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

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1280)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

HIGHLIGHTS

1. Revenue for 2014 was RMB3,093.0 million, representing an increase of 8.6% from approximatley RMB2,849.1 million for 2013.

2. Gross profit margin for 2014 was 12.1%, while that of 2013 was 10.8%.

3. Operating profit for 2014 was approximately RMB148.9 million, while there was operating loss of approximately RMB123.2 million for 2013.

4. Profit for the year for 2014 was approximately RMB58.2 million, while there was loss of approximately RMB143.4 million for 2013.

5. As at 31 December 2014, the Group had a total of 43 self-operated stores, representing a decrease of 2.3% from 44 stores at the end of 2013. Retail revenue represented 30.0% of the total revenue of the Group for 2014 (29.0% for 2013).

6. By means of "Huiyin Lehu Platform" on PC, mobile APP, multimedia terminals at stores and other online to offline network, the Group's e-commerce business was integrated and rapidly developed. For 2014, the Group's sales revenue through e-commerce was approximately RMB116.8 million, representing a year-on-year growth of 94.6% from RMB60.0 million for 2013.

7. In 2014, the Group recorded commission income of RMB5.1 million from providing agency service for lottery sales of RMB52.1 million since the lottery business officially commenced in September 2014.

The board (the "Board") of directors (the "Directors") of Huiyin Household Appliances (Holdings) Co., Ltd. (the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively, the "Group" or "Huiyin") for the year ended 31 December 2014 together with the comparative figures for 2013.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Note	Year ended 31 December	
		2014	2013
		RMB'000	RMB'000
Revenue	7	**3,093,022**	2,849,142
Cost of sales		**(2,717,982)**	(2,540,338)
Gross profit		**375,040**	308,804
Other income		**13,175**	17,479
Other (losses)/gains — net		**(362)**	2,488
Selling and marketing expenses		**(150,410)**	(159,949)
Administrative expenses		**(88,586)**	(291,974)
Operating profit/(loss)		**148,857**	(123,152)
Finance income		**42,399**	34,574
Finance costs		**(80,412)**	(62,669)
Finance costs – net		**(38,013)**	(28,095)
Share of loss of a joint venture		**(6,681)**	—
Share of loss of an associate		**(65)**	—
Profit/(loss) before income tax		**104,098**	(151,247)
Income tax (expense)/credit	8	**(45,893)**	7,890
Profit/(loss) for the year		**58,205**	(143,357)
Attributable to:			
– Equity holders of the Company		**50,004**	(149,755)
– Non-controlling interests		**8,201**	6,398
		58,205	(143,357)
Earnings/(loss) per share for profit/(loss) attributable to equity holders of the Company (expressed in RMB cents per share)			
– Basic	9	**4.69**	(14.28)
– Diluted	9	**4.28**	(11.63)
Dividends	10	**—**	—

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Profit/(loss) for the year	**58,205**	(143,357)
Other comprehensive income or loss	**–**	–
Total comprehensive profit/(loss) for the year	**58,205**	(143,357)
Attributable to:		
– Equity holders of the Company	**50,004**	(149,755)
– Non-controlling interests	**8,201**	6,398
	58,205	(143,357)

CONSOLIDATED BALANCE SHEET
As at 31 December 2014

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
ASSETS			
Non-current assets			
Land use rights		**48,149**	22,887
Property, plant and equipment		**223,280**	186,803
Investment properties		**5,745**	5,915
Intangible assets		**37,429**	38,001
Investment in and loan to a joint venture		**256,976**	—
Investment in an associate		**618**	—
Deferred income tax assets		**134,924**	145,610
Receivables		**—**	2,910
		707,121	402,126
Current assets			
Inventories		**413,843**	678,345
Trade and bills receivables	5	**120,473**	131,809
Prepayments, deposits and other receivables		**1,143,634**	958,133
Restricted bank deposits		**986,063**	965,265
Cash and cash equivalents		**25,314**	152,235
		2,689,327	2,885,787
Total assets		**3,396,448**	3,287,913
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital: nominal value		**7,819**	7,162
Reserves		**793,858**	684,472
		801,677	691,634
Non-controlling interests in equity		**45,145**	35,852
Total equity		**846,822**	727,486
LIABILITIES			
Non-current liabilities			
Borrowings		**—**	608,158
Deferred income tax liabilities		**211**	211
Deferred government grants		**2,818**	2,876
		3,029	611,245
Current liabilities			
Trade and bills payables	6	**949,869**	936,564
Accruals and other payables		**367,390**	319,735
Borrowings		**1,048,068**	541,774
Current income tax liabilities		**127,710**	97,549
Other current liabilities		**53,560**	53,560
		2,546,597	1,949,182
Total liabilities		**2,549,626**	2,560,427
Total equity and liabilities		**3,396,448**	3,287,913
Net current assets		**142,730**	936,605
Total assets less current liabilities		**849,851**	1,338,731

NOTES:

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 5 February 2008 as an exempted company with limited liability under the Companies Law (2009 Revision as amended, supplemented or otherwise modified) of the Cayman Islands. The address of its registered office is Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands. The Company changed its name from China Yinrui Investment Holding Co., Ltd. to Huiyin Household Appliances (Holdings) Co., Ltd. on 8 December 2009.

The Company is principally engaged in investment holding. The principal activities of the Company and its subsidiaries (together, the "Group") are engaged in the retail and bulk distribution sales of household appliances, franchise operations and provision of maintenance and installation services for household appliances and agency services for sales of lotteries in the People's Republic of China (the "PRC").

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

The Company's shares were listed on the Stock Exchange on 25 March 2010.

2 BASIS OF PREPARATION

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

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

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

3 ACCOUNTING POLICIES

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

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

New amendments and interpretation of HKFRSs mandatory for the financial year beginning on 1 January 2014 that are relevant to the Group's operations:

- Amendment to HKAS 32 'Financial Instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms.

- Amendments to HKAS 36 'Impairment of Assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in HKAS 36 by the issue of HKFRS 13. It also enhanced the disclosures of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- Amendment to HKAS 39 'Financial Instruments: Recognition and Measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under HKAS 39, novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria.

- HK (IFRIC) 21 'Levies' sets out the accounting for an obligation to pay a levy if that liability is within the scope of HKAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. The interpretation addresses what the obligating event is that gives rise to the payment of a levy and when a liability should be recognised.

- Annual improvements 2012 include changes from the 2010–2012 cycle of the annual improvements project, that affect 7 standards, only the below are effective for relevant transactions executed on or after 1 July 2014:

  – Amendment to HKFRS 2 'Share-based Payment' clarifies the definition of a 'vesting condition' and separately define 'performance condition' and 'service condition'.

– Amendments to HKFRS 3 'Business Combinations', and consequential amendments to HKFRS 9 'Financial Instruments', HKAS 37 'Provisions, Contingent Liabilities and Contingent Assets', and HKAS 39 'Financial Instruments — Recognition and Measurement' clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in HKAS 32 'Financial Instruments: Presentation'. All non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss.

The adoption of the above new amendments and interpretation of HKFRSs starting from 1 January 2014 did not give rise to any significant impact on the Group's results of operations and financial position for the year ended 31 December 2014.

The Group has not early adopted any new standards and amendments of HKFRSs which have been issued but are not yet effective for the financial year ended on 31 December 2014. The Group is in the process of making an assessment on the impact of these standards and amendments which are relevant to the Group's operations and does not anticipate that the adoption when they become effective will result in any material impact on the Group's results of operations and financial position.

4 SEGMENT INFORMATION

The chief operating decision-maker ("CODM"), being the chairman and executive directors of the Company, reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on the reports reviewed by the chairman and executive directors that are used to make strategic decisions.

Geographical segment is not presented as 100% of the Group's sales and business activities are conducted in the PRC.

The principal operation of the Group is organised into two main operating segments:

- Retail sales operation
- Bulk distribution sales operation which includes sales to franchisees and other retailers and distributors

Other operations of the Group mainly comprise provision of maintenance and installation services to customers, real estate business and agency service for sales of lotteries.

The segment results for the year ended 31 December 2014 are as follows:

Segment results	**Retail**	**Bulk distribution**	**All other segments***	**Unallocated****	**Group**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Segment revenue	**929,800**	**3,202,155**	**21,014**	**—**	**4,152,969**
Inter-segment revenue	**—**	**(1,059,947)**	**—**	**—**	**(1,059,947)**
Revenue from external customers	**929,800**	**2,142,208**	**21,014**	**—**	**3,093,022**
Operating profit/(loss)	**61,188**	**92,070**	**2,714**	**(7,115)**	**148,857**
Finance costs - net					**(38,013)**
Share of loss of a joint venture					**(6,681)**
Share of loss of an associate					**(65)**
Profit before income tax					**104,098**
Income tax expense					**(45,893)**
Profit for the year					**58,205**
Other segment items are as follows:					
Capital expenditure	**34,247**	**51,534**	**—**	**—**	**85,781**
Depreciation charge	**8,477**	**12,756**	**627**	**—**	**21,860**
Amortisation charge	**822**	**1,236**	**—**	**—**	**2,058**

The segment results for the year ended 31 December 2013 are as follows:

Segment results	Retail	Bulk distribution	All other segments*	Unallocated**	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	825,520	3,004,488	12,598	—	3,842,606
Inter-segment revenue	—	(993,464)	—	—	(993,464)
Revenue from external customers	825,520	2,011,024	12,598	—	2,849,142
Operating loss	(15,308)	(98,391)	(620)	(8,833)	(123,152)
Finance costs - net					(28,095)
Loss before income tax					(151,247)
Income tax credit					7,890
Loss for the year					(143,357)
Other segment items are as follows:					
Capital expenditure	12,481	18,707	—	—	31,188
Depreciation charge	11,388	17,789	480	—	29,657
Amortisation charge	762	1,142	—	—	1,904

* All other segments included the revenue from rendering maintenance and installation services and commission income from providing agency service for sales of lotteries.

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

Segment assets and liabilities as at 31 December 2014 are as follows:

Segment assets and liabilities	**Retail**	**Bulk distribution**	**All other segments**	**Group**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Segment assets	**402,550**	**2,093,342**	**13,038**	**2,508,930**
Unallocated assets				**887,518**
Total assets				**3,396,448**
Segment liabilities	**338,407**	**1,021,872**	**13,359**	**1,373,638**
Unallocated liabilities				**1,175,988**
Total liabilities				**2,549,626**

Segment assets and liabilities as at 31 December 2013 are as follows:

Segment assets and liabilities	Retail	Bulk distribution	All other segments	Group
	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	428,400	1,902,848	264,008	2,595,256
Unallocated assets				692,657
Total assets				3,287,913
Segment liabilities	162,595	1,112,048	21,254	1,295,897
Unallocated liabilities				1,264,530
Total liabilities				2,560,427

Segment assets consist primarily of property, plant and equipment, investment properties, land use rights, intangible assets, inventories, trade and bills receivables, prepayments, deposits and other receivables and operating cash and mainly exclude deferred income tax assets, restricted bank deposits pledged for borrowings and corporate assets.

Segment liabilities comprise operating liabilities and exclude items such as deferred income tax liabilities, current income tax liabilities, borrowings and corporate liabilities.

Capital expenditure comprises additions to property, plant and equipment, investment properties, land use rights and intangible assets, including additions resulting from acquisitions of subsidiaries.

5 TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Trade receivables	**110,588**	72,676
Less: Provision for impairment	**(4,376)**	(3,951)
Trade receivables, net	**106,212**	68,725
Bills receivable	**14,261**	63,084
Trade and bills receivables, net	**120,473**	131,809

The credit term granted to customers by the Group ranges from 30 days to 90 days. The maturity of bills receivable ranges from 3 months to 6 months.

The ageing analysis of trade receivables, before provision for impairment, as at the balance sheet date is as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
0 – 30 days	**68,683**	35,158
31 – 90 days	**34,418**	19,522
91 – 365 days	**1,860**	12,173
1 year – 2 years	**2,821**	4,638
2 years – 3 years	**2,332**	1,139
Over 3 years	**474**	46
Total	**110,588**	72,676

All trade and bills receivables are denominated in RMB and their carrying amounts approximate their fair values as at the balance sheet date.

The maximum exposures of the Group to credit risk from trade and bills receivables as at the balance sheet date were the carrying value of trade and bills receivables mentioned above. The Group does not hold any collateral as security.

As at 31 December 2014, trade receivables of RMB 4,376,000 (2013: RMB 3,951,000) were past due, impaired and provided for. The ageing analysis of these trade receivables is as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
1 year – 2 years	**1,594**	3,434
2 years – 3 years	**2,310**	471
Over 3 years	**472**	46
Total	**4,376**	3,951

As at 31 December 2014, trade receivables of RMB5,952,000 (2013: RMB 24,718,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
31 – 90 days	**4,206**	14,630
91 – 365 days	**495**	8,216
1 year – 2 years	**1,227**	1,204
2 years – 3 years	**22**	668
Over 3 years	**2**	—
Total	**5,952**	24,718

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

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
At beginning of the year	**3,951**	2,126
Accrual of provision for receivable impairment	**425**	1,825
At end of the year	**4,376**	3,951

Bills receivable do not contain impaired assets.

As at 31 December 2014, bills receivable with a carrying amount of RMB5,000,000 (2013: RMB 6,700,000) had been pledged as collateral for the Group's bank acceptance bills of RMB5,000,000 (2013: RMB 6,700,000) (Note 6).

As at 31 December 2014 and 2013, no bills receivable were discounted to the bank with recourse.

6 TRADE AND BILLS PAYABLES

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Trade payables	**34,816**	62,730
Bills payable	**915,053**	873,834
	949,869	936,564

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

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

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
0 – 30 days	**1,493**	32,761
31 – 90 days	**19,605**	17,931
91 – 365 days	**6,453**	6,932
1 year – 2 years	**4,009**	2,106
2 years – 3 years	**1,202**	2,323
Over 3 years	**2,054**	677
	34,816	62,730

The trade and bills payables are denominated in RMB and their carrying amounts approximate their fair values as at the balance sheet date.

As at 31 December 2014, restricted bank deposits of RMB468,563,000 (2013: RMB 421,265,000) had been pledged as collateral for the Group's bank acceptance bills of RMB837,053,000 (2013: RMB 546,134,000).

As at 31 December 2014, bills receivable with a carrying amount of RMB5,000,000 (2013: RMB 6,700,000) had been pledged as collateral for the Group's bank acceptance bills of RMB5,000,000 (2013: RMB 6,700,000) (Note 5).

As at 31 December 2014, restricted bank deposits of RMB 22,500,000 together with certain land use rights and buildings with a total netbook amount of RMB 25,820,000 and RMB 31,537,000 respectively, had been pledged as collateral for the Group's bank acceptance bills of RMB 45,000,000 (2013: Nil).

7 REVENUE

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

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Sales of goods		
– Retail	**929,800**	825,520
– Bulk distribution	**2,142,208**	2,011,024
including:		
Sales to franchisees	**88,957**	412,792
Sales to other retailers and distributors	**2,053,251**	1,598,232
	3,072,008	2,836,544
Rendering of services		
– Maintenance service	**780**	3,381
– Installation service	**15,164**	9,217
– Agency service for sales of lotteries	**5,070**	—
	21,014	12,598
Total revenue	**3,093,022**	2,849,142

8 INCOME TAX (EXPENSE)/CREDIT

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
PRC enterprise and withholding income taxes		
– Current income tax	**(43,887)**	(45,432)
– Deferred income tax	**(2,006)**	53,322
	(45,893)	7,890

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

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Profit/(loss) before income tax	**104,098**	(151,247)
Tax calculated at domestic tax rates applicable to profits/(losses) in the respective regions	**30,190**	(35,918)
Tax effects of :		
Income not subject to tax	**–**	(1,602)
Expenses not deductible for tax purpose	**4,355**	2,373
Tax losses for which no deferred income tax asset was recognised	**11,348**	27,257
Income tax expense/(credit)	**45,893**	(7,890)

The weighted average applicable tax rate was 29% (2013: 24%).

(a) Hong Kong profits tax

The Group is not subject to Hong Kong profits tax as it has no assessable income arising in or derived from Hong Kong during the year (2013: Nil).

(b) PRC enterprise income tax

In accordance with the Corporate Income Tax Law of the PRC (the "new CIT law") which became effective on 1 January 2008, PRC enterprise income tax is provided for at 25% of the profits for the PRC statutory financial reporting purpose, adjusted for those items which are not assessable or deductible for the PRC enterprise income tax purpose.

(c) PRC withholding income tax

According to the new CIT law, starting from 1 January 2008, a 10% withholding tax is levied on the immediate holding companies established outside the PRC when their PRC subsidiaries declare dividends out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong according to the tax treaty arrangement between the PRC and Hong Kong. Such withholding income tax is included in deferred income tax. The Group has not accrued for any PRC withholding income tax for the year ended 31 December 2014 as its PRC subsidiaries did not earn any net profit available for distribution during the year (2013: Nil).

9 EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	Year ended 31 December	
	2014	2013
Profit/(loss) attributable to equity holders of the Company (RMB'000)	**50,004**	(149,755)
Weighted average number of ordinary shares in issue (thousand)	**1,066,184**	1,048,342
Basic earnings/(loss) per share (RMB cents)	**4.69**	(14.28)

(b) Diluted

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

	Year ended 31 December	
	2014	2013
Profit/(loss) attributable to equity holders of the Company (RMB'000)	**50,004**	(149,755)
Weighted average number of ordinary shares in issue (thousand)	**1,066,184**	1,048,342
Adjustment for:		
– Settlement in ordinary shares for the contingent consideration arising from business combination (thousand)	**103,022**	238,988
Weighted average number of ordinary shares for diluted earnings/(loss) per share (thousand)	**1,169,206**	1,287,330
Diluted earnings/(loss) per share (RMB cents)	**4.28**	(11.63)

For the years ended 31 December 2014 and 2013, as the average market price of the ordinary shares during the year was lower than the subscription price, the impact of exercise of the share option granted under the Pre-IPO Option Scheme on earnings (loss) per share is anti-dilutive.

10 DIVIDENDS

No interim dividend was declared during the year (2013: Nil) and the board of directors of the Company does not recommend the payment of any final dividend for the year ended 31 December 2014 (2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31 December 2014, taking advantage of its famous brandname "Huiyin" and "Huiyin Lehu platform", the Group further enhanced the recognition of the "Huiyin" and "Lehu" brand in the target markets and reinforced its leading market position.

BUSINESS REVIEW

An integrated business model

The Company and its subsidiaries (collectively the "Group") has been striving to become an online to offline life e-commerce platform leader in the third and fourth-tier markets in China. Facing the rapid progress of urbanization, the Group actively captured opportunities and fully leveraged its sales network and resources in the third and fourth-tier markets during the year. The Group continued to pursue its integrated business model, integrating retail sales, bulk distribution (including sales to franchised stores), client services and e-commerce. Taking advantage of its famous brand name "Huiyin" and "Huiyin Lehu platform", the Group further enhanced the recognition of the "Huiyin" and "Lehu" brand in the target markets, expanded the range of products and services available, understood the change in consumption temperament and shopping habit of people, and these will be the foundation of our future success in developing life e-commerce business.

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

During the year, China's consumption structure continued to evolve as a result of the ongoing urbanization. Therefore, the third and fourth-tier markets kept the great potential of growth. For the year ended 31 December 2014, revenue of the Group was RMB3,093.0 million, up 8.6% as compared with RMB2,849.1 million of last year. Profit of the Group for the year was approximately RMB58.2 million, while loss for last year was approximately RMB143.4 million. Gross profit margin increased to 12.1%, representing a year-on-year increase of 1.3 percentage point. Such increase was attributable to the rise of domestic demand for household appliances, the business development of the Group, and reversal of provisions made by the Group in respect of the amounts due from suppliers after taking into account of the recovery of operation in the upstream industry.

Retail business

Self-operated stores

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

During the year, the Group actively optimized its product structure and flexibly adjusted product portfolio in response to market demand. Benefit from rapid development of technology, household appliances have become more functionalized, intelligent and personalized, demand for smart household appliances have been growing fast. And with growing public concern over environment pollution, the Group launched several health-care products, such as air purifier and water cleaner, to improve profitability of its business. Meanwhile, aiming to pave the way for our integrated life e-commerce business, kinds of fast moving consumer goods such as lottery, imported food and organic vegetable were introduced to enhance the customer stickiness and product attractiveness.

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

During the year, the Group continued to optimize its store management program. As at 31 December 2014, the Group had a total of 43 self-operated stores, including 35 general stores, 5 shop-in-shops located in department stores mainly offering high-end household appliances and consumer electronic products and 3 stand-alone retail stores selling brand products. During the year ended 31 December 2014, revenue of the self-operated stores of the Group accounted for 30.0% of the total sales revenue of the Group, amounting to RMB929.8 million.

Franchised stores

Most of the franchised stores of the Group were operated under the registered brand of "Huiyin". During the year, the Group continued to enhance the overall operating and management standards of existing franchised stores to optimize its franchise network and enhance its service quality. As at 31 December 2014, the Group had a total of 73 franchised stores, including 31 boutiques with smaller area, less cost but higher efficiency. The Group also adjusted part of old franchised stores out of the e-commerce platform to third-party distributors since the end of year 2013. Going the boutique route and stocking the shelves with high margin items expanded the Group's profitability. Revenue derived from sales to franchised stores decreased by 78.4% to RMB89.0 million, accounting for approximately 2.9% of the Group's total sales revenue.

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

Store network

To increase the Group's market share in target markets and strengthen its leading position in the highly fragmented third and fourth-tier markets, the expansion strategy adopted by the Group in respect of its store network was to expand self-operated stores and franchised stores simultaneously. As at 31 December 2014, the Group had an integrated retail network with 116 stores in 20 cities/districts of Jiangsu and Anhui Provinces, of which 43 and 73 were self-operated stores and franchised stores respectively, and the total number of stores in Jiangsu and Anhui Provinces was 99 and 17, respectively.

Bulk distribution business

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

In response to the challenging market conditions, the Group launched flexible and diversified promotion activities such as group purchase of brand products and warehouse marketing to target customers in 2014. Currently, the Group is a bulk distributor of products for more than 20 international and domestic renowned brands, and remains a long-standing bulk distributor for a number of well-known household appliances and consumer electronic brands in target markets. Leveraging its long-term and close relationship with upstream suppliers, the Group's market position in distribution of brand products was strengthened and industrial recognition was enhanced.

Client services: after-sales and logistics management

Offering of after-sales services is an important contributor to the continued expansion of the Group's retail and bulk distribution businesses and also the competitive advantage of the Group. The Group offers a broad range of installation and maintenance services for the products purchased from the Group or from other third party vendors and suppliers, and also provides satisfactory services and technical support for the Group's retail and bulk distribution businesses. During the year, the Group launched 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 and operational risks. As at 31 December 2014, the Group operated and managed a total of 45 service centers, including 2 self-operated service centers and 43 authorized service centers, which provided thoughtful and diversified after-sales warranty services for consumers across a broad geographical areas.

The Group endeavours to improve logistics management of its existing logistics network, warehouses and distribution centers in order to support its growing business operations. During the year, the Group enhanced information management and implemented real-time monitoring systems relating to its security system, inventory and employee performance. Meanwhile, in addition to cooperation with qualified third-party logistics suppliers, the Group also set up 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.

E-commerce

By means of "Huiyin Lehu platform" on PC, mobile APP, multi-media terminals at stores and other online to offline network, the Group's e-commerce business developed rapidly. During the year ended 31 December 2014, revenue through the "Huiyin Lehu platform" was approximately RMB116.8 million, representing an increase of 94.6% from RMB60.0 million for 2013. Sales revenue through e-commerce is recorded in both retail and bulk distribution segment for online retail sales ("business to customers" ("B2C")) and online bulk distribution ("business to business" ("B2B")) respectively. The Group achieved the goal of a year-on-year growth in e-commerce sales through building an on-line platform and organizing e-commerce professional team. Mobile terminal and electronic shelves went live during the year to increase online traffic. Backed by the Group's extensive sales network and well-covered logistics system, "Huiyin Lehu platform" developed a shopping experience combining online and offline sales by allowing customers to purchase online and receive delivery at home or from its physical points. The online to offline business integration allowed centralized management of its downstream business.

Lottery

Based on a positive outlook of the lottery business in PRC, the Group engaged in the lottery sales business. During the year, the Group entered into welfare lottery agency sales agreements, sport lottery agency sales agreements and strategic cooperation agreements of sport lotteries with relevant local authorities respectively. As at 31 December 2014, the Group was authorized to sell lottery as agent through its sales channel (including self-operated stores, franchised stores and other distribution network) in Jiangsu Province, Anhui Province and Shanghai City, and was granted sport lottery mobile internet innovative pilot sales in Anhui Province. As the first online to offline lottery operator in China, the Group not only promoted and sold lotteries at its offline points, but also developed mobile application and provided lotteries on the Huiyin e-commerce platform. Up to 31 December 2014, the Group had realized a sales commission income of RMB5.1 million from providing agency service for lottery sales of RMB52.1 million since the lottery business officially commenced in September 2014.

Community life service

To raise brand awareness and make people's life more and more convenient, the Group offered various products and services to community residents. Collaborated with carefully selected suppliers and installed with sophisticated cold chain system, fresh agriculture products can be delivered to customers upon client's time request after they ordered on the Huiyin e-commerce platform. Aiming to meet residents' daily needs and preach safety and healthy shopping lifestyle, the community store is an important part for the Group's online to offline life e-commerce strategy.

Diversified marketing and promotion 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 year, 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)" and "Horizontal Alliance Special Promotion (異業聯盟專場促銷)" 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 and trade-in were offered to attract community consumer.

In respect of brand marketing, by way of combing traditional home appliance marketing strategies and innovative media, the Group increased the awareness of "Huiyin" and "Lehu" brand. During the year, 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.

Management information system integration and upgrade

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

Human resources management

As at 31 December 2014, the number of the Group's employees was 869. In 2014, the Group organized over 150 training sessions of different topics covering staff induction training, product knowledge, sales skills, leadership skills and corporate culture to meet the needs of employees at different levels, with total attendances reaching about 7,000.

During the year, the Group continued to fulfill its corporate social responsibility, and actively participated in community welfare undertakings to the society. In 2014, the Group was honoured with various awards, including "Brand Innovative Model Enterprise (品牌創新型示範企業)" by Jiangsu Provincial Development and Reform Commission (江蘇省發展和改革委員會), which highlighted the Group's brand creditworthiness and recognition.

FINANCIAL REVIEW

Revenue

During the year, due to the business development, the recovery in the household appliances consumer market and accelerated urbanization of rural area despite impact of macro-economic slowdown and expiration of the subsidies for energy-efficient household appliances in 2013, the Group's revenue was approximately RMB3,093.0 million, representing an increase of 8.6% from approximately RMB2,849.1 million in 2013.

Turnover of the Group comprises revenues by operation as follows:

	2014		2013	
	RMB'000		RMB'000	
Retail	**929,800**	**30.0%**	825,520	29.0%
Bulk distribution				
– Sales to franchisees	**88,957**	**2.9%**	412,792	14.5%
– Sales to other retailers and distributors	**2,053,251**	**66.4%**	1,598,232	56.1%
Rendering of services	**21,014**	**0.7%**	12,598	0.4%
Total revenue	**3,093,022**	**100.0%**	2,849,142	100.0%

The increase in retail sales, sales to other retailers and distributors and rendering of services was mainly attributable to the business development, the recovery in the household appliances consumer market and accelerated urbanization of rural area. Meanwhile, sales to franchisees decreased because the Group adjusted some of the franchised stores to third party distributors at the end of 2013, which also led to the increase in sales to other retailers and distributors. During the year, 40 self-operated stores of the Group which already operated in 2013 accounted for 93.0% of the total number of the self-operated stores in the year.

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

	2014 RMB'000		2013 RMB'000	
Air-conditioners	**2,256,208**	**73.4%**	2,068,563	72.9%
TV sets	**297,603**	**9.7%**	446,203	15.7%
Washing machines	**197,370**	**6.4%**	83,694	3.0%
Refrigerators	**159,375**	**5.2%**	139,890	4.9%
Others	**161,452**	**5.3%**	98,194	3.5%
Total revenue	**3,072,008**	**100.0%**	2,836,544	100.0%

The percentage of washing machines sales increased during the year, which was mainly attributable to the growing income and living standards of residents in target market and technology upgrading of washing machine industry. The percentage of TV sets sales decreased, which was mainly attributable to a decline in TV market demand.

Cost of sales

Cost of sales increased by approximately 7.0% from RMB2,540.3 million for 2013 to RMB2,718.0 million for 2014, primarily due to the increase in sales volume. The rate of increase in cost of sales was lower than that of our revenue principally because of our product structure optimization.

Gross profit

As a result of the above principal factors, the Group's gross profit increased by approximately 21.4% from RMB308.8 million for 2013 to RMB375.0 million for 2014.

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

	2014	2013
Retail	**15.4%**	14.5%
Bulk distribution	**10.1%**	9.2%
Rendering of services	**74.6%**	39.9%
Overall	**12.1%**	10.8%

During the year, the gross profit margin of the Group increased, which was primarily due to strict control on low-margin products and introduction of new categories of higher margin.

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

	2014	2013
Air-conditioners	**12.1%**	11.5%
TV sets	**11.0%**	9.5%
Washing machines	**11.3%**	9.2%
Refrigerators	**12.0%**	10.1%
Others	**8.8%**	6.8%
Overall	**11.7%**	10.5%

Other income

During the year, the Group's other income amounted to approximately RMB13.2 million, representing a decrease from approximately RMB17.5 million for 2013.

Other (losses)/gains

During the year, the Group recorded other losses of approximately RMB0.4 million, while other gains of approximately RMB2.5 million was recorded in 2013. The gains in comparative year mainly included the receipt of insurance proceeds amounting to RMB6.4 million arising from the fire which broke out on 25 October 2012.

Selling and marketing expenses

During the year, the Group's total selling and marketing expenses amounted to approximately RMB150.4 million, representing a decrease from approximately RMB159.9 million for 2013, which was in line with the decrease of store number.

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

As a percentage of revenue	**2014**	2013
Employee benefit expenses	**1.19%**	1.14%
Service charges	**0.14%**	0.16%
Operating lease expenses in respect of buildings and warehouses	**1.18%**	1.78%
Promotion and advertising expenses	**1.00%**	0.71%
Depreciation of property, plant and equipment	**0.50%**	0.79%
Utilities and telephone expenses	**0.20%**	0.28%
Transportation expenses	**0.41%**	0.55%
Travelling expenses	**0.06%**	0.07%
Others	**0.18%**	0.15%
Total selling and marketing expenses	**4.86%**	5.63%

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

Administrative expenses

During the year, the Group's total administrative expenses amounted to approximately RMB88.6 million, representing a significant decrease from RMB292.0 million for 2013, which was mainly due to the reversal of provision for impairment on receivables.

The following table sets out a summary for administrative expenses:

	2014 RMB'000	2013 RMB'000
Employee benefit expenses	**39,434**	40,077
Pre-IPO share option expenses	**—**	602
Operating lease expenses in respect of buildings	**2,737**	3,575
Amortization and depreciation	**8,357**	9,373
Utilities and telephone expenses	**1,834**	1,862
Travelling expenses	**2,460**	1,817
Auditors' remuneration	**2,950**	3,050
Consulting expenses	**804**	1,189
(Reversal)/accrual of provision for impairment on receivables	**(5,449)**	191,265
Others	**35,459**	39,164
Total administrative expenses	**88,586**	291,974

The provision for impairment on receivables was mainly due to making of certain provision for receivables from suppliers after taking into account of increased operating pressure of upstream companies in the industry since the second half year of 2012. During the year, contributable to the recovery of operation in upstream industry, the speed up of settlement of supplier rebates receivable had led to a better ageing and a lower balance of provision for impairment, and brought about the reversal of provision.

Finance costs – net

During the year, the Group's net finance costs was approximately RMB38.0 million, compared to approximately RMB28.1 million of net finance costs for 2013, which was mainly due to the foreign exchange losses on bank borrowings as a result of volatility in exchange rate of the RMB against the US dollar.

Share of loss of a joint venture

During the year, the share of loss of a joint venture amounting to RMB6.7 million was share of loss of Yangzhou Huiyin Real Estate Co., Ltd. ("Huiyin Real Estate"), which had became a joint venture because of a co-operation agreement signed by the Group and Shanghai Coastal Weiying Equity Investment Fund Management Co., Ltd. ("Weiying") on 27 January 2014 to jointly control the legal and financial operations of Huiyin Real Estate to develop the land parcel owned by Huiyin Real Estate. The Group recognises the share of profit and loss of Huiyin Real Estate by applying equity method. The loss of Huiyin Real Estate was mainly due to the interest expense from borrowing owed to the Group, which was previously intra-group charges.

Share of loss of an associate

During the year, the share of loss of an associate amounting to RMB65,000 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. ("Yangzhou Shengshi"), an indirectly owned subsidiary of the Company, together with 2 third party companies on 29 September 2014. The Group recognizes the share of profit and loss of Huazhang by applying equity method.

Profit/(loss) before income tax

During the year, the profit before income tax was approximately RMB104.1 million, while there was loss before income tax of approximately RMB151.3 million for 2013.

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

The profit attributable to equity holders of the Company for 2014 was approximately RMB50.0 million, while there was loss attributable to equity holders of approximately RMB149.8 million for 2013.

Investment in and loan to a joint venture

As announced by the Company on 27 January 2014, the Group entered into a co-operation agreement with Weiying which became effective on 4 March 2014 in respect of the development of the land parcel acquired by Huiyin Real Estate in 2011. Under the co-operation agreement, Huiyin Real Estate, which was a 100% controlled subsidiary of the Company previously, would be the entity undertaking the project. The Group and Weiying would jointly control the legal and financial operations as well as other key relevant activities of Huiyin Real Estate. Accordingly, Huiyin Real Estate became a joint venture and its assets and financial results ceased to be consolidated in the accounts of the Group. The Group recognized its interest in Huiyin Real Estate as an investment in joint venture which includes capital contributed of RMB50.0 million and share of loss of RMB29.4 million as at 31 December 2014.

Loan to Huiyin Real Estate as at 31 December 2014 includes principal amount of RMB197.3 million and interest receivable of RMB39.1 million. The loan carries an interest calculated at compound rate of 6.6% per annum which will be settled together with the principal amount upon the completion of the property project being undertaken by Huiyin Real Estate.

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

Cash and cash equivalents

As at 31 December 2014, the Group's cash and cash equivalents were approximately RMB25.3 million, representing an decrease of 83.4% from approximately RMB152.2 million as at 31 December 2013.

Inventories

As at 31 December 2014, the Group's inventories amounted to approximately RMB413.8 million, representing a decrease from RMB678.3 million at the end of 2013, which was mainly due to the exclusion of the cost of a land parcel amounting to RMB244.6 million owned by Huiyin Real Estate. Huiyin Real Estate had became a joint venture under the co-operation agreement dated 27 January 2014 and its assets, liabilities and financial results ceased to be consolidated in the accounts of the Group.

Prepayments, deposits and other receivables

As at 31 December 2014, prepayments, deposits and other receivables of the Group amounted to approximately RMB1,143.6 million, increasing from approximately RMB958.1 million as at 31 December 2013.

Trade and bills receivables

As at 31 December 2014, trade and bills receivables of the Group amounted to approximately RMB120.5 million, representing a decrease from approximately RMB131.8 million as at 31 December 2013, which was mainly due to the decrease of bills receivable.

Trade and bills payables

As at 31 December 2014, trade and bills payables of the Group amounted to approximately RMB949.9 million, representing an increase from approximately RMB936.6 million as at 31 December 2013, which was mainly due to the increase of bills payable.

Gearing ratio and the basis of calculation

As at 31 December 2014, gearing ratio of the Group was 55.3%, representing a decrease from 61.3% as at 31 December 2013. The gearing ratio is equal to total borrowings divided by the sum of total equity and total borrowings.

Capital expenditure

During the year, capital expenditure of the Group amounted to approximately RMB85.8 million, representing an increase from approximately RMB31.2 million for 2013, primarily due to capital expenditure arising from acquisition of subsidiaries through issue of shares..

Cash flows

During the year, net cash outflow from operating activities of the Group amounted to approximately RMB58.5 million, as compared to RMB135.6 million in 2013. The lower net cash outflow was mainly due to the better control in the working capital compared with the year 2013.

Net cash outflow from investing activities amounted to approximately RMB14.2 million, as compared to approximately RMB3.8 million for 2013.

Net cash outflow from financing activities amounted to approximately RMB54.2 million, while there was net cash inflow from financing activities amounted to approximately RMB216.7 million for 2013, which was mainly due to the net decrease of proceeds from bank borrowings.

Capital structure

As at 31 December 2014, the Group's cash and bank balances were mainly held in Renminbi, and the Group's borrowings were denominated in Renminbi and in US dollar with floating or fixed interest rate.

As at 31 December 2014, equity attributable to shareholders of the Company amounted to approximately RMB801.7 million, compared to approximately RMB691.6 million as at 31 December 2013.

Liquidity and financial resources

During the year, the Group's working capital, capital expenditure and cash for investments were funded from cash on hand, bank borrowings, medium-term notes and IPO proceeds. As at 31 December 2014, the borrowings of the Group amounted to RMB1,048.1 million, representing a decrease from RMB1,149.9 million as at 31 December 2013.

Pledging of assets

As at 31 December 2014, the Group's pledged bank deposits amounted to RMB986.1 million, representing an increase from RMB965.3 million as at 31 December 2013, and pledged bills receivable and merchandise held for resale amounted to RMB5.0 million and RMB90.0 million respectively. In addition, certain land use rights, buildings and investment properties with a total net book value of RMB234.4 million together with land use rights of a land parcel owned by a joint venture had been pledged.

Contingent liabilities

As at 31 December 2014, the Group had no contingent liabilities which have not been properly accrued for except for certain unfounded legal claims and guarantees provided to the customers which the Group does not expect that it will incur any loss.

Capital commitments

As at 31 December 2014, the Group had no significant capital commitments.

Foreign currencies and treasury policy

The majority of the Group's income and expenses were denominated in Renminbi. During the year, the Group has not entered into forward contracts to hedge its exposure to foreign exchange risk which mainly arise from US$ bank borrowings with a total amount of US$87,200,000 as at 31 December 2014. Given the general expectations about the strengthening of RMB, the Group believes that the foreign exchange risk is not significant.

Final dividend

The Board of the Company does not recommend the payment of any final dividend for the year ended 31 December 2014 (2013: Nil).

USE OF FUNDS RAISED FROM INITIAL PUBLIC OFEERING

On 25 March 2010, the shares of our Company were successfully listed on the Stock Exchange. Our initial public offering ("IPO") was well received by investors in both the international offering and the Hong Kong public offering. Net proceeds raised from the IPO were approximately HK$458.9 million (equivalent to approximately RMB403.5 million).

As stated in the prospectus of the Company dated 12 March 2010, we intended to use approximately HK$156.5 million (equivalent to approximately RMB137.9 million) for expansion of our retail network, approximately HK$203.2 million (equivalent to approximately RMB178.3 million) for potential acquisitions of household appliances and electronics retail enterprises in eastern China which target at the third and fourth-tier markets, approximately HK$55.0 million (equivalent to approximately RMB48.4 million) for expansion of our existing distribution and logistics centers in Jiangsu Province, approximately HK$5.0 million (equivalent to approximately 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 31 December 2014, our use of net proceeds raised from IPO was as follows:

	Net proceeds from IPO	
	Available to utilise (RMB million)	**Utilised (up to 31 December 2014) (RMB million)**
Expansion of retail network	137.9	137.9
Acquisitions of household appliances and electronics retail enterprises	178.3	68.3
Expansion of distribution and logistics centers in Jiangsu Province	48.4	48.4
Improving information and management systems	4.4	3.9
General working capital	34.5	34.5
	403.5	293.0

EMPLOYMENT AND REMUNERATION POLICY

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

HUMAN RESOURCES

As at 31 December 2014, the Group had 869 employees, down 4.9% from 914 at the end of 2013.

OUTLOOK

In 2015, the global economy will continue to be challenging. Both the household appliance industry and other businesses will continue to face significant operational pressure and the domestic consumer market will face the change in growth pattern and structural integration. The Group is constantly taking advantage of its own advantages and taking the opportunities arising from industry consolidation, and is strategically poised to realize future growth. Overall, China's household electronic appliance manufacturing industry has completed its technical innovation as well as industry layout, the development of new technology will further drive the demand for new household electronic appliances and the enormous market potential of smart household appliances will explode. The growing size of cities with the progress of China's urbanization, the increase in residential income in third and fourth-tier cities, the upgrade of consumption demand as well as the improvement in housing conditions will support the growth of demand for home appliances and become new growth drivers for the market. The Company will continue its strategic positioning of becoming a leading O2O life e-commerce platform in China, and will take advantage of its established sales network and supply chain to pursue greater business growth.

In 2015, the Group will take innovative measures in three aspects — store distribution, brand building and human resources. In view of the urbanization, the Group will implement a strategy of "urbanize store development", which will enable the Group to expand its sales network in target markets to increase sales revenue, and to further increase its market share and solidify its market position through upgrading and integration of existing network in the third and fourth-tier markets. Meanwhile, the Group will actively implement its brand marketing strategy, enhance its brand image (including further optimization of the Group's integrated e-commerce platform covering various aspects such as procurement, sales and customer services) and improve the Group's overall asset management efficiency, so as to deepen the Group's relationship with suppliers and customers. In addition, the Group plans to strengthen corporate culture, internal management and upgrade the development of "Huiyin Business School" in order to train more retail talents and provide customers with professional services.

Looking ahead to the coming year, the Group will deploy its network according to the store expansion plan and to develop a strategic alliance with its suppliers, to maintain the Group's leading position in the target markets. The Group will improve the interaction with community resources and provide creative service to residents, to further reinforce the awareness of the "Huiyin" and "Lehu" brand in target market through retail sales, bulk distribution, client services and e-commerce. The Group will vigorously improve the online platform such as "Huiyin Lehu website" and "Huiyin Lehu APP", meanwhile add more offline points. The integration and interplay between online and offline business will bring about more convenience to residents and promote our life e-commerce strategy. Through these strategies, the Directors believe that the Group can achieve sustainable business expansion and fully improve its operational efficiency and profitability, thus creating better returns for its shareholders and investors.

CORPORATE GOVERNANCE CODE

In the opinion of the Board, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 December 2014, except for the deviation as explained below:-

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

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

AUDIT COMMITTEE

The Audit Committee of the Group was established in 2010. Currently, it comprises three members, all of whom are independent non-executive Directors, namely Mr. Tam Chun Chung, who possesses professional accounting qualifications, Mr. Lo Kwong Shun Wilson and Mr. Zhou Shuiwen. Mr. Tam Chun Chung is the Chairman of the Audit Committee. The Audit Committee has adopted the terms of reference in line with the CG Code issued by the Stock Exchange. The principal duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors, and arrangements to enable employees of the Company, 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 audited consolidated financial statements of the Group for the year ended 31 December 2014 and the auditor's report thereon.

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

During the year ended 31 December 2014, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 27 May 2015 to Friday, 29 May 2015, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 26 May 2015.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Friday, 29 May 2015, the notice of which will be published and dispatched to shareholders of the Company as soon as practicable in accordance with the Company's Articles of Association and the Listing Rules.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The 2014 Annual 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 Household Appliances (Holdings) Co., Ltd.
Cao Kuanping
Chairman

Hong Kong, 20 March 2015

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