cash outflow was mainly due to the decrease in the size of operation and the decrease of gross profit margin.

Net cash outflow from investing activities amounted to approximately RMB1.8 million, while there was net cash outflow from investing activities amounted to approximately RMB38.3 million for the same period in 2017, which was mainly due to the decrease in investing activities.

Net cash inflow from financing activities amounted to approximately RMB364.1 million, as compared to approximately RMB63.5 million for the same period in 2017, which was mainly due to the increase of proceeds from subscription of new shares and advance from third parties.

Liquidity and financial resources

During the reporting period, the Group's working capital, capital expenditure and cash for investment were funded from cash on hand, bank borrowings and proceeds from issue of ordinary shares. As at 30 June 2018, the interest-beaning borrowings of the Group amounted to RMB34.5million, representing a significant decrease from RMB131.3 million as at 31 December 2017.

Pledging of assets

As at 30 June 2018, the Group's pledged bank deposits amounted to RMB116.4 million. Certain land use rights, buildings and investment properties with a total net book value of RMB133.0 million had been pledged.

Contingent liabilities

As at 30 June 2018, the Group had no contingent liability which has not been properly provided 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 risk. The Group has no foreign reentry 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.

EMPLOYMENT AND REMUNERATION POLICY

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

HUMAN RESOURCES

As at 30 June 2018, the Group had 955 employees, increased by 4.9% from 910 at the end of 2017.

OUTLOOK

In the second half of 2018, challenges will remain for the global economy with the domestic economy also facing the downward pressure. Retail business will continue to face significant operational pressures and the consumer market will be in the shift of growth mode and structural integration.

In terms of the Group's new retail cross-border commodity business, even though it has opened dozens of stores with 3-year of layout and settlement, after in-depth streamlining of the Group, these stores are all capital-driven in the money-leaking mode and there are too much efforts and economic resources invested in for expanding and promoting the market and attracting talents in the past few years. There is uncertainty in terms of short-term losses, profitability expectations, sustainability and prospect. Thus, the Group's principal business strategy for this business sector will be to reduce the loss.

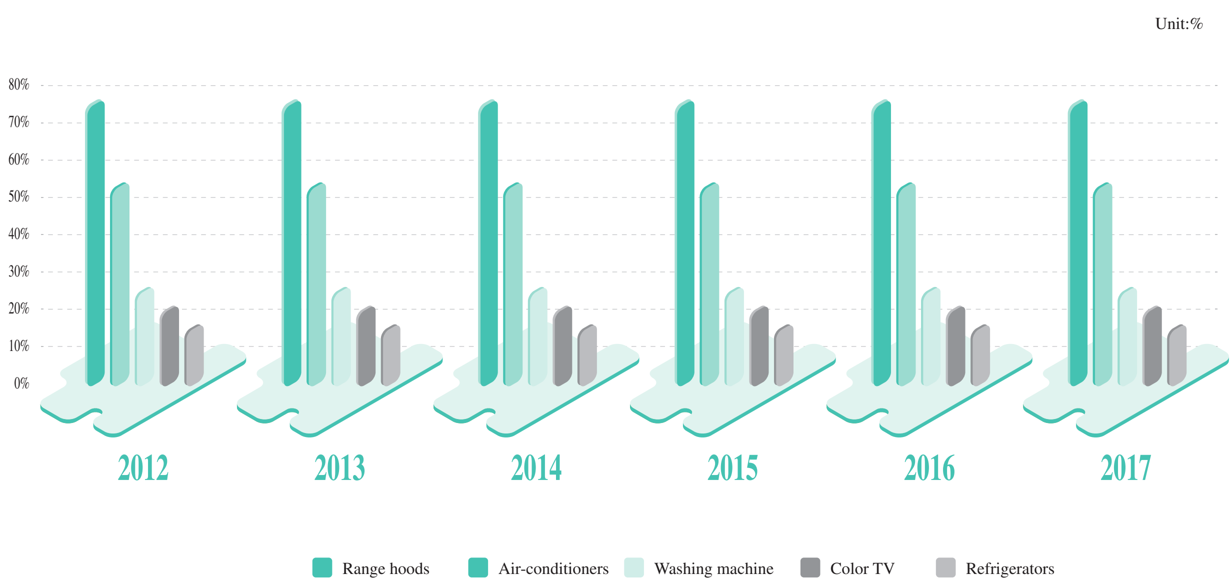
In terms of the traditional home appliance retail business, summarizing the analysis done on the changes in the home appliance market in the past decade, challenge and opportunity co-exist in the home appliance industry. There is increase in the standard of household income, rise in the new middle class and the obvious demand for old house renovation as well as significant increase in the demand for replacement and repurchase of home appliances, mainly due to the following factors:

1. The dependence of the home appliance industry on the real estate industry is significantly weakened

Even though the current domestic real estate is strictly controlled, the impact on the home appliance industry is not big. From the perspective of real estate business structure, the proportion of home appliances sales brought by sales of first-hand real estate tends to decline while that of the second-hand real estate tends to rise. As a whole, except for the high dependence rate of range hoods (about 70%), the figure is under 30% for refrigerators/air-conditioners/washing machine/color TV.

As shown in the diagram below:

Dependence of the home appliance industry on the real estate industry is not high



2. The National Policy of Home Appliances Going to the Countryside from 2007 entered the renewal cycle

According to the statistics of the Ministry of Commerce of China, the sales volume of home appliances under the Policy of Home Appliances Going to the Countryside from 2008 to 2012 was about 298 million units, and the sales amount was RMB720.4 billion. Under the 10-year replacement cycle of large household appliances (such as color TV/washing machine/refrigerator and so on), it is about to enter the renewal cycle.

As shown in the diagrams below:

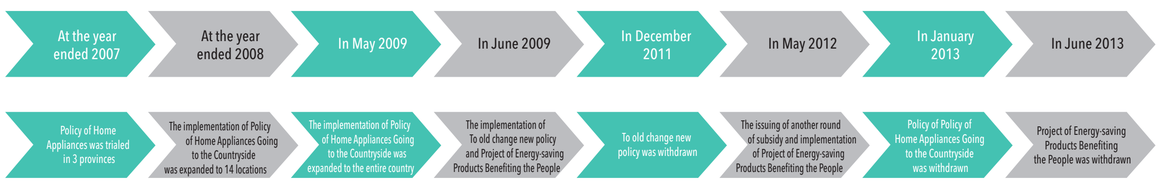
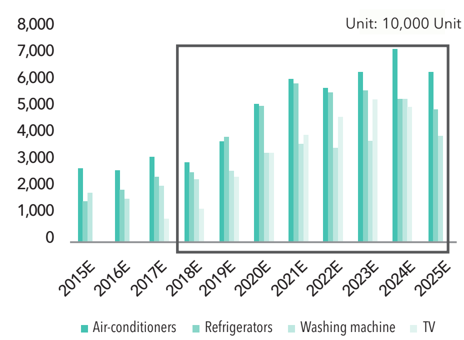


Table: The impact on home appliances after the subsidy policies

Categories	Policy of Home Appliances Going to the Countryside	To old change new policy	Project of Energy-saving Products for air-conditioners	Beijing's subsidy for energy saving
Sales volume (10,000 unit)	26,200	9,254	4,131	102
Sales amount (RMB'000 million)	6,229	3,420	NA	41
Subsidy amount (RMB'000 million)	721	300	100	3
Subsidy amount per unit	275	324	242	282

Demand for large on home appliances gradually increase



3. The rural incremental market is broad with the third- and fourth-tier and below cities becoming major opportunities

In term of the gap between urban and rural areas in China, the refrigerator/washing machine/color TV has currently been popularized, entering the stage with focus in renewal of stock. In the process of urbanization, air conditioners and kitchen appliances have the lowest holding capacity and are in the growth stage with great growth potential. There is still room for growth in refrigerators and washing machines. The vast rural areas of China are located in the third- and fourth-tier cities. These cities are also the main areas for the increase in future urbanization rate.

As of December 2017, the population in the first- and second-tier cities was 363 million while the population in third-tier below cities exceeded 1 billion. With the characteristics of large population base, fast income growth, high marginal propensity to consume and low awareness, along with consumption power revealed by the consumers from third- and fourth-tier and below cities, this group of 1 billion people will be boosted to become the main force in the increasing consumer dividends of the home appliance industry. The Group has always been in the consumer market in the third- and fourth-tier and below cities, which form an advantage for the brand!

Based on the above analysis, the Group proposes four directions for the current market structure, consumption structure, consumer demand, consumption concept and consumption channel: 1. change the business model; 2. change the growth mode; 3. enhance the innovation capacity; and 4. promote digital transformation.

With the development and changes in consumer demand and the evolution of C2C, C2B and B2B into C2M, the Group intends to change the existing business model through intelligent operation, creating a platform that cooperates with all suppliers, fully realizing the trade communication in the business chain that does not require the face-to-face interaction with the supplier but mobile phone interaction. It will make communication easier, reduce cost, increase the efficiency, enhance user experience, strengthen the Group's core business sector in third- and fourth-tier and below cities, as well as expanding the scale of business and realizing operational capabilities under the premise of efficiency-driven Improvement. In the foreseeable future, customers can directly customize products such as washing machines/refrigerators through mobile phones and other communication devices, and the entire working process can be viewed from mobile phone, just like how you can check the date for the arrival of the package delivery after online shopping. Customers can also view the details such as the manufacturing date, delivery date and arrival date of the package.

INTERIM DIVIDEND

The Board of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2018.

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 2018.

AUDIT COMMITTEE

During the reporting period, 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. Zhao Jinyong and Mr. Li Michael Hankin. Mr. Tam Chun Chung is the Chairman of the Audit Committee. As at the reporting date, Mr. Li Michael Hankin has resigned due to personal reason on 30 June 2018 while Mr. Chen Rui was appointed as an Independent Non-executive Director and a committee in the Audit Committee on 4 July 2018. Mr. Tam Chan Chung resigned on 30 January 2019. Mr. Zhao Jinyong was appointed the Chairman of the Audit Committee. After the resignation of Mr. Tam Chan Chung and from 30 June 2018 to 3 July 2018, the number of Independent Non-executive Directors of the Board was reduced to two, which is less than the minimum number required by Rule 3.10(1) of the Listing Rules and the number of committee of the Audit Committee of the Company was also reduced to two, which is less than the minimum number required by Rule 3.21 of the Listing Rules. The Company will identify suitable candidates for appointment as Independent Non-executive Directors and committee of the Audit Committee within three months from 30 January 2019. 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 2018.

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 2018.

EVENT AFTER REPORTING PERIOD

As stated in the announcement of the Company dated 10 December 2018, the Group has sold all the equity interest held by Jiangsu Electronic Commerce, a subsidiary of the Group, in Nanjing Lehu and its subsidiaries ("Nanjing Lehu Group") at a consideration of RMB1, so as to reduce loss and concentrate on our principal business. The related gain and loss will be recognised in the consolidated financial statement of the Group for the year ended 31 December 2018.

As stated in the announcements of the Company dated 3 September 2018 and 28 January 2019, regarding to the prepayment issue related to the two suppliers as proposed by the Group's external auditing agencies on 23 March 2018, the Group has form an Independent Investigation Committee on 2 April 2018. On 9 April 2018, KPMG Advisory (China) Limited has been engaged by the Independent Investigation Committee as the independent internal control consultant to undergo a review on the internal control of the two other important suppliers and the Group's procurement and payment loops. Review report has been released with summary of the relevant internal control review report. Meanwhile, the Group has taken necessary legal actions and gradually optimized the necessary measures in setting up a comprehensive internal control system and process so as to prevent similar incidents from happening again.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The 2018 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.

CONTINUED SUSPENSION OF TRADING

Trading of the Shares will remain suspended until further notice.

Shareholders and potential investors are advised to exercise extreme caution when dealing in the shares of the Company.

By Order of the Board
Huiyin Smart Community Co., Ltd.
Yuan Li
Chairman

Hong Kong, 21 February 2019

As at the date of this announcement, the Board of Directors of the Company comprises four executive Directors, namely Mr. Yuan li, Mr. Xin Kexia, Mr. Xu Xinying and Mr. Liu Simei; and three independent non-executive Directors, namely Mr. Zhao Jinyong, Mr. Chen Rui and Mr. Fung Tak Choi.