2014 ANNUAL REPORT

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


汇银乐虎网
乐虎三真服务启动

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Corporate Information

EXECUTIVE DIRECTORS

Mr. Cao Kuanping *(Chairman and Chief Executive Officer)*
Mr. Mo Chihe
Mr. Mao Shanxin
Mr. Wang Zhijin
Mr. Lu Chaolin
Ms. Hu Yanyu

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhou Shuiwen
Mr. Tam Chun Chung
Mr. Lo Kwong Shun Wilson

COMPANY SECRETARY

Ms. Ngai Kit Fong

AUDIT COMMITTEE

Mr. Tam Chun Chung *(Chairman)*
Mr. Zhou Shuiwen
Mr. Lo Kwong Shun Wilson

REMUNERATION COMMITTEE

Mr. Zhou Shuiwen *(Chairman)*
Mr. Cao Kuanping
Mr. Lo Kwong Shun Wilson

NOMINATION COMMITTEE

Mr. Lo Kwong Shun Wilson *(Chairman)*
Mr. Mo Chihe
Mr. Zhou Shuiwen

AUTHORISED REPRESENTATIVES

Mr. Cao Kuanping
Ms. Ngai Kit Fong

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SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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PRINCIPAL BANKERS

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Jiangsu Province
PRC

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PRC

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STOCK CODE

1280

WEBSITE OF THE COMPANY

www.hyjd.com
(information on the website does not form part of this annual report)

Financial and Operational Highlights

HIGHLIGHTS

1. Revenue for 2014 was RMB3,093.0 million, an increase of 8.6% compared with 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, 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).

CHAIRMAN'S STATEMENT

During the year, with the competitive strength of the "Huiyin" brand as a foundation and closely linking up with its "Huiyin platform", the Group has further improved its brand awareness and influence in the third and fourth-tier markets in China.

Cao Kuanping
Chairman

Dear Shareholders,

On behalf of the Board of Directors ("the Board" or "the Directors") of Huiyin Household Appliances (Holdings) Co., Ltd. (the "Company") and its subsidiaries ("the Group" or "Huiyin Household Appliances"), I am pleased to present the annual report of the Group for the year ended 31 December 2014.

2014 was a year of both opportunities and challenges for the Group. China's GDP (Gross Domestic Product) growth slowed to 7.4% according to the National Bureau of Statistics. Meanwhile rural residents' income continues to grow faster than that of urban residents during the year. As the income gap between urban and rural residents gradually narrows down, the consumption potential of rural residents is huge. Although the household appliances industry was facing the pressure of persistent rising costs and the cessation of the "Energy-Saving Products Subsidizing Program" (節能產品惠民工程), the demand in the third and fourth-tier markets went up steadily with the implementation of "new urbanization". Due to the crossed influence of the above factors, the Group successfully turned around in 2014 and realised a net profit of approximately RMB58.2 million for the year, while there was a net loss of approximately RMB143.4 million for 2013. The gross profit margin recorded a year-on-year increase of 1.3 percentage point to 12.1%. For the year ended 31 December 2014, the Group recorded revenue of RMB3,093.0 million, representing an increase of 8.6% as compared to RMB2,849.1 million for 2013. The basic earnings per share was RMB4.69 cents for the year of 2014.

INTEGRATED BUSINESS MODEL

During the year, facing various opportunities and challenges, the Group consistently implemented an innovative business model by integrating retail sales, bulk distribution (including sales to franchised stores), consumer services and e-commerce to continuously optimize and expand the sales networks in target markets. By implementing the development strategy of supplementing sizable franchised stores with self-operated stores, strengthening the strategic cooperation with well-known brands and carrying out a diversified customer-based marketing and promotion model, the Group maintained its competitive advantages in protecting brand image and expanding retail network, which in turn retained the relatively stable development of each business segment. During the year, with the competitive strength of the "Huiyin" brand as a foundation and closely linking up with its "Huiyin platform", the Group has further improved its brand awareness and influence in the third and fourth-tier markets in China.

Through the business model of integrating the bulk distribution segment with retail segment, the Group was engaged by a number of renowned household appliances and consumer electronics brands as their bulk distributor on continuing basis.

DEEPEN THE CORPORATE STRATEGY ARRANGEMENT

In 2014, while improving its corporate governance and general operational level, the Group further deepened its corporate strategy arrangement. In order to cater for the State policy of developing energy-saving home appliances and meet the increasing consumer demand for "smart" household appliances, the Group proactively optimized its products mix and categories and adopted diversified promotion strategies targeting at demands from different markets and new customer bases through reforms on resources consolidation, improvement of employees' skills, management over supply chain and corporate promotions. In addition, the Group introduced several health-care products during the year and increased the proportion of high-end products sales to strengthen the overall competitiveness of the Group's stores. Fast moving consumer goods such as lottery and imported food were introduced to enhance the product attractiveness. Meanwhile, the Group continued to develop the long-term customer membership plan with a view to implementing the long-term customer marketing model, and realized electronic management over customer resources in order to increase the marketing and promotional efforts of the Group.

On brand strategy, "Huiyin platform" achieved good progress during the year, with the brand promotion coverage extended to Jiangsu and Anhui Provinces and part of the surrounding regions. During the year, the Group improved the awareness of our brand across the State by cross-media cooperation with television, radio and internet. In addition, the Group differentiated its brand credibility and recognition by proactively fulfilling its social responsibility and actively participating in social welfare undertakings for making contributions to the community.

During the year, the Group continuously consolidated and reformed its management information system and "Huiyin platform". In addition, the Group strengthened its human resources management, which enabled the Group to allocate its resources more effectively and enhance human resources and operational efficiency, in order to lay down a solid foundation for the Group to further strengthen its overall competitiveness.

FACING CHALLENGES AND LOOKING AHEAD

Promoting "new urbanization" construction has become the mainstream of China's economic development. During the implementation process of "new urbanization", it is expected the demand in the third and fourth-tier household appliance markets will increase gradually. Meanwhile, although the policy of facilitating the consumption of energy-saving household appliances ended in 2013, functional, smart and energy-saving and environment friendly household appliances have become a new source of consumption growth. With more and more concern from the customers, the proportion of innovative health-care household appliances will continue to increase, which will bring new development opportunities for China's household appliance market.

Looking ahead in 2015, both the household appliance market and other businesses are still facing many challenges. The Group will continue to leverage on its unique business model and its supply chain advantages in the third and fourth-tier markets in China and adhere to its cautious and optimistic marketing and promotion strategies to consolidate and maintain the awareness of our brand in target market, optimize the business model to enhance management efficiency over each store, and achieve a win-win situation with suppliers and business partners.

In the coming year, the Group will focus on reforms in respect of product structure, brand building and human resources management, as well as development of lottery business. By leveraging on the Group's strategic positioning as a leading enterprise in the third and fourth-tier markets in China, we will focus on "urbanize store development" and expand sales network in the target areas by upgrading and consolidating existing stores to increase sales revenue and further expand the Group's market share. Meanwhile, the Group will vigorously promote the lottery business and extend to more areas. We will strengthen awareness of the "Huiyin" brand through the development of retail sales, bulk distribution, consumer services and e-commerce.

On behalf of the Board, I would like to express my wholehearted thanks to all shareholders and investors who show their care and support for the Company. The solid and sound development of the Group depends on the support from our shareholders, employees and business partners. We believe, with the support and joint efforts from our shareholders, management and employees, the Group will achieve sustainable results to create good investment returns for shareholders and investors in the coming year.

Cao Kuanping
Chairman

Hong Kong, 20 March 2015

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

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BUSINESS REVIEW

An integrated business model

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 platform", the Group further enhanced the recognition of the "Huiyin" brand in the target markets, expanded the range of products and services available, and understood the change in consumption temperament and shopping habit of people.

Supported by its existing retail business, the Group actively expanded 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, 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 consumer management, the Group continued to implement its business strategies focusing on establishing consumer relationship. Efforts included sorting out consumer information and establishing consumer 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 operating as 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 amounted to RMB929.8 million, accounting for 30.0% of the total sales revenue of the Group.

As the diversified growth of rural household income became an apparent trend, the income gap between rural and urban residents started to narrow down and the growth of rural household income exceeded urban household income by 2.4 percentage points

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 industry recognition was enhanced.

Consumer 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 customers registered as 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 its 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 consumer service management.

E-commerce

By means of "Huiyin 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 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.

Lottery

Based on a positive outlook of the lottery business in PRC, the Group started to engage 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 according to consumer'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 service is helpful to reinforce our brand awareness among community residents.

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 consumers.

In respect of brand marketing, by way of combing traditional home appliance marketing strategies and innovative media, the Group increased the awareness of "Huiyin" brand. During the 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 consumer 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 for 2014, representing an increase of 8.6% from approximately RMB2,849.1 million for 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 other gains for 2013 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:

	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 of supplier rebates receivable.

The following table sets out a summary for administrative expenses:

	2014	2013
	RMB'000	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
Amortisation 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 of supplier rebates receivable	**(5,449)**	191,265
Others	**35,459**	39,164
Total administrative expenses	**88,586**	291,974

The provision for impairment of supplier rebates receivable was mainly due to making of certain provision for such 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 which resulted in 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 recognises 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 of the Group 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 (such as those activities in relation to construction and sales) of Huiyin Real Estate. Accordingly, Huiyin Real Estate became a joint venture and its assets, liabilities and financial results ceased to be consolidated in the accounts of the Group. The Group recognised 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 started the construction on the land parcel in 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 a subsidiary 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 OFFERING

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 Group 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" brand in target market through retail sales, bulk distribution, consumer services and e-commerce. 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 PRACTICES OF THE COMPANY

Recognizing the importance of a publicly listed company's responsibilities to enhance its transparency and accountability, the Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has applied the principles 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 of Hong Kong Limited (the "Listing Rules").

Throughout the year ended 31 December 2014, the Company has complied with the code provisions as set out in the CG Code, except for the deviation from code provision A.2.1 which is explained in the relevant paragraph of this corporate governance report.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with the CG Code and align with the latest developments.

THE BOARD

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

All directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

Board Composition

The Board currently comprises nine members, consisting of six executive directors, and three independent non-executive directors:

Executive directors:

Mr. Cao Kuanping, Chairman, Chief Executive Officer and member of the Remuneration Committee

Mr. Mo Chihe, member of the Nomination Committee

Mr. Mao Shanxin

Mr. Wang Zhijin, Chief Financial Officer

Mr. Lu Chaolin, Vice General Manager

Ms. Hu Yanyu, Investor Relationship Officer

Independent non-executive directors:

Mr. Zhou Shuiwen, Chairman of the Remuneration Committee and member of the Audit Committee and the Nomination Committee

Mr. Tam Chun Chung, Chairman of the Audit Committee

Mr. Lo Kwong Shun Wilson, Chairman of the Nomination Committee and member of the Audit Committee and the Remuneration Committee

The biographical information of the directors are set out in the section headed "Directors' and Senior Management's Profile" on pages 39 to 42. of this annual report.

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

Mr. Cao Kuanping, Chairman, Chief Executive Officer and Executive Director, is the brother-in-law of Mr. Mao Shanxin, Executive Director. Save as disclosed, there are no financial, business, family or other material/relevant relationships among members of the Board.

During the year ended 31 December 2014, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

The independent non-executive directors bring a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation at Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive directors make various contributions to the strategic direction of the Company.

Chairman and Chief Executive Officer

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.

Appointment, Re-election and Removal of Directors

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the executive directors entered into a service agreement with the Company for a term of three years. The term of office of Mr. Cao Kuanping, Mr. Mo Chihe, Mr. Mao Shanxin and Mr. Wang Zhijin was renewed for further three years commencing on 5 March 2013 whereas the term of office of Mr. Lu Chaolin was renewed for further three years commencing on 25 March 2014. Ms. Hu Yanyu was appointed as an executive director on 15 October 2014 for a specific term of three years. The appointment of the executive directors can be terminated by either party by giving not less than six months' prior notice in writing to the other.

Each of the independent non-executive directors entered into an appointment letter with the Company for a term of three years. The term of office of Mr. Zhou Shuiwen and Mr. Tam Chun Chung was renewed for further three years commencing on 3 March 2013. Mr. Lo Kwong Shun Wilson was appointed as an independent non-executive director on 17 July 2013 for a specific term of three years. The appointment of the independent non-executive directors can be terminated by either party by giving not less than three months' prior notice in writing to the other.

In accordance with the Company's Articles of Association, all directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed to fill a casual vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the next following annual general meeting after appointment.

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed director will receive induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

All directors are encouraged to participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

Records of training received by each existing director in 2014 is summarized below:

Directors	Types of training
Mr. Cao Kuanping	B
Mr. Mo Chihe	B
Mr. Mao Shanxin	B
Mr. Wang Zhijin	B
Mr. Lu Chaolin	B
Ms. Hu Yanyu	A,B,C
Mr. Zhou Shuiwen	C
Mr. Tam Chun Chung	B,C
Mr. Lo Kwong Shun Wilson	C

A Attending in-house briefing(s)
B Attending seminar(s) and training(s)
C Reading materials relating to directors' duties and responsibilities

Board Committees and Corporate Governance Functions

The Board has established three committees, namely, the audit committee, remuneration committee and nomination committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

All/the majority of the members of each Board committee are independent non-executive directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2.

Audit Committee

The Company established the audit committee (the "Audit Committee") with written terms of reference in compliance with the CG Code. The main 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 auditor, 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 comprises three independent non-executive directors, namely Mr. Tam Chun Chung, Mr. Lo Kwong Shun Wilson and Mr. Zhou Shuiwen (including one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise). Mr. Tam Chun Chung has been appointed as the chairman of the Audit Committee.

During the year under review, the Audit Committee held two meetings, to review annual financial results and report for the year ended 31 December 2013 and interim financial results and report for the half year ended 30 June 2014 and to review significant issues on the financial reporting and compliance procedures, internal control and the independence, scope of work and appointment of external auditor.

The Audit Committee also met the external auditor twice without the presence of the executive directors.

The Audit Committee has in conjunction with management of the Company 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.

Remuneration Committee

The Company established the remuneration committee (the "Remuneration Committee") with written terms of reference in compliance with the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive directors and senior management, the remuneration policy and structure for all directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee comprises one executive director, Mr. Cao Kuanping and two independent non-executive directors, Mr. Lo Kwong Shun Wilson and Mr. Zhou Shuiwen. Mr. Zhou Shuiwen has been appointed as the chairman of the Remuneration Committee.

During the year under review, the Remuneration Committee held two meetings, to review and make recommendation to the Board on the remuneration policy and structure of the Company, the remuneration packages of the executive directors and senior management, the renewal of the services agreement with the executive directors, the remuneration of an executive director appointed during the year, and other related matters.

Nomination Committee

The Company established the nomination committee (the "Nomination Committee") with written terms of reference in compliance with the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of independent non-executive directors.

The Nomination Committee comprises one executive director, Mr. Mo Chihe and two independent non-executive directors, Mr. Lo Kwong Shun Wilson and Mr. Zhou Shuiwen. Mr. Lo Kwong Shun Wilson has been appointed as the chairman of the Nomination Committee.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would review the implementation of the Board diversity policy in achieving the objectives set for the benefits of the Company.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board. External recruitment professionals might be engaged to carry out selection process when necessary.

During the year under review, the Nomination Committee held two meetings, to review the structure, size and composition of the Board and the independence of the independent non-executive directors, to make recommendation on the appointment of an executive director, and to consider the qualifications of the retiring directors standing for election at the Annual General Meeting. The Nomination Committee considered that an appropriate balance of diversity perspectives of the Board is maintained.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Attendance Records of Directors and Committee Members

The attendance record of each director at the Board and Board Committee meetings and the Annual General Meeting of the Company held during the year ended 31 December 2014 is set out in the table below:

	Attendance/Number of Meetings					
	Board Meetings	Nomination Committee Meetings	Remuneration Committee Meetings	Audit Committee Meetings	Annual General Meeting	Extraordinary General Meeting
Executive directors						
Mr. Cao Kuanping	8/8	N/A	2/2	N/A	1/1	0/1
Mr. Mo Chihe	8/8	2/2	N/A	N/A	0/1	0/1
Mr. Mao Shanxin	8/8	N/A	N/A	N/A	0/1	0/1
Mr. Wang Zhijin	8/8	N/A	N/A	N/A	1/1	1/1
Mr. Lu Chaolin	8/8	N/A	N/A	N/A	0/1	0/1
Ms. Hu Yanyu (appointed on 15 October 2014)	1/1	N/A	N/A	N/A	0/0	0/0
Independent non-executive directors						
Mr. Zhou Shuiwen	6/8	2/2	2/2	2/2	*1/1	0/1
Mr. Tam Chun Chung	7/8	N/A	N/A	1/2	1/1	0/1
Mr. Lo Kwong Shun Wilson	8/8	2/2	2/2	2/2	*1/1	0/1

* Attendance by delegates

Apart from regular Board meetings, the Chairman also held a meeting with the independent non-executive directors without the presence of the other executive directors to discuss the business of the Company during the year.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2014.

The Company has also established written guidelines no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for Financial Reporting in respect of Financial Statements

The directors acknowledge their responsibility for preparing the financial statements of the Company and of the Group for the year ended 31 December 2014.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's and the Group's financial statements, which are put to the Board for approval.

Internal Controls

During the year, the Board conducted a review of the effectiveness of the internal control system of the Group including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget.

The Board has overall responsibility for the internal control system of the Group and for reviewing its effectiveness. The Board is also responsible for maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Group.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The senior management reviews and evaluates the control process, monitors any risk factors on a regular basis, and reports to the Audit Committee on any findings and measures to address the variances and identified risks.

External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditor's Report" on pages 43 to 44.

For 2014, the remuneration of the Company's external auditor for the review of half-yearly interim financial information of the Group for the six months ended 30 June 2014 and audit of the annual consolidated financial statements of the Group for the year ended 31 December 2014 was RMB2.95 million in aggregate. No non-audit services were provided by the external auditor in 2014.

COMPANY SECRETARY

Ms. Ngai Kit Fong of Tricor Services Limited, external service provider, has been engaged by the Company as the company secretary. Its primary contact person at the Company is Mr. Wang Zhijin, executive director and Chief Financial Officer of the Company. Ms. Ngai also confirmed that she has taken no less than 15 hours of relevant professional training during the year ended 31 December 2014.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

To promote effective communication, the Company maintains a website at www.hyjd.com, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. Investors may write directly to the Company or via email to ida@hyjd.com for any enquiries.

The Board welcomes the view of shareholders and encourages them to attend general meetings to raise any concern they might have with the Board or the management directly. Board members (or their delegates as appropriate) and appropriate senior staff of the Group are available at the meetings to answer any questions raised by shareholders.

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual directors.

Extraordinary general meetings may be convened by the Board on the written requisition of any two or more shareholders (or one shareholder which is a recognised clearing house) holding not less than one-tenth of the paid up capital of the Company or by such shareholder(s) who made the requisition (the "Requisitionist(s)") (as the case may be) pursuant to Article 12.3 of the Company's Articles of Association. The objects of the meeting must be stated in the requisition which must be signed by the Requisitionist(s) and deposited at the principal office of the Company in Hong Kong. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the Requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board of the Company. Contact details are as follows:

Address:	Huiyin Building, No. 539 Wenchang Zhong Road, Yangzhou, Jiangsu Province, PRC For the attention of Ms. Hu Yanyu
Fax:	86-514-87370101
Email:	ida@hyjd.com

Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) together with their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Any shareholder who wishes to put forward proposals at general meetings of the Company shall submit such proposals to the Board of the Company in writing for the Board's consideration not less than 7 days prior to the date of a general meeting. Contact details of the Board are the same as set forth above in this section.

During the year, the Company has not made any changes to its Articles of Association. An up-to-date version of the Articles of Association is available on the Company's website and the Stock Exchange's website. Shareholders may refer to the Articles of Association for further details of their rights.

All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the Listing Rules and the Company's Articles of Association and the poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hyjd.com) immediately after the relevant general meetings.

GOING CONCERN

There are no material uncertainties relating to events or conditions that would cast significant doubt upon the Company's and the Group's ability to continue as a going concern.

An analysis of the financial risk on liquidity of the Group is included in note 4.1(d) to the consolidated financial statements.

The Directors have pleasure in presenting this report of the Directors and the audited financial statements of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2014.

GROUP REORGANISATION

The Company is a limited liability company incorporated in the Cayman Islands on 5 February 2008. Pursuant to a group reorganization in preparation for listing on the Stock Exchange, the Company had become the holding company of the subsidiaries comprising the Group since 3 April 2008. Further details of the Group's reorganization are set forth in the Company's listing prospectus dated 12 March 2010 (the "Prospectus"). Shares in the Company has been listed on the Main Board of the Stock Exchange since 25 March 2010.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 45 to 49.

The Company has not declared any interim dividend during the year. The Directors do not recommend any payment of final dividend in respect of the year.

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.

USE OF PROCEEDS FROM THE COMPANY'S LISTING

Details of the use of proceeds from the Company's Listing are set out on page 20 of this annual report.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity on page 50 and in note 21(b) to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company's reserves, including the share premium account, available for distribution, calculated in accordance with the Companies Law (2009 Revision) of the Cayman Islands ("Companies Law"), amounted to approximately RMB795.3 million. Under the Companies Law, a company may make distribution to its shareholders out of the share premium account under certain circumstances.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set forth in note 8 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to the existing shareholders.

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2014 are set out in note 27 to the consolidated financial statements.

DIRECTORS

The Directors of the Company during the year and up to the date of this report have been:

Executive Directors

Mr. Cao Kuanping *(Chairman and Chief Executive Officer)*
Mr. Mo Chihe
Mr. Mao Shanxin
Mr. Wang Zhijin
Mr. Lu Chaolin
Ms. Hu Yanyu *(appointed on 15 October 2014)*

Independent Non-executive Directors

Mr. Zhou Shuiwen
Mr. Tam Chun Chung
Mr. Lo Kwong Shun Wilson

In accordance with the Company's Articles of Association, all directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed to fill a casual vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the next following annual general meeting after appointment.

In accordance with article 16.18 of the Articles of Association of the Company, Mr. Cao Kuanping, Mr. Mo Chihe and Mr. Wang Zhijin shall retire at the forthcoming annual general meeting. In addition, Ms. Hu Yanyu who has been appointed by the Board on 15 October 2014 shall hold office until the annual general meeting pursuant to Article 16.2 of the Articles of Association. All of the above retiring directors (namely Mr. Cao Kuanping, Mr. Mo Chihe, Mr. Wang Zhijin and Ms. Hu Yanyu), being eligible, will offer themselves for re-election at the annual general meeting.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the annual general meeting has entered or has proposed to enter into any service contracts with the Company or any of its subsidiaries which is not terminable by the Group within one year without payment of compensation, other than statutory compensation.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical information of the Directors of the Company are set out in the "Directors' and Senior Management's Profile" section on pages 39 to 42.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Changes in Directors' biographical details since the date of the 2014 interim report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Name of Director	Details of changes
Mr. Zhou Shuiwen	resigned as a director of 珠海歐比特控制工程股份有限公司 Zhuhai Orbita Control Engineering Co., Ltd. (stock code: 300053), a company listed on the Shenzhen Stock Exchange, in February 2015.
Mr. Wang Zhijin	was appointed on 9 October 2014 as an independent director of 上海飛凱光電材料股份有限公司 Shanghai Phichem Material Co., Ltd. (stock code: 300398), a company listed on the Shenzhen Stock Exchange.
	was appointed on 22 October 2014 as a director of 上海匯彩互聯網金融信息服務有限公司 Shanghai Huicai Internet Financial Information Service Co., Ltd..

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2014 and up to the date of this report, no Directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

As set out in note 42 to the audited consolidated financial statements in this annual report, during the year ended 31 December 2014, the Group had rental expenses paid to Mr. Cao Kuanping, the Chairman and an executive Director of the Company, amounting to RMB3,650,000.

As the applicable percentage ratios on an annual basis calculated with reference to the aggregate annual rents payable by the Group to Mr. Cao are more than 0.1% but less than 5% and the aggregate annual rents payable are more than HK$3,000,000, under Rule 14A.76 of the Listing Rules, the related tenancy agreements are subject to the announcement and annual reporting requirements set out in Rules 14A.68 and 14A.71 of the Listing Rules and the annual review requirements set out in Rules 14A.55 to 14A.59 but is exempted from the shareholders' approval requirement under Chapter 14A of the Listing Rules.

All the independent non-executive directors of the Company have reviewed the continuing connected transactions and confirmed that the continuing connected transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Our external auditor, PricewaterhouseCoopers, have been engaged to report on the continuing connected transactions and they have provided a letter to the Board of Directors confirming that:

(i) nothing has come to their attention that caused them to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors;

(ii) nothing has come to their attention that caused them to believe that the continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(iii) nothing has come to their attention that caused them to believe that the disclosed continuing connected transactions have exceeded the annual cap set by the Company.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2014, the interests or short positions of the Directors and chief executives of the Company in the equity or debt securities of the Company or any associated corporations (within the meaning of part XV of the Securities and Futures Ordinance (the "SFO") which had to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which they are taken or deemed to have under such provisions of the SFO), or which was required, under Section 352 of the SFO, to be entered in the register referred to in that section, or under the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name	Name of corporation	Capacity and Nature of interest	Aggregate number of ordinary shares or underlying shares	Approximate percentage of interest in the corporation
Cao Kuanping	The Company	Interest of controlled corporation	289,103,625 shares (L)	25.02%
	The Company	Beneficial owner	50,000,000 underlying shares (L)	4.33%
Mo Chihe	The Company	Beneficial owner	3,000,000 underlying shares (L)	0.26%
	The Company	Beneficial owner	3,000,000 underlying shares (S)	0.26%
Mao Shanxin	The Company	Beneficial owner	10,000,000 underlying shares (L)	0.87%
	The Company	Beneficial owner	10,000,000 underlying shares (S)	0.87%
Wang Zhijin	The Company	Beneficial owner	3,000,000 underlying shares (L)	0.26%
	The Company	Beneficial owner	3,000,000 underlying shares (S)	0.26%
Lu Chaolin	The Company	Beneficial owner	3,000,000 underlying shares (L)	0.26%
	The Company	Beneficial owner	3,000,000 underlying shares (S)	0.26%

(L) denotes long position and (S) denotes short position.

Note:

The Company granted 25,000,000 Pre-IPO Options, 3,000,000 Pre-IPO Options, 10,000,000 Pre-IPO Options, 3,000,000 Pre-IPO Options and 3,000,000 Pre-IPO Options to Mr. Cao Kuanping ("Mr. Cao"), Mr. Mo Chihe, Mr. Mao Shanxin, Mr. Wang Zhijin and Mr. Lu Chaolin, to subscribe for 25,000,000 shares, 3,000,000 shares, 10,000,000 shares, 3,000,000 shares and 3,000,000 shares, respectively, pursuant to the Pre-IPO Option Scheme. Moreover, each of Mr. Mo Chihe, Mr. Mao Shanxin, Mr. Wang Zhijin, Mr. Lu Chaolin, Mr. Gao Yuan and Mr. Sun Qingxiang, who are grantees of an aggregate of 25,000,000 Pre-IPO Options to subscribe for an aggregate of 25,000,000 shares, undertakes to Mr. Cao that if he proposes a sale of the shares issued and allotted to him upon the exercise of the Pre-IPO Options, he will give a written notice to Mr. Cao and Mr. Cao has an option for a period of two days from the date of notice (inclusive of the date of notice) to purchase the shares to be sold at the closing price of the shares as traded on the Stock Exchange on the date of notice.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Directors or chief executives of the Company, as at 31 December 2014, shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Name of corporation	Capacity and Nature of interest	Aggregate number of ordinary shares	Approximate percentage of interest in the corporation
China Ruike Investment & Development Co., Ltd.	The Company	Beneficial owner	289,103,625	25.02%
Fuxin Investment Holding Co., Ltd.	The Company	Beneficial owner	107,051,727	9.27%

SHARE CAPITAL AND SHARE OPTION SCHEMES

Details of the movements in the share capital of the Company during the year are set out in note 20 to the consolidated financial statements.

On 5 March 2010, the Company adopted a share option scheme (the "Share Option Scheme") and a pre-IPO option scheme (the "Pre-IPO Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the growth of the Group. Eligible participants of the Share Option Scheme and the Pre-IPO Option Scheme include, without limitation, directors and employees of the Company, or any of its subsidiaries or associated companies. Up to 31 December 2014 and as at the date of this report, no share option has been granted or agreed to be granted to any person under the Share Option Scheme.

The following directors and senior management were granted the share options to subscribe for up to 50,000,000 shares pursuant to the Pre-IPO Option Scheme (the "Pre-IPO Options"):

	Number of Pre-IPO Options				
Name	As at 1 January 2014	Granted during the period	Exercised during the period	As at 31 December 2014	Approximate percentage of interest in the Company
Cao Kuanping *Chairman and Executive Director*	25,000,000	—	—	25,000,000	2.17%
Mo Chihe *Executive Director*	3,000,000	—	—	3,000,000	0.26%
Mao Shanxin *Executive Director*	10,000,000	—	—	10,000,000	0.87%
Wang Zhijin *Executive Director and Chief Financial Officer*	3,000,000	—	—	3,000,000	0.26%
Lu Chaolin *Executive Director and Vice General Manager*	3,000,000	—	—	3,000,000	0.26%
Gao Yuan *General manager of Yangzhou Hengxin Air-conditioner Sales Co., Ltd.*	3,000,000	—	—	3,000,000	0.26%
Sun Qingxiang *General manager of Yangzhou Huide Electronics Distribution Co., Ltd.*	3,000,000	—	—	3,000,000	0.26%

The Pre-IPO Options may only become exercisable in accordance with the following vesting schedule:

i. one-third of Pre-IPO Options (rounded down to the nearest whole number) shall be exercisable at any time during the period commencing on 25 March 2011 and ending on 25 March 2015;

ii. another one-third of Pre-IPO Options (rounded down to the nearest whole number) shall be exercisable at any time during the period commencing on 25 March 2012 and ending on 25 March 2015; and

iii. the remaining number of Pre-IPO Options shall be exercisable at any time during the period commencing on 25 March 2013 and ending on 25 March 2015.

The subscription price payable upon the exercise of any Pre-IPO Options is fixed at HK$1.521. No further options will be offered under the Pre-IPO Option Scheme. Details of the valuation of the Pre-IPO Options are set out in note 20 to the audited consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as disclosed in the paragraph headed "Share Capital and Share Option Schemes" in this report, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Other than those lease transactions set out in the paragraph headed "Continuing Connected Transactions", at the end of the year or at any time during the year, there was no contract of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party, subsisted, and in which a Director had, whether directly or indirectly, a material interest.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year.

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.

BANK LOANS AND OTHER BORROWINGS

Details of the Group's bank loans and other borrowings as at 31 December 2014 are set out in note 24 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales to the five largest customers of the Group accounted for approximately 20.0% of the Group's total revenue and sales to the largest customer accounted for approximately 5.9% of the Group's total revenue for year 2014. The aggregate purchases from the five largest suppliers of the Group accounted for approximately 53.9% of the Group's total purchases and purchases from the largest supplier accounted for approximately 27.0% of the Group's total purchases for year 2014.

None of the Directors, their associates, or any shareholder which to the knowledge of the Directors own more than 5% of the Company's issued share capital has any interest in the Group's five largest suppliers or the Group's five largest customers.

RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes of the Group are set out in note 32 to the consolidated financial statements.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the date of this report, there was a sufficient prescribed public float of the issued share of the Company under the Listing Rules.

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. Zhou Shuiwen and Mr. Lo Kwong Shun Wilson. Mr. Tam Chun Chung is the Chairman of the Audit Committee. The Audit Committee has in conjunction with management of the Company 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.

AUDITOR

The financial statements were audited by PricewaterhouseCoopers who will retire at the conclusion of the forthcoming annual general meeting and being eligible, offer themselves for re-appointment. A resolution for the reappointment of PricewaterhouseCoopers as auditor of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Cao Kuanping
Chairman

Hong Kong, 20 March 2015

EXECUTIVE DIRECTORS

Mr. Cao Kuanping (曹寬平先生), aged 52, founder of our Group, Chairman, executive Director and Chief Executive Officer of our Company, is responsible for our overall sales, marketing, development and strategic planning. Mr. Cao has been a Director since 5 February 2008. He is also a member of the Remuneration Committee. He is the legal representative of our various Group companies. Mr. Cao has extensive experience in the home appliances and consumer electronic products industry of close to 20 years. Prior to the establishment of 揚州滙銀家電(集團)有限公司 (Yangzhou Huiyin Household Appliance (Group) Co., Ltd.*) (formerly known as 揚州滙銀家電有限公司 (Yangzhou Huiyin Household Appliance Co., Ltd.*)) in 2002, Mr. Cao was the General Manager of both 揚州市廣陵區滙銀交家電批發站 (Yangzhou Huiyin Guangling District Jiaojiadian Wholesale Station*) and 揚州市廣陵區滙銀貿易有限公司 (Yangzhou Guangling District Huiyin Trading Co., Ltd.*), both of which were involved in the business of home appliances. Mr. Cao has been a director of China Ruika Investment & Development Co., Ltd. since April 2008, an investment holding company wholly owned by him. In 2009, Mr. Cao obtained his executive MBA under the Tsinghua Executive MBA Program which is a part-time programme launched by Tsinghua University. Mr. Cao also completed the EMBA programme and obtained the degree of executive master of business administration from Cheung Kong Graduate School of Business in September 2013.

Mr. Mo Chihe (莫持河先生), aged 43, executive Director of our Company since 3 April 2008, is responsible for treasury management, cash management, and investment project. He is also a member of the Nomination Committee. He also works together with our chief financial officer on certain accounting aspects of our Group. Mr. Mo has been with us since the establishment of 揚州滙銀家電(集團)有限公司 (Yangzhou Huiyin Household Appliance (Group) Co., Ltd.*) (formerly known as 揚州滙銀家電有限公司 (Yangzhou Huiyin Household Appliance Co., Ltd.*)) in May 2002. Mr. Mo is also a director of China Yinrui (HK) Investment Holding Company Limited and 揚州滙銀家電(集團)有限公司 (Yangzhou Huiyin Household Appliance (Group) Co., Ltd.*). He has close to 15 years of experience in home appliances and consumer electronic products industry and in financial management. Mr. Mo was employed by 揚州造紙廠 (Yangzhou Paper Production Factory*) between 1995 and 1998 during which he obtained the qualification of corporate accountant ((企業)會計師) approved by Ministry of Personnel of the PRC (中華人民共和國人事部) and conferred by Ministry of Finance of the PRC (中華人民共和國財政部) in May 1997. He joined 揚州市廣陵區滙銀交家電批發站 (Yangzhou Huiyin Guangling District Jiaojiadian Wholesale Station*) as the financial manager in April 1999. Mr. Mo obtained a high diploma in planning and statistics of economic trading (經濟貿易系計劃與統計專業專科) from 江蘇農學院 (Jiangsu Agricultural College*) (currently known as 揚州大學農學院 (Agricultural College of Yangzhou University*)) in 1992.

Mr. Mao Shanxin (茅善新先生), aged 48, executive Director of our Company since 3 April 2008, is responsible for overall supervision and management of our franchising operation. Mr. Mao joined our Group since inception. Mr. Mao was responsible for overseeing the operation of our warehouse and distribution department and after-sales services department, and was a manager of our bulk distribution business, audit manager, and the manager of our head office. Mr. Mao is also a director of China Yinrui (HK) Investment Holding Company Limited and 揚州滙銀家電(集團)有限公司 (Yangzhou Huiyin Household Appliance (Group) Co., Ltd.*) (formerly known as 揚州滙銀家電有限公司 (Yangzhou Huiyin Household Appliance Co., Ltd.*)). Prior to joining us, Mr. Mao was employed by 廣陵區百貨公司 (Guangling District Department Store*) as a salesman between 1987 and 1995. Mr. Mao completed 現代企業CEO 項目管理高級研修班 (Advanced Training Course of Project Management for CEO of Contemporary Enterprises*), a part-time course launched by 清華大學 (Tsinghua University*) in 2003. He completed the studying of 工商管理 (MBA) 核心課程班 (the Core Course of Business Administration (MBA) *) which is a part-time course launched by 南京大學 (Nanjing University*) in 2009. Mr. Mao Shanxin is the brother-in-law of Mr. Cao Kuanping, our Chairman.

Mr. Wang Zhijin (王志瑾先生), aged 38, executive Director of our Company since 5 March 2010, is responsible for the overall financial management and investors' relationship management. Mr. Wang joined our Group as the chief financial officer of our Company in July 2008. Mr. Wang was appointed as a director of 揚州滙銀家電(集團)有限公司 (Yangzhou Huiyin Household Appliance (Group) Co., Ltd.*) (formerly known as 揚州滙銀家電有限公司 (Yangzhou Huiyin Household Appliance Co., Ltd.*)) and China Yinrui (HK) Investment Holding Company Limited, both are wholly owned subsidiaries of the Company, on 6 April 2010 and 6 May 2010 respectively. He was appointed as a director of 上海靜健動康貿易有限公司 (Shanghai Jingjian Dongkang Trading Co., Ltd.*), 上海廣邗貿易有限公司 (Shanghai Guanghan Trading Co., Ltd.*) and 上海滙彩互聯網金融信息服務有限公司 (Shanghai Huicai Internet Financial Information Service Co., Ltd.*), the subsidiaries of the Group, on 24 October 2012, 12 February 2014 and 22 October 2014 respectively. He was also appointed on 9 October 2014 as an independent director of 上海飛凱光電材料股份有限公司 Shanghai Phichem Material Co., Ltd. (stock code: 300398) a company listed on the Shenzhen Stock Exchange. Mr. Wang is a member of 中國註冊會計師協會 (The Chinese Institute of Certified Public Accountants*). He has over 16 years experience in finance and accounting. Mr. Wang was employed by PricewaterhouseCoopers as a junior auditor in 1998, and was subsequently promoted to audit manager. Prior to joining us in 2008, Mr. Wang was appointed in December 2006 as chief financial officer and assistant to the chairman of directors of Kingdom Holdings Limited (stock code: 528), which is a company listed on the Main Board of the Stock Exchange. Mr. Wang obtained his bachelor degree in accounting from 上海財經大學 (Shanghai University of Finance and Economics*) in June 1998.

Mr. Lu Chaolin (路朝林先生), aged 39, has been appointed as an executive Director of our Company with effect from 25 March 2011. Mr. Lu, currently a vice general manager of our Company, is in charge of the overall management of the Group's corporate clients. He joined the Company's predecessor, 揚州市廣陵區滙銀交家電批發站 (Yangzhou Huiyin Guangling District Jiaojiadian Wholesale Station*) as deputy general manager in 1999 and 揚州滙銀家電(集團)有限公司 (Yangzhou Huiyin Household Appliance (Group) Co., Ltd.*) (formerly known as 揚州滙銀家電有限公司 (Yangzhou Huiyin Household Appliance Co., Ltd.*)) as deputy general manager since its establishment in May 2002. Mr. Lu has been the director of 無錫滙銀家電銷售有限公司 (Wuxi Huiyin Household Appliances Sales Co., Ltd.*), a subsidiary, since 24 October 2012. Mr. Lu was appointed as a director of 揚州滙銀家電(集團)有限公司 (Yangzhou Huiyin Household Appliance (Group) Co., Ltd.*) and China Yinrui (HK) Investment Holding Company Limited, both are wholly owned subsidiaries of the Company, on 6 April 2010 and 6 May 2010 respectively. Mr. Lu was previously the legal representative of 揚州恒信空調銷售有限公司 (Yangzhou Hengxin Airconditioner Sales Co., Ltd.*), 揚州滙德電器營銷有限公司 (Yangzhou Huide Electronics Distribution Co., Ltd.*) and 鎮江滙澤電器銷售有限公司 (Zhenjiang Huize Household Appliance Sales Co., Ltd.*). He attended and completed a 384-hour 高級工商管理總裁研修班 (Training Course of Business Administration and Management of Chief Executives*) launched by 清華大學繼續教育學院 (the School of Continuing Education of Tsinghua University*), and comprised 160-hour physical attendance study and 224-hour long distance study. He also completed a nine-month MBA Core Course, Executive Development Programs launched by 南京大學 (Nanjing University*) in September 2009.

Ms. Hu Yanyu (胡豔宇女士), aged 37, has been appointed as an executive Director of our Company with effect from 15 October 2014. Ms. Hu has more than six years' experience in investor relation management. She worked at Sunny Optical Technology (Group) Company Limited (stock code: 2382), a company listed on The Stock Exchange of Hong Kong Limited, as division head of the investor relations division from January 2008 to November 2013, joint company secretary from November 2010 to November 2013, and sales manager from December 1999 to September 2005. Ms. Hu obtained her master degree in business administration from Shanghai University of Finance and Economics in April 2008 and a bachelor degree in business administration from Zhejiang University in July 2003. She has also obtained the qualification of economist issued by Personnel Bureau of Hangzhou.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhou Shuiwen (周水文先生), aged 48, was appointed as an independent non-executive Director of our Company since 5 March 2010. He is also the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. He joined 上海永宣創業投資管理有限公司 (Shanghai NewMargins Growth Investment Management Co., Ltd.*, formerly known as 上海聯創投資管理有限公司 (Shanghai Lianchuang Investment Management Co., Ltd.*)) ("Shanghai NewMargins") in 1999, and is currently one of the partners of Shanghai NewMargins. Mr. Zhou was a director of 珠海歐比特控制 工程股份有限公司 (Zhuhai Orbita Control Engineering Co., Ltd.*) (stock code: 300053), which is a company listed on Shenzhen Stock Exchange, between March 2008 and February 2015. He was a director of 鄭州煤礦機械集團股份有限公司 (Zhengzhou Coal Mining Machinery Group., Ltd.*) (stock code: 601717), which is a company listed on Shanghai Stock Exchange, between December 2008 and March 2012. Mr. Zhou obtained his bachelor degree of engineering in bioengineering from 上海科學技術大學 (Shanghai University of Science and Technology, currently known as 上海大學 (Shanghai University*)) in 1989.

Mr. Tam Chun Chung (譚振忠先生), aged 42, was appointed as an independent non-executive Director of our Company on 5 March 2010. He is also the chairman of the Audit Committee. Mr. Tam has more than 19 years of experience in the accounting and audit field. He has been a joint company secretary of 中國中鐵股份有限公司 (China Railway Group Limited*) (stock code: 390), which is a company listed on the Main Board of the Stock Exchange, since November 2007. Prior to joining 中國中鐵股份有限公司 (China Railway Group Limited*), Mr. Tam served as a qualified accountant and joint company secretary of Jilin Qifeng Chemical Fiber Co., Ltd. (stock code: 549), which is a company listed on the Main Board of the Stock Exchange, from September 2005 to November 2007. Between 2000 and 2005, he worked in the finance department in China Motion Telecom International Limited (stock code: 989), which is a company listed on the Main Board of the Stock Exchange, as an assistant manager, and was subsequently promoted to the position as a senior manager. From 1994 to 2000, Mr. Tam was employed by KPMG and was subsequently promoted to the position as an assistant manager. He has been a member of the Hong Kong Institute of Certified Public Accountants since December 1997 and a fellow of the Chartered Association of Certified Accountants since November 2002. Mr. Tam graduated from the Chinese University of Hong Kong in December 1994 with degree of bachelor of business administration.

Mr. Lo Kwong Shun Wilson (羅廣信先生), aged 41, was appointed as an independent non-executive Director of our Company on 17 July 2013. He is also the chairman of the Nomination Committee, and a member of the Audit Committee and the Remuneration Committee. Mr. Lo has more than 14 years' experience in investment banking and advising on corporate finance and three years' experience in accounting and auditing. He has been working at Guotai Junan Capital Limited since 2002 and is currently a managing director, where he has been involved in various listing and restructuring transactions. Prior to that, from 1999 to 2002, he worked at Kingsway Capital Limited and BOCI Asia Limited, responsible for handling corporate finance assignments and assisting the analysis of various proposed listing projects while working alongside other professionals. Between 1996 and 1999, Mr. Lo worked at KPMG and was responsible for the audit of companies of various industry sectors. Mr. Lo has been independent non-executive directors of Kingdom Holdings Limited (stock code: 528) since May 2010, Raymond Industrial Limited (stock code: 229) since January 2013 and Wuzhou International Holdings Limited (stock code: 1369) since May 2013, all of which are listed on the Main Board of The Stock Exchange. Mr. Lo has been a member of the American Institute of Certified Public Accountant since December 1999 and a member of Hong Kong Institute of Certified Public Accountant since September 2005. He has also been a chartered financial analyst registered with the Association for Investment Management and Research since September 2001. Mr. Lo obtained his bachelor degree in commerce from University of British Columbia in May 1995.

The English names of the PRC entities mentioned in the directors' profile marked "" are translations from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese name shall prevail.*

SENIOR MANAGEMENT

Mr. Guo Guangzhong (郭廣忠先生), 37, is the assistant to the general manager of the Company, and is responsible for marketing and management of the Group's self-operated stores, and the overall management and implementation of the Group's businesses under the Rural Appliance Rebate Program and the Change of the Old for New Program. He joined the Group in December 2002. Mr. Guo obtained a high diploma in civil engineering and architecture from 南京建築工程學院 (Nanjing Institute of Architectural and Civil Engineering*, which was merged with other institutes to form 南京工業大學 (Nanjing University of Technology*)) in 2000. In 2006, he completed a 120-hour course of 零售賣場管理設計高級研修班 (the Advanced Level on Management and Design of Retail Premises*) launched by 清華大學美術學院培訓中心 (the Training Centre of the Academy of Fine Arts of Tsinghua University*).

Mr. Gao Yuan (高源), 40, general manager of Hengxin Air-Conditioner, is responsible for the overall management of Hengxin Air-Conditioner. Mr. Gao has close to 12 years of experience in the home appliances and consumer electronic products industry. Prior to joining our predecessor, Yangzhou Jiaojiadian, in 2000, Mr. Gao was employed by 揚州百信電器有限公司 (Yangzhou Baixin Electronics Co., Ltd*) and was responsible for sales of a specified brand of air conditioners in Yangzhou and Taizhou between March 1999 and May 2000.

Mr. Sun Qingxiang (孫清翔), 38, general manager of Huide Electronics, is responsible for the overall management of Yangzhou Huide. Mr. Sun joined our predecessor, Yangzhou Jiaojiadian, in 2001 and Yangzhou Huiyin since its establishment as business manager responsible for the development of and distribution in the network of towns and villages. He has close to 11 years of experience in the home appliances and consumer electronic products industry.

The English names of the PRC entities mentioned in the senior management's profile marked "" are translations from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese name shall prevail.*

TO THE SHAREHOLDERS OF
HUIYIN HOUSEHOLD APPLIANCES (HOLDINGS) CO., LTD.
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Huiyin Household Appliances (Holdings) Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 45 to 133, which comprise the consolidated and company balance sheets as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 March 2015

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	7	48,149	22,887
Property, plant and equipment	8	223,280	186,803
Investment properties	9	5,745	5,915
Intangible assets	10	37,429	38,001
Investment in and loan to a joint venture	11	256,976	—
Investment in an associate	12	618	—
Deferred income tax assets	13	134,924	145,610
Receivable	14	—	2,910
		707,121	402,126
Current assets			
Inventories	15	413,843	678,345
Trade and bills receivables	16	120,473	131,809
Prepayments, deposits and other receivables	17	1,143,634	958,133
Restricted bank deposits	18	986,063	965,265
Cash and cash equivalents	19	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	20	7,819	7,162
Reserves	21	793,858	684,472
		801,677	691,634
Non-controlling interests in equity		45,145	35,852
Total equity		846,822	727,486

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	24	–	608,158
Deferred income tax liabilities	13	211	211
Deferred government grants	25	2,818	2,876
		3,029	611,245
Current liabilities			
Trade and bills payables	22	949,869	936,564
Accruals and other payables	23	367,390	319,735
Borrowings	24	1,048,068	541,774
Current income tax liabilities		127,710	97,549
Other current liabilities	26	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

The notes on pages 52 to 133 are an integral part of these financial statements.

Cao Kuanping
Director

Wang Zhijin
Director

Balance Sheet of the Company

As at 31 December 2014

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
ASSETS			
Non-current assets			
Investments in and amounts due from subsidiaries	27	1,432,793	1,371,670
Current assets			
Dividends receivable		12,396	12,740
Cash and cash equivalents		607	1,286
		13,003	14,026
Total assets		1,445,796	1,385,696
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital: nominal value	20	7,819	7,162
Share premium	21	884,938	827,784
Other reserves	21	31,485	31,485
Accumulated losses	21	(121,126)	(102,453)
Total equity		803,116	763,978
LIABILITIES			
Non-current liabilities			
Borrowings	24	–	225,585
Current liabilities			
Accruals and other payables	23	197,829	115,676
Borrowings	24	444,851	280,457
		642,680	396,133
Total liabilities		642,680	621,718
Total equity and liabilities		1,445,796	1,385,696
Net current liabilities		(629,677)	(382,107)
Total assets less current liabilities		803,116	989,563

The notes on pages 52 to 133 are an integral part of these financial statements.

Cao Kuanping
Director

Wang Zhijin
Director

Consolidated Income Statement

For the year ended 31 December 2014

	Note	Year ended 31 December 2014 RMB'000	2013 RMB'000
Revenue	28	3,093,022	2,849,142
Cost of sales	31	(2,717,982)	(2,540,338)
Gross profit		375,040	308,804
Other income	29	13,175	17,479
Other (losses)/gains — net	30	(362)	2,488
Selling and marketing expenses	31	(150,410)	(159,949)
Administrative expenses	31	(88,586)	(291,974)
Operating profit/(loss)		148,857	(123,152)
Finance income	34	42,399	34,574
Finance costs	34	(80,412)	(62,669)
Finance costs — net	34	(38,013)	(28,095)
Share of loss of a joint venture	11	(6,681)	—
Share of loss of an associate	12	(65)	—
Profit/(loss) before income tax		104,098	(151,247)
Income tax (expense)/credit	35	(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	36	4.69	(14.28)
– Diluted	36	4.28	(11.63)
Dividends	37	—	—

The notes on pages 52 to 133 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Profit/(loss) for the year	58,205	(143,357)
Other comprehensive income or loss	—	—
Total comprehensive income/(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)

The notes on pages 52 to 133 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Note	Attributable to equity holders of the Company							
		Share capital RMB'000	Share premium RMB'000	Statutory reserves RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2013		7,162	827,784	28,007	(58,034)	38,096	843,015	40,326	883,341
Comprehensive loss									
Loss/Total comprehensive loss for the year 2013		–	–	–	–	(149,755)	(149,755)	6,398	(143,357)
Contributions by and distributions to owners									
Capital contribution from non-controlling interests		–	–	–	–	–		2,000	2,000
Dividend paid by a subsidiary to non-controlling interests		–	–	–	–	–	–	(100)	(100)
Pre-IPO Option Scheme –value of employee services	31	–	–	–	602	–	602	–	602
		–	–	–	602	–	602	1,900	2,502
Acquisition of additional equity interest in a subsidiary from non-controlling interests	41	–	–	–	(2,228)	–	(2,228)	(12,772)	(15,000)
Total transactions with owners		–	–	–	(1,626)	–	(1,626)	(10,872)	(12,498)
Balance at 31 December 2013		7,162	827,784	28,007	(59,660)	(111,659)	691,634	35,852	727,486
Balance at 1 January 2014		7,162	827,784	28,007	(59,660)	(111,659)	691,634	35,852	727,486
Comprehensive income									
Profit/Total comprehensive income for the year 2014		–	–	–	–	50,004	50,004	8,201	58,205
Contributions by and distributions to owners									
Issue of ordinary shares relating to acquisition of a subsidiary	19	657	57,154	–	–	–	57,811	–	57,811
Dividend paid by a subsidiary to non-controlling interests		–	–	–	–	–	–	(100)	(100)
Total transactions with owners		657	57,154	–	–	–	57,811	(100)	57,711
Deemed disposal of a subsidiary with loss of control	41	–	–	–	2,228	–	2,228	1,192	3,420
Balance at 31 December 2014		7,819	884,938	28,007	(57,432)	(61,655)	801,677	45,145	846,822

The notes on pages 52 to 133 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2014

	Note	Year ended 31 December 2014 RMB'000	Year ended 31 December 2013 RMB'000
Cash flows from operating activities:			
Cash generated from/(used in) operations	38	28,677	(45,905)
Interest paid		(73,479)	(78,361)
Income tax paid		(13,726)	(11,362)
Net cash used in operating activities		(58,528)	(135,628)
Cash flows from investing activities:			
Cash acquired from acquisition of a subsidiary	20	635	—
Purchases of property, plant and equipment	8	(27,875)	(25,114)
Purchases of land use rights	7	—	(6,049)
Purchases of intangible assets	10	(848)	(25)
Proceeds from disposal of property, plant and equipment	8	190	1,747
Investment in an associate	12	(750)	—
Cash disposed arising from deemed disposal of a subsidiary with loss of control	11	(7,963)	—
Additional loan to a joint venture	11	(80)	—
Interest received		22,530	25,652
Net cash used in investing activities		(14,161)	(3,789)
Cash flows from financing activities:			
Increase in bank acceptance bills discounted for financing purpose		—	321,000
Proceeds from bank borrowings	24	274,456	825,556
Interest-bearing advances from third parties	23	5,200	—
Repayments of bank borrowings	24	(382,730)	(965,387)
Decrease in restricted bank deposits pledged for bank borrowings and forward foreign exchange contracts	18	49,000	38,603
Contribution from a third party fund company	23	—	10,000
Contribution from non-controlling interests		—	2,000
Acquisition of additional equity interest in a subsidiary from non-controlling interests	41	—	(15,000)
Dividend paid by a subsidiary to non-controlling interests		(100)	(100)
Net cash (used in)/generated from financing activities		(54,174)	216,672
(Decrease)/increase in cash and cash equivalents		(126,863)	77,255
Cash and cash equivalents at beginning of the year	19	152,235	75,198
Exchange differences on cash and cash equivalents		(58)	(218)
Cash and cash equivalents at end of the year	19	25,314	152,235

The notes on pages 52 to 133 are an integral part of these financial statements.

1 GENERAL INFORMATION

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

The Company is principally engaged in investment holding. The principal activities of the Company and its subsidiaries (together, the "Group") are engaged in the retail and bulk distribution sales of household appliances, franchise operations and provision of maintenance and installation services for household appliances 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 of Hong Kong Limited (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 prepared in accordance with the applicable requirements of the predecessor Hong Kong Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 below.

(i) 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.

- Amendment 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(ii) The following are new standards and amendments of 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 2014 and have not been early adopted by the Group:

Amendment to HKAS19 – Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014).

Annual improvements 2012 – The amendments include changes from the 2010-2012 cycle of the annual improvements project that affect the following 4 standards: HKFRS 8 "Operating Segments", HKAS 16 "Property, Plant and Equipment", HKAS 24 "Related Party Disclosures" and HKAS 38 "Intangible Assets" (effective for annual periods beginning on or after 1 July 2014).

Annual improvements 2013 – The amendments include changes from the 2011-2013 cycle of the annual improvements project that affect the following 3 standards: HKFRS 3 "Business Combinations'', HKFRS 13 "Fair Value Measurement" and HKAS 40 "Investment Property" (effective for annual periods beginning on or after 1 July 2014).

Amendment to HKFRS 11 – Accounting for acquisitions of interests in joint operations (effective for annual periods beginning on or after 1 January 2016).

Amendments to HKAS 16 and HKAS 38 – Clarification of acceptable methods of depreciation and amortisation (effective for annual periods beginning on or after 1 January 2016).

Amendments to HKFRS 10 and HKAS 28 – Sale or contribution of assets between an investor and its associate or joint venture (effective for annual periods beginning on or after 1 January 2016).

Amendment to HKAS 27 – Equity method in separate financial statements (effective for annual periods beginning on or after 1 January 2016).

Annual improvements 2014 – The amendments include changes from the 2012-2014 cycle of the annual improvements project that affect 4 standards: HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", HKFRS 7 "Financial Instruments: Disclosures", HKAS 19, "Employee Benefits" and HKAS 34 "Interim Financial Reporting" (effective for annual periods beginning on or after 1 January 2016).

HKFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2017).

HKFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018).

The Group will apply the new standards and amendments described above when they become effective. The Group is in the process of making an assessment on the impact of these new 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.

(iii) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 (i.e. year beginning 1 January 2015) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.1 Subsidiaries

3.1.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Accounting policy for contingent consideration is set out in Note 3.18.

The excess of the sum of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If sum of those amounts is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.1 Subsidiaries *(continued)*

3.1.1 Consolidation *(continued)*

(b) Transactions with non-controlling interests on ownership of subsidiaries without loss of control

The Group applies a policy of treating transactions with non-controlling interests on ownership of subsidiaries without loss of control as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

3.1.2 Separate financial statements

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profits and losses of associates' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the income statement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 Joint arrangements

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

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

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

3.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chairman and executive directors of the Company that makes strategic decisions.

3.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the applicable exchange rates quoted by the People's Bank of China prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement within 'other gains/(losses) — net'.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.6 Land use rights for own use

All land in the PRC is state-owned or collectively-owned and no individual land ownership rights exists. The Group acquired the rights to use certain land for its own operations. The premiums paid for such rights are treated as prepayments for operating leases and recorded as land use rights, which are amortised over the period of the lease using the straight-line method.

3.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Construction-in-progress (the "CIP") represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition and capitalised borrowing costs. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated below.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost less impairment loss of each asset to its residual value over its estimated useful life, as follows:

	Depreciation life	Residual value
Buildings	40 years	5%
Machinery	10 years	5%
Motor vehicles	5 years	5%
Electronic and office equipment	5 years	5%
Leasehold improvements	5 to 8 years or the remaining term of any non-renewable lease, whichever is shorter	—

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within 'other gains/(losses) – net', in the income statement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.8 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the entities in the Group, is classified as investment property.

Investment properties are stated at cost less accumulated depreciation and impairment losses. The cost less accumulated impairment and residual values of investment properties are depreciated on a straight-line basis over their estimated useful lives of 40 years.

3.9 Intangible assets

(a) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 10 years.

(b) Distribution agreement

Distribution agreement arising from the acquisition of a subsidiary in year 2011 is initially recognised at fair value. Distribution agreement has a definite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of distribution agreement over the estimated useful lives of 10 years.

(c) Non-compete agreements

Non-compete agreements arising from the acquisition of business in year 2010 and 2011 are initially recognised at fair value. Non-compete agreements have definite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of non-compete agreements over the estimated useful lives of 5 and 6 years respectively.

(d) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the total of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.10 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Investments in subsidiaries are also assessed for impairment when dividend is received (Note 3.1.2).

3.11 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designed as a hedging instrument, and if so, the nature of the item being hedged. The Group has certain derivative financial instruments which do not qualify for hedge accounting, changes in the fair value of these derivative instruments are recognised immediately in the income statement within 'other gains/(losses) — net'.

3.12 Inventories – merchandise held for resale and low value consumables

Inventories comprise merchandise purchased for resale and low value consumables, and are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Cost of merchandise, representing its purchase cost, is determined using the first-in-first-out basis. Supplier rebates are accrued as earned and are recorded initially as a reduction in inventories and subsequently reflected as a reduction in cost of sales when the related merchandise is sold. The supplier rebates are estimated by experience, which is assessed based on anticipated annual purchases from the suppliers and periodic policies granted by the suppliers, and are adjusted to the actual amounts when these become finalised.

3.13 Inventories – land use rights acquired for property development for sale

Such land use rights are included in current assets as inventories and are measured at the lower of cost and net realisable value unless they fall out of the normal operating cycle in which case they are classified as non-current assets. Construction and other costs for the property development including any capitalised borrowing costs incurred during the development period are also recorded as part of the inventory cost.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.14 Trade, bills and other receivables

Trade, bills and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade, bills and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within administrative expenses. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

3.15 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and are Grouped with bank overdrafts in the cash flow statement. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

3.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.17 Trade, bills and other payables

Trade, bills and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.18 Contingent consideration

The Group classifies an obligation to pay contingent consideration for the acquisition of a business as financial liability at fair value through profit or loss. It is recognised initially at fair value at the acquisition date, and subsequently measured at fair value, with any resulting gain or loss recognised in "other gains/(losses) — net".

Contingent consideration liabilities within one year and over one year are classified in other current liabilities and other non-current liabilities respectively.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.19 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

3.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.20 Current and deferred income tax *(continued)*

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, and the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.21 Employee benefits — pension obligations (defined contribution plan)

A defined contribution plan is a pension plan under which the Group pays contributions into a separate fund. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to the employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due.

The Group has participated in defined contribution plans administered by the relevant authorities in the PRC for its employees. The Group is required to pay monthly contributions to these plans at certain percentage on relevant portion of the payroll of these employees to fund the benefits. The relevant authorities undertake to assume the retirement benefit obligations payable to the existing and future retired employees of the Group under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made.

3.22 Share-based payments

The Group operates an equity-settled pre-IPO share option scheme, under which the entity receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.23 Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the Group's financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the Group's financial statements when an inflow of economic benefits is probable. When inflows is virtually certain, an asset is recognised.

3.24 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entities within the Group and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.24 Revenue recognition *(continued)*

(a) Sales of goods — bulk distribution

The Group sells a range of household appliances merchandise by bulk distribution to its franchisees, other retailers and distributors. Sales of goods are recognised when the merchandises have been transported to the specified location, the risks of obsolescence and loss have been transferred to the buyer, and either the buyer has accepted the merchandises in accordance with sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The household appliance merchandises are often sold with volume discounts, and sales are recorded based on the price specified in the sales orders, net of the estimated volume discounts at the time of sale. Accumulated experience is used to estimate and provide for the discounts. The volume discounts are assessed based on anticipated annual purchases and periodic policies granted to customers, and are adjusted to the actual amounts when these become finalised. No element of financing is deemed present as the sales are made with a credit term of 30 to 90 days, which is consistent with the market practice.

(b) Sales of goods — retail

The Group operates a chain of retail stores for selling household appliance merchandises. Sales of goods are recognised when a Group entity sells the merchandise to the customer. Retail sales are usually in cash or by credit card.

(c) Rendering of maintenance and installation services

The Group renders maintenance and installation services to end customers. Revenue from such services is recognised when services have been provided and the collectibility of the related receivables is reasonably assured.

(d) Commission income

The commission income generated from providing agency service for sales of lotteries is recognised when the lottery sale is made.

(e) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.24 Revenue recognition *(continued)*

(f) Franchise fee income

Franchise fee income is recognised on an accruals basis in accordance with the substance of the relevant agreements. Such an income is amortised to the income statement on a straight-line basis over the franchise period.

(g) Promotion income

Promotions income is recognised when the services are provided and in accordance with agreements with relevant suppliers.

(h) Rental income

Rental income from renting of properties under operating leases is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income to be received.

(i) Dividend income

Dividend income is recognised when the right to receive payment is established.

3.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to future costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs they are intended to compensate. Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to an entity within the Group with no future related costs are recognised as income of the period in which they become receivable.

Government grants relating to non-current assets are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

3.26 Operating leases (as a lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including upfront payment made for land use rights are charged to the income statement on a straight-line basis over the period of the lease.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.27 Dividend distribution

Dividend distribution to the Company's equity holders is recognised, as a liability where applicable, in the Company's and the Group's financial statements in the period in which the dividends are approved by the Company's equity holders or directors, where appropriate.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, cash flow and fair value interest rate risk, credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Foreign exchange risk

The Group operates mainly in the PRC and is exposed to foreign exchange risk arising primarily from the US dollar ("US$") and the HK dollar ("HK$"). Foreign exchange risk arises from the bank borrowings denominated in US$.

Fluctuation of the exchange rates of functional currency against foreign currencies could affect the Group's results of operations. 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 (2013: US$97,500,000). Given the general expectations about the strengthening of RMB, the Group believes that the foreign exchange risk is not significant.

As at 31 December 2014, if RMB had strengthened/weakened by 5% against US$ with all other variables held constant, post-tax profit of the Group for the year would have been RMB20,009,000 higher/lower (2013: post-tax loss would have been RMB22,292,000 lower/higher), mainly as a result of net foreign exchange gains/losses on translation of US$ denominated bank borrowings.

(b) Cash flow and fair value interest rate risk

Other than bank deposits with stable interest rate (Notes 18 and 19), the Group has no other significant interest-bearing assets. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank deposits are not expected to change significantly.

The Group's interest-rate risk mainly arises from borrowings. Borrowings obtained at variable rates of RMB533,168,000 (2013: RMB594,359,000) expose the Group to cash flow interest rate risk, and such borrowings are denominated in the US$ and RMB. As at 31 December 2014, if interest rate on such borrowings had been 10 basis points lower/higher with all other variables held constant, the post-tax profit of the Group for the year would have been RMB400,000 higher/lower (2013: post-tax loss would have been RMB446,000 lower/higher) mainly as a result of lower/higher interest expense on borrowings with variable rates. Borrowings obtained at fixed rates of RMB514,900,000 (2013: RMB555,573,000) exposed the Group to fair value interest-rate risk. The Group has not hedged its cash flow and fair value interest rate risk. The interest rates and terms of repayments of borrowings are disclosed in Note 24.

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

(c) Credit risk

Majority of the Group's sales are settled in cash, credit card or check by its customers on delivery of goods. The carrying amounts of the bank balances, trade and bills receivables, deposits and other receivables after deducting the provision for doubtful debts best represent the maximum credit exposure of the Group.

(i) Deposits with banks

The Group maintains substantially most of its bank balances and cash in interest-bearing accounts in several nationwide and regional renowned financial institutions in the PRC without significant credit risk. Management does not expect any significant losses from non-performance of these financial institutions. The five largest bank deposit balances for the restricted bank deposits and cash and cash equivalents are listed as below:

		As at 31 December	
	Rating (Note)	2014 RMB'000	2013 RMB'000
Five largest restricted bank deposits			
— Bank of China	A-1	275,340	338,166
— Agricultural Bank of China	A-1	180,465	75,600
— Bank of Communications	A-2	134,463	211,361
— China Minsheng Bank	N/A	80,616	20,000
— Shanghai Pudong Development Bank	N/A	72,000	30,400
		742,884	675,527
Five largest cash and cash equivalents			
— Bank of Communications	A-2	4,707	49,053
— Bank of Jiangsu	N/A	3,042	10,514
— Agricultural Bank of China	A-1	2,238	20,590
— China Construction Bank	A	2,203	2,124
— Bank of China	A-1	2,048	44,785
		14,238	127,066

Note:

These are Standard and Poor's short term credit ratings.

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

(c) Credit risk *(continued)*

(ii) Receivables

Trade receivables are due from wholesale customers with an appropriate financial strength, the Group grants the average credit term to the distributors ranging from 30 days to 90 days, the balances exceeding the credit term are closely monitored by the Group.

Bills receivables are the bills issued by customers and accepted by banks, they are expired usually in 3 months to 6 months. The directors are of the opinion that there is no significant credit risk on those bills, because most of the bills are accepted by several nationwide and regional renowned financial institutions in the PRC without significant credit risk.

Supplier rebate receivables are due from suppliers upon achievement of specified volume purchasing levels. Management assesses the credit risk of suppliers by taking into account their financial position and past collection experience. The Group keeps long-term relationship with those suppliers and the collection of the supplier rebates are closely monitored by senior officials of the Group.

Other receivables mainly comprise the rental deposits. Rental deposits are placed with various landlords in the PRC and are due upon the expiry of the tenancy agreements and handover of the leased premises.

The carrying amount of receivables included in the balance sheet represents the Group's maximum exposure to credit risk in relation to these financial assets.

(d) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents, the availability of fund through adequate amounts of committed credit facilities from commercial banks and the ability to close out market positions.

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

(d) Liquidity risk *(continued)*

The table below analyses the Group's financial liabilities that will be settled based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 3 months RMB'000	Between 3 to 6 months RMB'000	Between 6 to 12 months RMB'000	Between 1 to 2 years RMB'000	Between 2 to 3 years RMB'000
As at 31 December 2014					
Borrowings (Note 24)	88,317	311,570	651,281	—	—
Interest payments on borrowings (note)	6,152	4,112	26,550	—	—
Trade and bills payables (Note 22)	561,650	388,219	—	—	—
Accruals and other payables, excluding the advances from customers, value added tax and other tax payables and salary and welfare payables and advance from a fund company (Note 23)	78,008	5,200	—	—	—
	734,127	709,101	677,831	—	—
As at 31 December 2013					
Borrowings (Note 24)	65,000	229,938	246,836	615,585	—
Interest payments on borrowings (note)	11,434	9,648	16,500	19,443	—
Trade and bills payables (Note 22)	739,299	197,265	—	—	—
Accruals and other payables, excluding the advances from customers, value added tax and other tax payables and salary and welfare payables and advance from a fund company (Note 23)	80,482	—	—	—	—
	896,215	436,851	263,336	635,028	—

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

(d) Liquidity risk *(continued)*

Note:

The interest payments on borrowings are calculated based on borrowings held as at 31 December 2014 and 2013 respectively without taking into account of future borrowings.

As at 31 December 2014, the Group's borrowings which were due for repayment within the next 12 months increased significantly which was primarily due to medium-term notes in the aggregate principal amount of RMB390,000,000 would come to the end of their 3 years term in August 2015 and therefore had turned into a current liability (Note 24 (a)). The Group is in the process of seeking the renewal of, or alternatively finding the most suitable re-financing with acceptable costs to replace, the medium-term notes. Given the medium-term notes are mainly secured over the land use rights of a land parcel currently owned by a joint venture of the Group with a book value of RMB244,558,000 and the property project will soon enter into the pre-sale stage without any external project loan (its principal borrowing was an amount of RMB236,376,000 as at 31 December 2014 owed to the Group), the directors are confident that alternative financing or internally generated funds will be available on timely basis and the repayment of the medium-term notes will not become an unsolvable liquidity issue to the Group. This will only be a temporary challenge to the management in choosing the best option for the Group.

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total borrowings include current and non-current borrowings as shown on the consolidated balance sheet. Total capital is calculated as total 'equity', as shown on the consolidated balance sheet, plus total borrowings.

The gearing ratios at 31 December 2014 and 2013 were as follows:

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Total borrowings (Note 24)	1,048,068	1,149,932
Total equity	846,822	727,486
Total capital	1,894,890	1,877,418
Gearing ratio	55.31%	61.25%

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.2 Capital risk management *(continued)*

The changes in the gearing ratios during the years were primarily due to a net decrease in the borrowing balances while there was an increase in equity arising from new issue of the Company's shares and net profit for the year.

4.3 Fair value estimation

The different levels in determining the fair value of derivatives and other financial instruments are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair values of contingent consideration arising from the business combination (Note 26) were measured at fair value by level 3. Derivative financial instruments were measured at fair value by level 2.

(a) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value the fair value of forward foreign exchange contracts was determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

Level 2 derivative financial instruments comprised forward foreign exchange contracts which had all been settled as at 31 December 2013. These forward foreign exchange contracts had been fair valued using forward exchange rates that are quoted in an active market. Losses from re-measurement and settlement of forward exchange contracts amounted to RMB1,362,000 for the year ended 31 December 2013 (Note 30).

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.3 Fair value estimation *(continued)*

(b) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the year ended 31 December 2014 and 2013:

	Contingent consideration liabilities arising from business combination Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Opening balance	53,560	51,659
Losses recognised in profit or loss	–	1,901
Closing balance	53,560	53,560
Change in unrealised losses for the year included in profit or loss for assets/liabilities held at the end of the year, under 'Other (losses)/gains - net' (Note 30)	–	1,901

The discount rate used to compute the fair value was 23%. If the change in the discount rate for the contingent consideration shifted +/- 2%, the impact on profit or loss would be RMB110,000 for the year ended 31 December 2013. The higher the discount rate, the lower the fair value.

See Note 26 for disclosures of the measurement of the contingent consideration.

4.4 Group's valuation processes

The Group's finance department includes a team that performs the valuations of financial assets and liabilities required for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer (CFO) and the audit committee (AC). Discussions of valuation processes and results are held between the CFO, AC and the valuation team at least once every six months, in line with the Group's interim and annual reporting dates.

The main level 3 input used by the Group for financial assets and liabilities pertains to the discount rate for contingent consideration. It is estimated based on the market conditions.

4.5 Fair values of financial assets and liabilities measured at amortised cost

As at 31 December 2014 and 2013, the fair values of all financial assets and liabilities measured at amortised cost approximate their carrying amounts.

4.6 Offsetting of financial assets and liabilities

There has been no offsetting of financial assets and liabilities as at the balance sheet date.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of goodwill

The Group tests at least annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 3.9. The recoverable amounts of CGUs have been determined based on fair value less costs to sell calculations. These calculations require the use of estimates (Note 10).

No impairment charge arose up to 31 December 2014 for the goodwill of RMB34,060,000 allocated to the CGU of Anhui Four Seas Huiyin Household Appliances Sales Co., Ltd. ("Anhui Four Seas", formerly known as "Huainan City Four Seas Huiyin Household Appliances Co., Ltd."). For the year 2014, if the budgeted discount rate used in the calculation for this CGU had been 2% higher than management's estimates (16% instead of 14%), the Group would have recognised an impairment of goodwill by RMB11,680,000 (2013: RMB4,913,000 using 25% instead of 23%).

Impairment on the goodwill of RMB14,163,000 allocated to the CGU of Nanjing Chaoming Technology Development Co., Ltd. ("Nanjing Chaoming") had been fully provided for as at 31 December 2012 and there will not be any further charge.

(b) Income taxes

The Group is mainly subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

As at 31 December 2014, the Group had deferred income tax assets in the amount of approximately RMB134,924,000 (2013: RMB145,610,000); and deferred income tax liabilities of approximately RMB211,000 (2013: RMB211,000). To the extent it is probable that taxable profit will be available against which the deductible temporary differences will be utilised, deferred income tax assets are recognised for temporary differences arising from impairment provision of inventories and receivables, temporary differences arising from depreciation, certain accrual items and unused tax losses. However the outcome of their actual utilisation may be different.

Additionally, the Group had not recognised a deferred tax liability for certain unremitted earnings of its PRC subsidiaries. The Group believes it is able to control the timing of when the earnings will be distributed to the overseas holding companies and such distributions will not occur in the foreseeable future.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. The Group will reassess the estimations by the balance sheet date.

(d) Estimated impairment of non-financial assets other than goodwill

The Group follows HKAS 36 to determine whether non-financial assets have suffered any impairment. The recoverable amount of an asset is determined based on the higher of the asset's fair value less costs to sell and value in use. The value in use calculations require the use of estimates.

No impairment charge arose during the course of year 2014 (2013: Nil) for non-financial assets other than goodwill.

Impairment on the intangible asset of distribution agreement with an allocated cost of RMB22,927,000 arising from the acquisition of Nanjing Chaoming had been fully provided for as at 31 December 2012 and there will not be any further charge.

(e) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgements to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

The contingent consideration liabilities arising from Bonus Consideration with a carrying amount of RMB10,099,000 as at 31 December 2013 and 2014 (Note 26) is subject to the final adjustment, which depends on the outcome of commercial negotiation with the joint venture partner.

(f) Estimate of fair value of investment properties for disclosure purpose

All the Group's investment properties are accounted for using the cost model. For disclosure purpose, the Group determines the fair value of its investment properties as at each balance sheet date based on a valuation performed by the management of the Group. The valuation is based on a discounted cash flow projection which involves making estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(g) Rebates from suppliers and provision for impairment of supplier rebates receivable

The Group enters into agreements with various suppliers whereby the Group is entitled to inventory purchase rebates primarily upon achievement of specified volume purchasing levels. Some of these agreements apply to sales in a non-calendar year. The Group accrues the supplier rebates as earned and initially records them as a reduction in inventories and subsequently reflects them as a reduction in cost of sales when the related merchandise is sold, taking into consideration cumulative purchases of inventory to date and projected purchases through to the end of the qualifying period. The Group has agreements with numerous and geographically dispersed suppliers, and a slowdown in the markets in which the Group operates, or a significant change in the profile of products purchased may result in purchases for the remainder of the qualifying period differing significantly from those projected. Consequently the rebates actually received may vary from that accrued in the financial statements.

Provision for impairment of supplier rebates receivable is made if necessary taking into consideration of the credit quality of the suppliers, their financial position, past experience and other factors. Reversal of provision of RMB5,449,000 (2013: additional provision of RMB191,265,000) for impairment of supplier rebates receivable had been recognised in 'administrative expenses' during the year (Note 17). The settlement of supplier rebates receivable had improved during the year, which resulted in the reversal of provision.

6 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, the real estate business until March 2014 during which such business was deconsolidated and became a joint venture of the Group and starting from September 2014, the agency service for sales of lotteries.

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

Segment results	Retail RMB'000	Bulk distribution RMB'000	All other segments* RMB'000	Unallocated** RMB'000	Group 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

6 SEGMENT INFORMATION *(continued)*

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 results from rendering maintenance and installation services, the real estate business until March 2014 and starting from September 2014, the 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, legal consultation and regular listing compliance expenses.

6 SEGMENT INFORMATION *(continued)*

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

Segment assets and liabilities	Retail RMB'000	Bulk distribution RMB'000	All other segments RMB'000	Group 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 RMB'000	Bulk distribution RMB'000	All other segments RMB'000	Group 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 investment in and loan to a joint venture, investment in an associate, deferred income tax assets, restricted bank deposits pledged for bank borrowings and corporate assets.

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

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

7 LAND USE RIGHTS

The Group's interests in land use rights represent upfront payments for land use rights used for its own operations and their net book amounts are analysed as follows:

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Opening net book amount	22,887	17,355
Addition	—	6,049
Acquisition of a subsidiary (Note 20)	25,900	—
Amortisation (Note 31)	(638)	(517)
Closing net book amount	48,149	22,887
Cost	51,539	25,639
Accumulated amortisation	(3,390)	(2,752)
Closing net book amount	48,149	22,887

All of the Group's land use rights are located in Mainland China and are held on leases between 10 to 50 years.

Amortisation of the Group's land use rights has been charged to administrative expenses in the consolidated income statement.

As at 31 December 2014, land use rights with a net book amount of RMB11,748,000 (2013: RMB12,025,000) together with certain buildings (Note 8) had been pledged as collateral for the Group's bank borrowings of RMB38,000,000 (2013: RMB38,000,000) (Note 24).

As at 31 December 2014, land use rights with a net book amount of RMB4,734,000 together with certain buildings (Note 8), investment properties (Note 9) of the Group and the land use rights of a land parcel owned by a joint venture which was previously a leasehold land of RMB244,558,000 to be developed entirely by the Group itself (Note 11) had been pledged as collateral for the Group's medium-term notes of RMB386,900,000 (Note 24).

As at 31 December 2013, land use rights with a net book amount of RMB4,774,000 together with certain buildings (Note 8), investment properties (Note 9) and property under development – leasehold land to be developed of RMB244,558,000 (Note 15) had been pledged as collateral for the Group's medium-term notes of RMB382,573,000 (Note 24).

As at 31 December 2014, land use rights with a net book amount of RMB25,820,000 together with certain buildings (Note 8) and restricted bank deposits (Note 18) had been pledged as collateral for the Group's bank acceptance bills of RMB45,000,000 (Note 22). No such pledges were made as at 31 December 2013.

8 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Electronic and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2013						
Cost	171,871	23,435	11,717	48,332	–	255,355
Accumulated depreciation	(21,897)	(6,559)	(5,839)	(28,289)	–	(62,584)
Net book amount	149,974	16,876	5,878	20,043	–	192,771
Year ended 31 December 2013						
Opening net book amount	149,974	16,876	5,878	20,043	–	192,771
Additions	–	1,856	1,159	–	22,099	25,114
Disposals	–	(991)	(24)	(580)	–	(1,595)
Transfer upon completion of construction	2,727	–	–	18,654	(21,381)	–
Depreciation (Note 31)	(5,165)	(2,812)	(1,388)	(20,122)	–	(29,487)
Net book amount	147,536	14,929	5,625	17,995	718	186,803
At 31 December 2013						
Cost	174,598	23,518	12,432	57,425	718	268,691
Accumulated depreciation	(27,062)	(8,589)	(6,807)	(39,430)	–	(81,888)
Net book amount	147,536	14,929	5,625	17,995	718	186,803
Year ended 31 December 2014						
Opening net book amount	147,536	14,929	5,625	17,995	718	186,803
Additions	–	1,982	868	–	24,907	27,757
Disposals	–	(384)	(168)	–	–	(552)
Acquisition of a subsidiary (Note 20)	31,276	–	–	–	–	31,276
Transfer upon completion of construction	12,848	–	–	12,777	(25,625)	–
Deemed disposal of a subsidiary with loss of control (Note 41)	–	(314)	–	–	–	(314)
Depreciation (Note 31)	(5,337)	(2,212)	(1,136)	(13,005)	–	(21,690)
Net book amount	186,323	14,001	5,189	17,767	–	223,280
At 31 December 2014						
Cost	218,722	24,302	12,888	36,440	–	292,352
Accumulated depreciation	(32,399)	(10,301)	(7,699)	(18,673)	–	(69,072)
Net book amount	186,323	14,001	5,189	17,767	–	223,280

8 PROPERTY, PLANT AND EQUIPMENT *(continued)*

Notes:

(a) Depreciation charges were included in the following categories in the consolidated income statement:

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Selling and marketing expenses	15,561	22,423
Administrative expenses	6,129	7,064
	21,690	29,487

(b) As at 31 December 2014, buildings with a net book amount of RMB130,933,000 (2013: RMB88,163,000) together with certain land use rights (Note 7) had been pledged as collateral for the Group's bank borrowings of RMB38,000,000 (2013: RMB38,000,000) (Note 24).

As at 31 December 2014, buildings with a net book amount of RMB23,853,000 together with certain land use rights (Note 7), investment properties (Note 9) of the Group and the land use rights of a land parcel owned by a joint venture which was previously a leasehold land of RMB244,558,000 to be developed entirely by the Group itself (Note 11) had been pledged as collateral for the Group's medium-term notes of RMB386,900,000 (Note 24).

As at 31 December 2013, buildings with a net book amount of RMB25,811,000 together with certain land use rights (Note 7), investment properties (Note 9) and property under development – leasehold land to be developed of RMB244,558,000 (Note 15) had been pledged as collateral for the Group's medium-term notes of RMB382,573,000 (Note 24).

As at 31 December 2014, buildings with a net book amount of RMB31,537,000 together with certain land use rights (Note 7) and restricted bank deposits (Note 18) had been pledged as collateral for the Group's bank acceptance bills of RMB45,000,000 (Note 22). No such pledges were made as at 31 December 2013.

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Net book amount disposed	552	1,595
(Losses)/gains on disposal of property, plant and equipment (Note 30)	(362)	152
Proceeds from disposal of property, plant and equipment	190	1,747

9 INVESTMENT PROPERTIES

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
At 1 January	5,915	6,085
Depreciation (Note 31)	(170)	(170)
Closing net book amount	5,745	5,915
Cost	7,146	7,146
Accumulated depreciation	(1,401)	(1,231)
Closing net book amount	5,745	5,915

Investment properties are located in Mainland China on leases of between 10 to 50 years.

The Group chooses the cost model to account for its investment properties and therefore the difference between the fair value and carrying amount of the investment properties and any changes in fair value are not accounted for in these financial statements. The carrying amount of the investment properties would have been RMB6,619,000 had they been stated at fair values as of 31 December 2014 (2013: RMB7,033,000). The fair values of the investment properties as at 31 December 2014 and 2013 were based on a review performed by the management of the Group, which were determined by discounted cash flow approach of the income method to value "open market value" for the existing use as a fully operational entity of the property interest in question. The fair value measurement falls under level 3 of the fair value hierarchy.

As at 31 December 2014, investment properties with a net book amount of RMB5,745,000 together with certain land use rights (Note 7), buildings (Note 8) of the Group and the land use rights of a land parcel owned by a joint venture which was previously a leasehold land of RMB244,558,000 to be developed entirely by the Group itself (Note 11) had been pledged as collateral for the Group's medium-term notes of RMB386,900,000 (Note 24).

As at 31 December 2013, investment properties with a net book amount of RMB5,915,000 together with certain land use rights (Note 7), buildings (Note 8) and property under development – leasehold land to be developed of RMB244,558,000 (Note 15) had been pledged as collateral for the Group's medium-term notes of RMB382,573,000 (Note 24).

The depreciation of investment properties has been charged to administrative expenses.

10 INTANGIBLE ASSETS

	Goodwill RMB'000	Distribution agreement RMB'000	Non-compete agreements RMB'000	Computer software RMB'000	Total RMB'000
At 1 January 2013					
Cost	48,223	22,927	4,970	5,871	82,016
Accumulated amortisation	—	(4,585)	(2,020)	(3,518)	(10,123)
Impairment	(14,163)	(18,342)	—	—	(32,505)
Net book amount	34,060	—	2,950	2,353	39,363
Year ended 31 December 2013					
Opening net book amount	34,060	—	2,950	2,353	39,363
Additions	—	—	—	25	25
Amortisation (Note 31)	—	—	(950)	(437)	(1,387)
Closing net book amount	34,060	—	2,000	1,941	38,001
At 31 December 2013					
Cost	48,223	22,927	4,970	5,896	82,016
Accumulated amortisation	—	(4,585)	(2,970)	(3,955)	(11,510)
Impairment	(14,163)	(18,342)	—	—	(32,505)
Net book amount	34,060	—	2,000	1,941	38,001
Year ended 31 December 2014					
Opening net book amount	34,060	—	2,000	1,941	38,001
Additions	—	—		848	848
Amortisation (Note 31)	—	—	(950)	(470)	(1,420)
Closing net book amount	34,060	—	1,050	2,319	37,429
At 31 December 2014					
Cost	48,223	22,927	4,970	6,744	82,864
Accumulated amortisation	—	(4,585)	(3,920)	(4,425)	(12,930)
Impairment	(14,163)	(18,342)	—	—	(32,505)
Net book amount	34,060	—	1,050	2,319	37,429

The amortisation and impairment charge of intangible assets have been included in administrative expenses.

10 INTANGIBLE ASSETS *(continued)*

Impairment tests for goodwill

Goodwill is allocated to the Group's CGU identified according to operating segment. Goodwill of RMB14,163,000 was allocated to the CGU of Nanjing Chaoming and RMB34,060,000 was allocated to the CGU of Anhui Four Seas.

The recoverable amount of a CGU is determined based on higher of value-in-use and fair value less costs to sell calculations. Management determined recoverable amount based on fair value less costs to sell, which is higher than the value-in-use calculations, as the revenue contributing from new stores to open had been taken into the consideration. These calculations use income approach-discounted pre-tax cash flow method based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

(a) Impairment test for goodwill arose from the acquisition of Nanjing Chaoming

No further impairment charge arose during the course of year 2014 (2013: Nil) as impairment on the goodwill had been fully provided for as at 31 December 2012.

In year 2012, considering the actual business performance of Nanjing Chaoming since the acquisition and severe market environment, the management of the Group believed that Nanjing Chaoming's future performance under existing strategy will no longer meet management's expectation, either the value-in-use or fair value less costs to sell cannot recover the carrying amount of the goodwill as at 31 December 2012, therefore full impairment was provided.

(b) Impairment test for goodwill arose from the acquisition of Anhui Four Seas

The key assumptions used for fair value less costs to sell calculations of Anhui Four Seas as at 31 December 2014 are as follows:

	Year ended 31 December 2015	After 2015
Growth rate of existing scale	10%	Nil
Growth of revenue resulting from new stores to open	1%	Nil
Terminal growth rate	Nil	3%
Discount rate	14%	14%

10 INTANGIBLE ASSETS *(continued)*

Impairment tests for goodwill *(continued)*

(b) Impairment test for goodwill arose from the acquisition of Anhui Four Seas *(continued)*

The key assumptions used for fair value less costs to sell calculations of Anhui Four Seas as at 31 December 2013 are as follows:

	Year ended 31 December		After
	2014	**2015**	**2015**
Growth rate of existing scale	10%	10%	Nil
Growth of revenue resulting from new stores to open	5%	1%	Nil
Terminal growth rate	Nil	Nil	3%
Discount rate	23%	23%	23%

The growth rates of existing scale used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the CGU.

No impairment charge arose during the course of year 2014 (2013: Nil).

Impairment charge for distribution agreement arose from the acquisition of Nanjing Chaoming

The distribution agreement arising from the acquisition of Nanjing Chaoming was initially determined at the fair value by applying income approach – multi-period excess earnings method and subject to annual amortisation over the beneficial period of 10 years. For the same reasons as described in the impairment test for goodwill arising from the acquisition of Nanjing Chaoming, the management of the Group assessed the recoverable amount of the distribution agreement in 2012 and concluded that there is no future economic benefits expected, therefore impairment charge of RMB18,342,000 was provided during the course of year 2012, and the carrying amount was reduced to zero as at 31 December 2012 accordingly.

11 INVESTMENT IN AND LOAN TO A JOINT VENTURE

In January 2014, Yangzhou Huiyin and its wholly-owned subsidiary, Yangzhou Huiyin Real Estate Co., Ltd. ("Huiyin Real Estate") entered into a co-operation agreement with Shanghai Coastal Weiying Equity Investment Fund Management Co., Ltd. (上海沿海威盈股權投資基金管理有限公司) ("Weiying"), a third party fund company. Pursuant to the agreement, the contracting parties conditionally agreed to co-operate to develop a plot of land with an approximate total site area of 26,071 square meters located in Yangzhou City ("Land Parcel") owned by Huiyin Real Estate which was previously a leasehold land to be developed entirely by the Group itself (Note 15) (the "Project"). The Project is intended to be a real estate complex, primarily for sale and may include a small portion to be used as a flagship retail store of the Group.

Since Huiyin Real Estate holds the land use rights of the Land Parcel and the consideration and related expenses totalling RMB245 million for the acquisition of the Land Parcel had been fully paid by it, Weiying will bear and contribute from time to time all the development and construction costs for the Project. The estimated costs of development and construction is approximately RMB250 million. Yangzhou Huiyin and Weiying will be entitled to share 52% and 48% of the sales revenue of the Project respectively.

Although Weiying will contribute cash to Huiyin Real Estate in the form of working capital rather than paid-in capital, under the co-operation agreement, Yangzhou Huiyin and Weiying will jointly control the legal and financial operations as well as other key relevant activities (such as those activities in relation to construction and sales) of Huiyin Real Estate. The agreement was approved at the extraordinary general meeting of the Company held on 4 March 2014. Accordingly, Huiyin Real Estate became a joint venture and its assets, liabilities and financial results ceased to be consolidated in the accounts of the Group.

As Weiying had made a prepayment of contribution into Huiyin Real Estate amounted to RMB10 million in 2013 (Note 23), the post-tax loss incurred before the date of loss of control, which was related to the Project and required to be borne by Weiying, had been recognised as loss for the period attributable to non-controlling interests and the carrying amount of non-controlling interests of RMB1,192,000 were derecognised at the date of loss of control.

The Land Parcel is subject to a charge in favour of Jiangsu Province Credit Re-assurance Co. Ltd. (江蘇省信用再擔保有限公司) registered on 5 February 2013. As at 31 December 2014, land use rights of the Land Parcel with a net book amount of RMB244,558,000 together with the Group's certain land use rights (Note 7), buildings (Note 8) and investment properties (Note 9) had been pledged as collateral for the Group's medium-term notes of RMB386,900,000 (Note 24).

As at 31 December 2013, the land use rights of the Land Parcel was a leasehold land originally intended to be developed entirely by the Group itself (Note 15) and it was similarly subject to a charge as above and pledged as collateral for the Group's medium-term notes of RMB382,573,000 (Note 24).

	Investment in a joint venture RMB'000	Loan to a joint venture RMB'000	Total RMB'000
At 4 March 2014	27,281	227,468	254,749
Additions	—	8,908	8,908
Share of loss	(6,681)	—	(6,681)
At 31 December 2014	20,600	236,376	256,976

11 INVESTMENT IN AND LOAN TO A JOINT VENTURE *(continued)*

As at 31 December 2014, investment in a joint venture included capital contributed of RMB50,000,000 and share of loss of RMB29,400,000 (after netting off excess of consideration paid to previous non-controlling interests of RMB2,228,000), whereas loan to a joint venture included principal amount of RMB197,306,000 and interest receivable of RMB39,070,000. The loan carried 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 Project undertaken by Huiyin Real Estate.

Name of entity	Place of business/ country of incorporation	% of ownership interest (i)	Measurement method
Yangzhou Huiyin Real Estate Co., Ltd.	Yangzhou Jiangsu, PRC	91.75	Equity

Note:

(i) The % of ownership interest presented is the investment amount percentage of the Group in the joint venture. The legal ownership structure of Huiyin Real Estate has not been changed and Yangzhou Huiyin is continued to be officially registered as the sole owner. The investment amount percentages of the Group and Weiying are in proportion to the respective aggregated amounts invested by them as at each reporting date. As at 31 December 2014, the investment amount of the Group in Huiyin Real Estate is the aggregate of the consideration for the Land Parcel and related expenses totalling RMB244,558,000, whereas the investment amount of Weiying is the amount of costs and expenses in relation to the Project paid by Weiying totalling RMB22,000,000. The investment amount percentage presented is for reference only. The Group will account for the profit and loss of Huiyin Real Estate and its underlying assets and liabilities by applying equity method in its consolidated financial statements and takes into account of the sharing of revenue and expenses as stipulated under the co-operation agreement which does not necessarily coincide with the investment amount percentage.

Huiyin Real Estate is a private company and there is no quoted market price available for its equity interests.

Commitments and contingent liabilities in respect of the joint venture

The Group has the following commitment relating to the joint venture:

	As at 31 December 2014 RMB'000
Commitment to contribute household appliances	8,000

Since the consideration of the Land Parcel was fully paid by the Group, the Group will only further contribute household appliances to the residential units of the Project, which are estimated to amount to approximately RMB8,000,000. There are no contingent liabilities relating to the Group's interest in the joint venture.

11 INVESTMENT IN AND LOAN TO A JOINT VENTURE *(continued)*

Summarised financial information for the joint venture

Set out below are the summarised financial information for Huiyin Real Estate which is accounted for using the equity method.

(a) Summarised balance sheet

	As at 31 December 2014 RMB'000
Current	
Cash and cash equivalents	10,389
Inventories	248,696
Other current assets	1,999
Total current assets	261,084
Liabilities	(513)
Non-current	
Assets	12,182
Net assets	272,753

11 INVESTMENT IN AND LOAN TO A JOINT VENTURE *(continued)*

Summarised financial information for the joint venture *(continued)*

(b) Summarised statement of comprehensive income

	From 4 March 2014 (date of loss of control) to 31 December 2014 RMB'000
Revenue	–
Administrative expenses	(4,041)
Finance income	224
Finance costs	(8,828)
Loss before income tax	(12,645)
Income tax credit	3,161
Loss for the period	(9,484)
Other comprehensive income or loss	–
Total comprehensive loss for the period	(9,484)
Dividends received or receivable from the joint venture	–

The information above reflects the amounts presented in the financial statements of the joint venture, and not the Group's share of those amounts.

11 INVESTMENT IN AND LOAN TO A JOINT VENTURE *(continued)*

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in the joint venture:

	From 4 March 2014 (date of loss of control) to 31 December 2014 RMB'000
Opening net assets	261,329
Contribution from venturers	20,908
Loss for the period	(9,484)
Closing net assets	272,753
Add/(less): Contribution from Weiying	(22,000)
Accumulated losses derived from expenses related to the Project and required to be borne by Weiying (i)	3,995
Excess of consideration paid to non-controlling interests in 2013 (Note 41)	2,228
Carrying amount	256,976

Note:

(i) As Weiying will bear and contribute from time to time all the costs and expenses relating to the Project, such expenses were not recognised and recorded in the consolidated financial statements of the Group, including the loss of RMB1,192,000 incurred before the date of loss of control which was previously recognised under non-controlling interests and then derecognised at the date of loss of control.

12 INVESTMENT IN AN ASSOCIATE

On 29 September 2014, Yangzhou Shengshi Xinxing Electronics Sales Co., Ltd. (揚州盛世欣興電器銷售有限公司) ("Yangzhou Shengshi"), an indirectly owned subsidiary of the Company, together with 2 third-party companies set up Taixing Shengshi Huazhang Electronics Sales Co., Ltd. (泰興市盛世華章電器銷售有限公司) ("Huazhang") in Taixin, Jiangsu Province.

Huazhang has a registered capital of RMB5,000,000 of which Yangzhou Shengshi contributed RMB750,000 in cash, and the principal activity of Huazhang is trading of household appliances.

Nature of investment in an associate as at 31 December 2014

Name of entity	Place of business/ country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Taixing Shengshi Huazhang Electronics Sales Co., Ltd.	Taixin Jiangsu, PRC	15	Note(i)	Equity

Note:

(i) Huazhang is mainly engaged in sales of air-conditioners in Taixing. Yangzhou Shengshi is the main supplier of Huazhang.

As at 31 December 2014, the carrying amount of the Group's interest in Huazhang was RMB618,359. Huazhang is a private company and there is no quoted market price available for its equity interests. There is no contingent liabilities relating to the Group's interest in the associate.

Summarised financial information for the associate

Set out below are the summarised financial information for Huazhang which is accounted for using the equity method.

(a) Summarised balance sheet

	As at 31 December 2014 RMB'000
Current	
Cash and cash equivalents	3,728
Inventories	4,157
Other current assets	4,061
Total current assets	11,946
Liabilities	(7,426)
Non-current	
Assets	45
Net assets	4,565

12 INVESTMENT IN AN ASSOCIATE *(continued)*

Summarised financial information the associate *(continued)*

(b) Summarised statement of comprehensive income

	From 29 September 2014 (date of incorporation) to 31 December 2014 RMB'000
Revenue	5,950
Cost of sales	(6,128)
Selling expenses	(137)
Administrative expenses	(124)
Finance income	12
Finance costs	(8)
Loss before income tax	(435)
Income tax expense	—
Loss for the period	(435)
Other comprehensive income or loss	—
Total comprehensive loss for the period	(435)
Dividends received or receivable from the associate	—

The information above reflects the amounts presented in the financial statements of the associate, and not the Group's share of those amounts.

12 INVESTMENT IN AN ASSOCIATE *(continued)*

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in the associate:

	From 29 September 2014 to 31 December 2014 RMB'000
Opening net assets	5,000
Loss for the period	(435)
Closing net assets	4,565
Group's interest in the associate (15%)	685
Unrealised profit elimination	(67)
Carrying amount	618

13 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The Group does not have deferred income tax assets and liabilities that are offset against each other and accordingly they are all stated at gross amounts. As at the balance sheet date, the analysis of deferred income tax assets and liabilities are as follows:

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Deferred income tax assets:		
– to be recovered within 12 months	6,500	9,414
– to be recovered after more than 12 months	128,424	136,196
	134,924	145,610
Deferred income tax liabilities:		
– to be settled within 12 months	211	211
– to be settled after more than 12 months	—	—
	211	211

13 DEFERRED INCOME TAX *(continued)*

The movement on the deferred income tax account is as follows:

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
At beginning of the year	145,399	92,077
Recognised in the consolidated income statement (Note 35)	(2,006)	53,322
Deemed disposal of a subsidiary with loss of control (Note 41)	(8,680)	—
At end of the year	134,713	145,399

The movement in deferred income tax assets and liabilities during the year is as follows:

Deferred income tax assets

	Tax losses RMB'000	Accrued volume discounts to the distributors and franchisees RMB'000	Accrued expenses RMB'000	Unrealised profits elimination RMB'000	Provisions RMB'000	Others RMB'000	Total RMB'000
At 1 January 2013	11,211	2,529	3,078	3,108	70,060	2,302	92,288
Recognised in the consolidated income statement	7,805	(2,529)	160	1,110	47,120	(344)	53,322
At 31 December 2013	19,016	—	3,238	4,218	117,180	1,958	145,610
At 1 January 2014	19,016	—	3,238	4,218	117,180	1,958	145,610
Recognised in the consolidated income statement	1,943	1,949	(3,048)	(865)	(992)	(993)	(2,006)
Deemed disposal of a subsidiary with loss of control	(8,602)	—	—	—	—	(78)	(8,680)
At 31 December 2014	12,357	1,949	190	3,353	116,188	887	134,924

13 DEFERRED INCOME TAX *(continued)*

Deferred income tax liabilities

	Withholding tax on unremitted earnings of PRC subsidiaries RMB'000
At 1 January 2013, 31 December 2013 and 31 December 2014	211

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB38,605,000 (2013: RMB27,257,000) in respect of losses amounting to RMB154,420,000 (2013: RMB109,028,000) that can be carried forward to set off against future taxable income due to uncertainty in realisation.

14 RECEIVABLE

In June 2013, the Group's wholly-owned PRC subsidiary Yangzhou Huiyin entered into an agreement to lend RMB 2,910,000 to a third party with the duration of 2 years. Interest is charged at 8% per annum. As at 31 December 2014, such a receivable was transferred to other receivables under current assets considering the remaining duration is within 1 year.

15 INVENTORIES

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Merchandise held for resale	420,094	438,929
Provision for obsolescence	(6,380)	(5,325)
	413,714	433,604
Property under development – leasehold land to be developed (note)	–	244,558
Low value consumables	129	183
Total	413,843	678,345

Note: During the year ended 31 December 2014, property under development – leasehold land to be developed was derecognised due to the disposal of a subsidiary with loss of control (Note 11).

15 INVENTORIES *(continued)*

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Included in cost of sales		
– Carrying amount of merchandise sold	2,706,596	2,532,812
– Accrual/(reversal) of provision for obsolete inventories (Note 31)	1,055	(4,611)
	2,707,651	2,528,201

As at 31 December 2014, merchandise held for resale of RMB90,000,000 (2013: Nil) had been pledged as collateral for the Group's bank borrowings of RMB90,000,000 (2013: Nil) (Note 24).

As at 31 December 2013, property under development – leasehold land to be developed with a net book amount of RMB244,558,000 together with certain land use rights (Note 7), buildings (Note 8) and investment properties (Note 9) had been pledged as collateral for the Group's medium-term notes of RMB382,573,000 (Note 24).

16 TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2014 RMB'000	2013 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 RMB'000	2013 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.

16 TRADE AND BILLS RECEIVABLES *(continued)*

As at 31 December 2014, trade receivables of RMB4,376,000 (2013: RMB3,951,000) were past due, impaired and provided for. The ageing analysis of these trade receivables is as follows:

	As at 31 December	
	2014 RMB'000	2013 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: RMB24,718,000) 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 RMB'000	2013 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 in the Group's provision for impairment of trade receivables are as follows:

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
At beginning of the year	3,951	2,126
Accrual of provision for receivable impairment (Note 31)	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: RMB6,700,000) had been pledged as collateral for the Group's bank acceptance bills of RMB5,000,000 (2013: RMB6,700,000) (Note 22).

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

17 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Advance payments to suppliers	524,051	523,552
Rebates receivable from suppliers, net of provision	510,576	371,315
Prepaid rentals	19,738	13,946
Deposits	5,426	5,500
Other prepayments	—	79
Other receivables from third parties		
– Value added tax recoverable	52,609	23,947
– Receivable from a third party (Note 14)	2,910	—
– Interests receivable from banks	23,932	12,891
– Amount paid on behalf of a supplier	670	779
– Staff advances	1,128	1,787
– Others	2,594	4,337
	1,143,634	958,133

Reversal of provision of RMB5,449,000 (2013: accrual of provision of RMB191,265,000) (Note 31) for impairment of supplier rebates receivable had been recognised during the year. The improved settlement of supplier rebates receivable during the year had led to a better ageing, which resulted in the reversal of provision. As at 31 December 2014, the balance of provision for impairment of supplier rebates receivable was RMB453,992,000 (2013: RMB459,441,000).

The prepayments, deposits and other receivables of the Group are mainly denominated in RMB and their carrying amounts approximate their fair values as at the balance sheet date.

18 RESTRICTED BANK DEPOSITS

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Restricted bank deposits	986,063	965,265

As at 31 December 2014, restricted bank deposits of RMB468,563,000 (2013: RMB421,265,000) had been pledged as collateral for the Group's bank acceptance bills of RMB837,053,000 (2013: RMB546,134,000) (Note 22).

As at 31 December 2014, restricted bank deposits of RMB495,000,000 (2013: RMB544,000,000) had been pledged as collateral for the Group's bank borrowings of US$75,969,000, equivalent to RMB464,851,000 (2013: US$83,000,000, equivalent to RMB506,043,000) (Note 24).

As at 31 December 2014, restricted bank deposits of RMB22,500,000 (2013: Nil) together with certain land use rights (Note 7) and buildings (Note 8) had been pledged as collateral for the Group's bank acceptance bills of RMB45,000,000 (2013: Nil) (Note 22).

All restricted bank deposits are denominated in RMB and their carrying amounts approximate their fair value as at the balance sheet date. The weighted average interest rate per annum on restricted bank deposits was 3.4% as at 31 December 2014 (2013: 3.5%).

19 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Cash on hand		
– denominated in RMB	201	262
Cash at bank		
– denominated in RMB	24,102	149,183
– denominated in HK$	960	36
– denominated in US$	51	2,754
	25,113	151,973
	25,314	152,235

19 CASH AND CASH EQUIVALENTS *(continued)*

As at the balance sheet date, the effective interest rate per annum was as follows:

	As at 31 December	
	2014	2013
RMB	0.35%	0.35%
HK$	0.001%	0.001%
US$	0.001%	0.001%

20 SHARE CAPITAL

Details of the share capital of the Company are as follows:

	Par value	Number of ordinary shares	Nominal value of ordinary shares US$	Equivalent nominal value of ordinary shares RMB'000
Authorised:				
At 1 January 2013, 31 December 2013 and 31 December 2014	US$0.001	2,000,000,000	2,000,000	10,598
Issued and fully paid:				
At 1 January 2013 and 31 December 2013	US$0.001	1,048,342,290	1,048,342	7,162
Issue of new shares (a)	US$0.001	107,051,727	107,052	657
At 31 December 2014	US$0.001	1,155,394,017	1,155,394	7,819

(a) On 6 November 2014 (the "Transaction Date"), the Company entered into an agreement with a third-party company, pursuant to which the Company acquired the 100% equity interest of Fuhua Investment Holding Co., Ltd. ("Fuhua"), a company incorporated in the British Virgin Islands and wholly owned by a third-party company before the Transaction Date by allotting and issuing an aggregate of 107,051,727 ordinary shares as consideration.

Share capital and share premium relating to the transaction were recognised as below:

	RMB'000
Total market value	57,811
Total nominal value, recognised as share capital	(657)
Recognised as share premium	57,154

20 SHARE CAPITAL *(continued)*

(a) *(continued)*

The directors consider that the acquisition is an acquisition of assets in substance and not a business combination and is therefore accounted for as an asset acquisition. The assets relating to the transaction were recognised as below:

	RMB'000
Cash and cash equivalents	635
Land use rights (Note 7)	25,900
Property, plant and equipment (Note 8)	31,276
	57,811

(b) The Group approved and launched the Pre-IPO Option Scheme on 5 March 2010. Pursuant to the Pre-IPO Option Scheme, the five executive directors ("key management") and two senior management members were granted the Pre-IPO Options to subscribe for up to 50,000,000 shares of the Company. The Pre-IPO Options will vest in three instalments at each of the first three anniversaries of the Listing date and will only become exercisable from the respective vesting dates up to the fifth anniversary of the Listing date. The subscription price payable upon the exercise of any Pre-IPO Options is fixed at 90% of the final offer price per share for the Listing.

The fair value of the options granted determined using the black-scholes model was HK$35,803,333. The options have been divided into three batches according to different vesting periods.

The significant inputs to the model are summarised as below:

	First vesting	Second vesting	Third vesting
Stock price (HK$)	1.69	1.69	1.69
Exercise price (HK$)	1.52	1.52	1.52
Expected holding period	3.06	3.56	4.06
Risk-free rate	1.10%	1.29%	1.47%
Volatility	58.82%	57.00%	55.70%
Expected dividend yield	1.17%	1.17%	1.17%

The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices for a period same as the options expected term of similar listed companies.

As at 31 December 2014, all 50,000,000 options were exercisable but not exercised by anyone of the key management and senior management members. These options with an exercise price of HK$1.52 per share upon vesting will be expired on 24 March 2015.

20 SHARE CAPITAL *(continued)*

(c) The Share Option Scheme was approved by the Group on 5 March 2010. The board of the directors of the Company may, under the Share Option Scheme, grant options to any executive, non-executive or independent non-executive directors or any employees (whether full-time or part-time) of the Company, or any of its subsidiaries or associated companies. The implementation of the Share Option Scheme is subject to a number of conditions being met, including the successful Listing of the Company.

No option has been granted under the Share Option Scheme as at 31 December 2014.

21 RESERVES

(a) Group

	Share premium RMB'000 Note (a)	Statutory reserves RMB'000 Note (b)	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2013	827,784	28,007	(58,034)	38,096	835,853
Loss for the year 2013	—	—	—	(149,755)	(149,755)
Pre-IPO Option Scheme – value of employee services	—	—	602	—	602
Transaction with non-controlling interests (Note 41)	—	—	(2,228)	—	(2,228)
Balance at 31 December 2013	827,784	28,007	(59,660)	(111,659)	684,472
Profit for the year 2014	—	—	—	50,004	50,004
Issue of ordinary shares relating to acquisition of a subsidiary (Note 20)	57,154	—	—	—	57,154
Deemed disposal of a subsidiary with loss of control (Note 41)	—	—	2,228	—	2,228
Balance at 31 December 2014	884,938	28,007	(57,432)	(61,655)	793,858

21 RESERVES *(continued)*

(b) Company

	Share premium RMB'000 Note (a)	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2013	827,784	30,883	(80,360)	778,307
Loss for the year 2013	—	—	(22,093)	(22,093)
Pre-IPO Option Scheme				
– value of employee services	—	602	—	602
Balance at 31 December 2013	827,784	31,485	(102,453)	756,816
Loss for the year 2014	—	—	(18,673)	(18,673)
Issue of ordinary shares relating to acquisition of a subsidiary (Note 20)	57,154	—	—	57,154
Balance at 31 December 2014	884,938	31,485	(121,126)	795,297

Notes:

(a) Share premium

Pursuant to Section 34 of the Cayman Companies Law (2003 Revision) and the Articles of Association of the Company, share premium of the Company is available for distribution to shareholders subject to a solvency test on the Company and the provision of the Articles of Association of the Company.

(b) Statutory reserves

Statutory reserves represent reserves of the PRC incorporated companies which are set aside for future development purpose in accordance with the regulations in the PRC. The allocation is based on certain percentages of these companies' profit for the year, as reported in their statutory financial statements.

22 TRADE AND BILLS PAYABLES

	As at 31 December	
	2014 RMB'000	2013 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 RMB'000	2013 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: RMB421,265,000) (Note 18) had been pledged as collateral for the Group's bank acceptance bills of RMB837,053,000 (2013: RMB546,134,000).

As at 31 December 2014, restricted bank deposits of RMB22,500,000 (2013: Nil) (Note 18), together with certain land use rights (Note 7) and buildings (Note 8) with a total net book amount of RMB25,820,000 and RMB31,537,000 respectively (2013: Nil), had been pledged as collateral for the Group's bank acceptance bills of RMB45,000,000 (2013: Nil).

As at 31 December 2014, bills receivable with a carrying amount of RMB5,000,000 (2013: RMB6,700,000) (Note 16) had been pledged as collateral for the Group's bank acceptance bills of RMB5,000,000 (2013: RMB6,700,000).

23 ACCRUALS AND OTHER PAYABLES

(a) Group

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Advances from customers	246,227	194,063
Salary and welfare payables	21,919	22,132
Accrued expenses	5,645	10,549
Interest payables	10,496	10,031
Payables for purchase of equipment	146	264
Value added tax and other tax payables	16,036	13,058
Accrued volume discounts to distributors	7,795	3,552
Advance from a fund company (Note 11)	—	10,000
Advance from a third party, interest free	45,000	50,000
Advances from third parties, interest bearing (Note 43)	5,200	—
Deposits	4,971	3,947
Amount due to a director (Note 42(d))	463	463
Others	3,492	1,676
Total	367,390	319,735

The accruals and other payables of the Group are mainly denominated in RMB and their carrying amounts approximate their fair values as at the balance sheet date.

(b) Company

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Other payables to subsidiaries	193,168	112,205
Other payables to third parties	4,661	3,472
	197,829	115,676

23 ACCRUALS AND OTHER PAYABLES *(continued)*

(b) Company *(continued)*

The other payables to subsidiaries comprise the professional fees for the Listing of the Company paid by Yangzhou Huiyin on behalf of the Company amounted to RMB20,779,000 (2013: RMB20,759,000), the repayment of bank borrowings by Yangzhou Huiyin and China Yinrui HK on behalf of the Company amounted to US$10,300,000 (equivalent to RMB63,026,000) (2013: Nil), expenses paid by China Yinrui HK on behalf of the Company of US$3,593,000 and HK$3,562,000 (totally equivalent to RMB24,635,000) (2013: US$1,903,000, equivalent to RMB11,601,000) and advance from China Yinrui HK of US$13,847,000 (equivalent to RMB84,728,000) (2013: US$13,097,000, equivalent to RMB79,845,000).

The other payables to third parties are all denominated in RMB.

The carry amounts of the accruals and other payables of the Company approximate their fair values as at the balance sheet date.

24 BORROWINGS – GROUP AND COMPANY

	Group As at 31 December		Company As at 31 December	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Non-current				
Bank borrowings (a)	—	225,585	—	225,585
Medium-term notes (b)	—	382,573	—	—
	—	608,158	—	225,585
Current				
Bank borrowings (a)	661,168	541,774	444,851	280,457
Medium-term notes (b)	386,900	—	—	—
	1,048,068	541,774	444,851	280,457
	1,048,068	1,149,932	444,851	506,042

24 BORROWINGS – GROUP AND COMPANY *(continued)*

(a) Bank borrowings

As at the balance sheet date, the Group's and the Company's bank borrowings were repayable as follows:

	Group As at 31 December		Company As at 31 December	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Within 1 year	661,168	541,774	444,851	280,457
Between 1 and 2 years	—	225,585	—	225,585
	661,168	767,359	444,851	506,042

As at 31 December 2014, land use rights (Note 7) and buildings (Note 8) with a total net book amount of RMB142,681,000 (2013: RMB100,188,000) had been pledged as collateral for the Group's bank borrowings of RMB38,000,000 (2013: RMB38,000,000).

As at 31 December 2014, restricted bank deposits of RMB495,000,000 (2013: RMB544,000,000) (Note 18) had been pledged as collateral for the Group's bank borrowings of US$75,969,000, equivalent to RMB464,851,000 (2013: US$83,000,000, equivalent to RMB506,043,000).

As at 31 December 2014, merchandise held for resale of RMB90,000,000 (2013: Nil) (Note 15) had been pledged as collateral for the Group's bank borrowings of RMB90,000,000 (2013: Nil).

As at 31 December 2014, bank borrowings amounting to RMB68,317,000 (2013: RMB223,316,000) were unsecured.

The exposure of the Group's and the Company's bank borrowings to interest rate changes and the contractual repricing dates as at the balance sheet date are as follows:

	Group As at 31 December		Company As at 31 December	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
6 months or less	661,168	767,359	444,851	506,042

The carrying amounts of non-current bank borrowings and current bank borrowings approximate their fair values as at the balance sheet date.

24 BORROWINGS – GROUP AND COMPANY *(continued)*

(a) Bank borrowings *(continued)*

The carrying amounts of the Group's and the Company's bank borrowings as at the balance sheet date are as follows:

	Group As at 31 December		Company As at 31 December	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Non-current				
– US$	–	225,585	–	225,585
Current				
– RMB	128,000	173,000	–	–
– US$	533,168	368,774	444,851	280,457
	661,168	541,774	444,851	280,457
	661,168	767,359	444,851	506,042

As at 31 December 2014, the Group's bank borrowings with the carrying amounts of RMB533,168,000 (2013: RMB594,359,000) are of floating rates and bank borrowings with the carrying amounts of RMB128,000,000 (2013: RMB173,000,000) are of fixed rates.

The weighted average effective interest rate of the Group's and Company's bank borrowings as at the balance sheet date are as follows:

	Group As at 31 December		Company As at 31 December	
	2014	2013	2014	2013
Non-current	–	1.96%	–	1.96%
Current	3.42%	3.05%	2.08%	1.51%

24 BORROWINGS – GROUP AND COMPANY *(continued)*

(b) Medium-term notes

On 20 August 2012, the Group's wholly-owned PRC subsidiary Yangzhou Huiyin issued medium-term notes in the PRC in the aggregate principal amount of RMB 390,000,000, at the interest rate of 6.3% per annum, and with a term of three years. The medium-term notes are listed and transferable on the inter-bank debenture market in the PRC.

As at 31 December 2014, the Group's medium-term notes were repayable in August 2015 within 1 year (2013: between 1 and 2 years).

As at 31 December 2014, certain land use rights (Note 7), buildings (Note 8) and investment properties (Note 9) of the Group with a total net book amount of RMB34,332,000 and the land use rights of a land parcel owned by a joint venture which was previously a leasehold land of RMB244,558,000 to be developed entirely by the Group itself (Note 11) had been pledged as collateral for the Group's medium-term notes.

As at 31 December 2013, certain land use rights (Note 7), buildings (Note 8) and investment properties (Note 9) with a total net book amount of RMB36,500,000 and property under development – leasehold land to be developed of RMB244,558,000 (Note 15) had been pledged as collateral for the Group's medium-term notes.

74.36% of the proceeds from the issue of the medium-term notes was designated for enhancing sales network and 25.64% of the proceeds was designated for repaying part of the existing bank loans of Yangzhou Huiyin.

The effective interest rate of the medium-term notes was 7.56%.

25 DEFERRED GOVERNMENT GRANTS

Deferred government grants comprise government subsidy of RMB2,910,000 granted by the Management Committee of Jiangsu Yangzhou Hanjiang Economics Development Zone in respect of the Group's storage and logistic development project. Such deferred government grants are amortised on a straight-line basis over 50 years.

26 CONTINGENT CONSIDERATION LIABILITIES

	Contingent consideration liabilities arising from business combination RMB'000
As at 31 December 2014 and 2013	53,560

On 20 September 2010, a subsidiary of the Group Yangzhou Huiyin entered into a co-operation agreement with Huainan Xingfushu Electrical Appliances Company Limited ("Xingfushu") and an independent third party Mr. Jin ("JV partner"), who was the 90% owner of Xingfushu, for the formation and operation of a new entity Anhui Four Seas, and acquisition of business by Anhui Four Seas from Xingfushu comprising inventories, sales network and leases of shops. Anhui Four Seas started business on 1 November 2010, meanwhile Xingfushu ceased its business.

The contingent consideration arrangement requires Yangzhou Huiyin to pay the JV partner a consideration, amounting to the net operating profit after taxation ("the Net Operating Profit") for the first year after its commencement of business (the "First Operating Year") (subject to a maximum amount of RMB14 million) times 6.5 minus RMB19.5 million (the "Consideration"), if the Net Operating Profit of Anhui Four Seas for the First Operating Year exceeds RMB5 million; meanwhile if the Net Operating Profit for the third year after the commencement of business of Anhui Four Seas exceeds RMB13 million and the aggregate Net Operating Profits for the first three years after the commencement of business of Anhui Four Seas exceeds RMB30 million, Yangzhou Huiyin shall pay the JV partner a bonus consideration of RMB12 million (the "Bonus Consideration"). Accordingly, the maximum amount of the contingent consideration payable to the JV partner is RMB83.5 million. The Consideration and the Bonus Consideration will be paid in cash or, if required by the JV partner, by way of issue and allotment of new ordinary shares of the Company (the "Shares"), to the JV partner. The number of new Shares to be issued will be based on the average closing price of the Shares for the three months immediately preceding the date of the issue and allotment of such Shares.

During the year ended 31 December 2014, no fair value changes were recognised (2013: increase in fair values of RMB1,901,000 recognised as losses) (Note 30) in the consolidated income statement for the contingent consideration arrangement. As at 31 December 2014, the fair value of the contingent consideration liabilities of RMB53,560,000 (2013: RMB53,560,000) was estimated by applying the income approach. Further information on such level 3 financial liabilities is set out in Note 4.3 (b).

The contingent consideration liabilities arising from Bonus Consideration is subject to the final adjustment, which depends on the outcome of commercial negotiation with the JV partner.

27 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Amounts due from a subsidiary, China Yinrui HK	939,652	936,340
Equity investment in China Yinrui HK, an unlisted entity, pursuant to the Reorganisation (Notes 1 and 2)	435,330	435,330
Equity investment in Fuhua, an unlisted entity (Note 20)	57,811	—
	1,432,793	1,371,670

The amounts due from China Yinrui HK as at 31 December 2014 and 2013 are interest-free, unsecured and have no specific repayment terms, which represent the capital contribution paid to indirectly held subsidiaries on behalf of China Yinrui HK. The Company's intention is that the amounts due from China Yinrui HK will only be recalled when the subsidiaries have surplus cash.

As at 31 December 2014, the Company had direct or indirect interests in the following subsidiaries:

Company name	Place and date of incorporation	Legal status	Issued or registered and paid-up capital	Effective interest held as at 31 December 2014	2013	Principal activities	Note
Directly owned							
China Yinrui HK (Note 2)	Hong Kong 14 March 2008	Limited liability company	HK$1	100%	100%	Investment	
Fuhua (Note 20(a))	BVI 28 August 2004	Limited liability company	US$1	100%	–	Investment	(i)
Indirectly owned							
Yangzhou Huiyin (Note 1) 揚州滙銀家電(集團)有限公司 (formerly known as "揚州滙銀家電有限公司")	Yangzhou Jiangsu, PRC 27 May 2002	Foreign investment enterprise	US$200,000,000 and US$196,427,968.34	100%	100%	Bulk distribution sales and provision of after-sales services of household appliances	
Jiangsu Huiyin Electronics Chain-Stores Co., Ltd. 江蘇滙銀電器連鎖有限公司	Yangzhou Jiangsu, PRC 15 May 2006	Domestic enterprise	RMB62,500,000	100%	100%	Retail sales and provision of after-sales services of household appliances	
Changzhou Keyi Air-Conditioner Sales Co., Ltd. ("Changzhou Keyi") 常州可意空調銷售有限公司	Changzhou Jiangsu, PRC 26 August 2003	Domestic enterprise	RMB5,000,000	90%	90%	Bulk distribution sales of Gree air-conditioners	
Yangzhou Huiyin Yuankun Professional Electronics Sales Co., Ltd. 揚州滙銀元坤專業電器銷售有限公司	Yangzhou Jiangsu, PRC 8 January 2008	Domestic enterprise	RMB5,000,000	–	100%	Bulk distribution sales of Daikin air-conditioners	(ii)

27 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES *(continued)*

Company name	Place and date of incorporation	Legal status	Issued or registered and paid-up capital	Effective interest held as at 31 December 2014	2013	Principal activities	Note
Indirectly owned (continued)							
Yangzhou Huihou Electronics Sales Co., Ltd. 揚州滙厚電器銷售有限公司	Yangzhou Jiangsu, PRC 23 August 2004	Domestic enterprise	RMB5,000,000	100%	100%	Bulk distribution sales of household appliances	
Yangzhou Hengjin Air-conditioner Sales Co., Ltd. (formerly known as "Yangzhou Hengxin Air-conditioner Sales Co., Ltd." 揚州恒金空調銷售有限公司 (formerly known as "揚州恒信空調銷售有限公司")	Yangzhou Jiangsu, PRC 27 August 2004	Domestic enterprise	RMB50,000,000	100%	100%	Bulk distribution sales of Daikin air conditioners	
Yangzhou Huide Electronics Distribution Co., Ltd. 揚州滙德電器營銷有限公司	Yangzhou Jiangsu, PRC 23 October 2006	Domestic enterprise	RMB50,000,000	100%	100%	Bulk distribution sales of Midea air-conditioners	
Yangzhou Huiyin Logistic Co., Ltd. 揚州滙銀物流有限公司	Yangzhou Jiangsu, PRC 25 May 2010	Foreign investment enterprise	US$4,000,000	100%	100%	Bulk distribution sales of household appliances	
Yangzhou Huiyin Household Appliances Sales Co., Ltd. 揚州滙銀電器銷售有限公司	Yangzhou Jiangsu, PRC 25 May 2010	Foreign investment enterprise	US$4,100,000	100%	100%	Retail sales of household appliances	
Anhui Four Seas (Note 5(a)) 安徽四海匯銀家電銷售有限公司 (formerly known as "淮南市四海匯銀家電有限公司")	Huainan Anhui, PRC 16 September 2010	Domestic enterprise	RMB50,000,000	65%	65%	Retail sales of household appliances	(i)
Wuhu Huiyin Household Appliances Sales Co., Ltd. 蕪湖匯銀家電銷售有限公司	Wuhu Anhui, PRC 29 September 2010	Domestic enterprise	RMB10,000,000	100%	100%	Bulk distribution and retail sales of household appliances	
Wuxi Huiyin Household Appliances Sales Co., Ltd. (formerly known as "Wuxi Runpu Household Appliances Co., Ltd.") 無錫匯銀家電銷售有限公司 (formerly known as "無錫潤普家電有限公司")	Wuxi Jiangsu, PRC 9 December 2010	Domestic enterprise	RMB1,800,000	100%	100%	Bulk distribution sales of household appliances	
Nanjing Chaoming (Note 5(a)) 南京潮明科技發展有限公司	Nanjing Jiangsu, PRC 20 June 2002	Domestic enterprise	RMB10,000,000	100%	100%	Retail and bulk distribution sales of household appliances	(i)
Yangzhou Huiyin Real Estate Co., Ltd. ("Huiyin Real Estate") 揚州匯銀置業有限公司	Yangzhou Jiangsu, PRC 17 February 2011	Domestic enterprise	RMB50,000,000	(Note 11)	100%	Development of real estate	

27 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES *(continued)*

Company name	Place and date of incorporation	Legal status	Issued or registered and paid-up capital	Effective interest held as at 31 December 2014	2013	Principal activities	Note
Indirectly owned (continued)							
Jiangsu Huiyin Electronics (Anhui) Co., Ltd. 江蘇匯銀電器(安徽)有限公司	Hefei Anhui, PRC 31 March 2011	Domestic enterprise	RMB2,000,000	100%	100%	Bulk distribution sales of household appliances	
Hefei Jingmei Household Appliances Co., Ltd. 合肥精美家電有限公司	Hefei Anhui, PRC 25 May 2011	Domestic enterprise	RMB1,000,000	100%	100%	Bulk distribution sales of household appliances	
Xuancheng Xinxing Electronics Sales Co., Ltd. 宣城欣興電器銷售有限公司	Xuancheng Anhui, PRC 18 August 2011	Domestic enterprise	RMB20,000,000	100%	100%	Bulk distribution sales of household appliances	
Jiangsu Huiyin Electronic Commerce Co., Ltd. 江蘇匯銀電子商務有限公司	Yangzhou Jiangsu, PRC 13 June 2012	Domestic enterprise	RMB10,000,000	100%	100%	Online sales of household appliances and other merchandise	
Shanghai Jingjiandongkang Trading Co., Ltd. 上海靜健動康貿易有限公司	Shanghai, PRC 24 October 2012	Domestic enterprise	RMB2,000,000	100%	100%	Trading of food and other merchandise	
Yangzhou Shengshi Xinxing Electronics Sales Co., Ltd. 揚州盛世欣興電器銷售有限公司	Yangzhou, PRC 21 August 2013	Domestic enterprise	RMB10,000,000	80%	80%	Bulk distribution sales of household appliances	
Shanghai Guanghan Trading Co., Ltd. 上海廣邗貿易有限公司	Shanghai, PRC 12 February 2014	Foreign investment enterprise	RMB500,000 and RMB0	100%	–	Bulk distribution sales of general merchandise	
Jiangsu Jingjian Dongkang Trading Co., Ltd. 江蘇靜健動康貿易有限公司	Yangzhou, PRC 11 March, 2014	Domestic enterprise	RMB10,000,000 and RMB300,000	100%	–	Bulk distribution sales of food	
Jiangsu Huiyin Lottery Network Technology Co., Ltd. 江蘇匯銀彩票網路科技有限公司	Yangzhou, PRC 17 June 2014	Domestic enterprise	RMB60,000,000 and RMB2,500,000	100%	–	Lottery sales and development of lottery sale system	
Shanghai Huicai Internet Financial Information Service Co., Ltd. 上海匯彩互聯網金融信息服務有限公司	Shanghai, PRC 22 August 2014	Domestic enterprise	RMB3,000,000 and RMB 0	100%	–	Internet financial information service	
Jiangsu Kuanrui Trade Logistics Development Co., Ltd. 江蘇寬瑞物流貿易發展有限公司	Yangzhou, PRC 30 January 2008	Foreign investment enterprise	EUR2,000,000	100%	–	Logistic and warehouse services	(i)

Notes:

(i) These companies are acquired from third parties or are set up to acquire business from non-controlling interest.

(ii) Yangzhou Huiyin Yuankun Professional Electronics Sales Co., Ltd. (揚州匯銀元坤專業電器銷售有限公司) was liquidated in March 2014.

(iii) The English names of certain subsidiaries represent the best effort of the Company in translating their Chinese names as they do not have official English names.

28 REVENUE

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

	Year ended 31 December	
	2014 RMB'000	2013 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 for household appliances	780	3,381
– Installation service for household appliances	15,164	9,217
– Agency service for sales of lotteries	5,070	—
	21,014	12,598
Total revenue	3,093,022	2,849,142

29 OTHER INCOME

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Income from suppliers on promotion activities	7,934	9,191
Subsidies of transportation and old merchandise arising from the Change of the Old for New Program	—	245
Rental income	4,164	7,835
Government subsidies (note)	1,077	208
	13,175	17,479

Note:

All of the government subsidies for the years ended 31 December 2014 and 2013 represent amounts received during the respective years and are not subject to any conditions nor intended to compensate future costs.

30 OTHER (LOSSES)/GAINS — NET

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Fair value losses on contingent consideration liabilities (Note 26)	—	(1,901)
(Losses)/gains on disposal of property, plant and equipment, net	(362)	152
Insurance claim income for merchandises destroyed in a fire accident (note)	—	6,407
Accrued compensation to suppliers for losses caused by a fire accident	—	(808)
Fair value losses on derivative financial instruments	—	(1,362)
	(362)	2,488

Note:

The insurance claim income was related to merchandises that had been destroyed by fire in an accident. In April 2013, the relevant insurance claim of RMB6,407,000 had been received by the Group and was recognised as insurance claim income in 2013.

31 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing and administrative expenses were analysed as following:

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Cost of merchandise before deducting supplier rebates	3,350,723	3,110,161
Supplier rebates	(637,615)	(574,612)
Taxes and levies on main operations	4,874	4,789
Employee benefit expenses (Note 32)	76,205	72,562
Pre-IPO Option Scheme expenses (Note 21)	—	602
Service charges	4,305	6,552
Operating lease expenses in respect of buildings and warehouses	39,371	54,201
Promotion and advertising expenses	30,936	20,149
Amortisation of land use rights (Note 7)	638	517
Depreciation of property, plant and equipment (Note 8)	21,690	29,487
Depreciation of investment properties (Note 9)	170	170
Amortisation of intangible assets (Note 10)	1,420	1,387
Utilities and telephone expenses	8,158	9,495
Transportation expenses	15,029	17,478
Entertainment expenses	6,650	7,452
Travelling expenses	4,452	5,450
Office expenses	2,881	2,307
Accrual/(reversal) of provision for obsolescence of inventories (Note 15)	1,055	(4,611)
Provision for impairment of trade receivables (Note 16)	425	1,825
(Reversal)/accrual of provision for impairment of supplier rebates receivable (Note 17)	(5,449)	191,265
Property tax and other taxes	3,378	3,280
Auditor's remuneration	2,950	3,050
Bank charges	8,055	10,223
Consulting expenses	804	900
Others	15,873	18,182
Total of cost of sales, selling and marketing expenses and administrative expenses	2,956,978	2,992,261

32 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Salaries and other allowances	58,436	55,635
Social security costs	16,243	15,519
Other benefits	1,526	1,408
	76,205	72,562

(a) The employees of the subsidiaries of the Group in the PRC participate in defined contribution retirement benefit plans organised by the relevant local governments. For the year ended 31 December 2014, these subsidiaries were required to make monthly defined contributions to these plans at rates ranging from 31.0% to 43.0% of their total salaries subject to certain ceilings (2013: 33.9% to 45.0%).

(b) The Group has no other obligations for the payment of retirement and other post-retirement benefits of its employees or retirees other than the defined contribution payments as disclosed above.

33 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' and chief executive's emoluments

For the years ended 31 December 2014 and 2013, the remuneration of directors of the Company paid/payable by the Group were as follows:

	For the year ended 31 December 2014					
Name of directors	Salaries and other allowances RMB'000	Bonuses RMB'000	Social security costs RMB'000	Pre-IPO Option Scheme expenses RMB'000	Other benefits RMB'000	Total RMB'000
Chairman and executive director						
– Mr. Cao Kuanping	1,827	–	105	–	2,211	4,143
Other executive directors						
– Mr. Wang Zhijin	827	67	108	–	308	1,310
– Mr. Mao Shanxin	229	39	39	–	–	307
– Mr. Mo Chihe	284	29	39	–	308	660
– Mr. Lu Chaolin	230	100	25	–	–	355
– Ms. Hu Yanyu (i)	137	20	19	–	–	176
Independent non-executive directors						
– Mr. Tam Chun Chung	80	–	–	–	–	80
– Mr. Zhou Shui Wen	40	–	–	–	–	40
– Mr. Lo Kwong Shun Wilson	40	–	–	–	–	40
	3,694	255	335	–	2,827	7,111

33 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(a) Directors' and chief executive's emoluments *(continued)*

	For the year ended 31 December 2013					
Name of directors	Salaries and other allowances RMB'000	Bonuses RMB'000	Social security costs RMB'000	Pre-IPO Option Scheme expenses RMB'000	Other benefits RMB'000	Total RMB'000
Chairman and executive director						
– Mr. Cao Kuanping	1,827	–	34	301	2,211	4,373
Other executive directors						
– Mr. Wang Zhijin	827	69	109	36	308	1,349
– Mr. Mao Shanxin	226	74	34	120	–	454
– Mr. Mo Chihe	282	68	34	36	308	728
– Mr. Lu Chaolin	227	73	21	36	–	357
Independent non-executive directors						
– Mr. Tam Chun Chung	80	–	–	–	–	80
– Mr. Zhou Shui Wen	40	–	–	–	–	40
– Mr. Tan Bien Kiat (ii)	40	–	–	–	–	40
– Mr. Lo Kwong Shun Wilson (iii)	18	–	–	–	–	18
	3,567	284	232	529	2,827	7,439

Notes:

(i) Appointed on 15 October 2014.

(ii) Resigned on 17 July 2013.

(iii) Appointed on 17 July 2013.

The chief executive of the Company is Mr. Cao Kuanping, who is also one of the directors of the Company.

During the years ended 31 December 2014 and 2013, none of the directors of the Company (i) received any emolument from the Group as an inducement to join or upon joining the Group; or (ii) received any compensation for loss of office as a director or management of any member of the Group; or (iii) waived or has agreed to waive any emoluments.

33 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include three (2013: four) directors, whose emoluments were reflected in the analysis presented above. The emoluments paid/payable to the remaining two (2013: one) individuals were as follows:

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Salaries and other allowances	524	144
Bonuses	200	311
Social security costs	62	5
	786	460

The emoluments of the remaining two (2013: one) highest paid individuals of the Group fall within the following bands:

	Year ended 31 December	
	2014	2013
Emoluments bands		
— Nil to HK$1,000,000	2	1
— HK$1,000,001 to HK$1,500,000	—	—
	2	1

34 FINANCE INCOME AND COSTS

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Finance income		
– Interest income on bank deposits	33,571	34,574
– Interest income from loan to a joint venture	8,828	—
	42,399	34,574
Finance costs		
– Interest expenses on discounting of bills receivable	(25,132)	(13,470)
– Interest expenses on bank borrowings and third-party advances	(24,218)	(36,549)
– Interest expenses and borrowing costs on medium-term notes	(28,921)	(28,633)
– Net foreign exchange (losses)/gains on cash and cash equivalents and bank borrowings	(2,141)	15,983
	(80,412)	(62,669)
Finance costs — net	(38,013)	(28,095)

35 INCOME TAX (EXPENSE)/CREDIT

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
PRC enterprise and withholding income taxes		
— Current income tax	(43,887)	(45,432)
— Deferred income tax (Note 13)	(2,006)	53,322
	(45,893)	7,890

35 INCOME TAX (EXPENSE)/CREDIT *(continued)*

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 RMB'000	2013 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 have any retained profits available for distribution outside the PRC at end of the year after setting off accumulated losses of previous years (2013: Nil).

36 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 options granted under the Pre-IPO Option Scheme on earnings/(loss) per share is anti-dilutive.

37 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).

38 CASH GENERATED FROM/(USED IN) OPERATIONS

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Profit/(loss) before income tax	104,098	(151,247)
Adjustments for:		
– Net foreign exchange losses/(gains) on cash and cash equivalents and bank borrowings (Note 34)	2,141	(15,983)
– Amortisation of land use rights (Note 7)	638	517
– Depreciation of property, plant and equipment (Note 8)	21,690	29,487
– Depreciation of investment properties (Note 9)	170	170
– Amortisation of intangible assets (Note 10)	1,420	1,387
– Losses/(gains) on disposal of property, plant and equipment (Note 30)	362	(152)
– Finance income (Note 34)	(42,399)	(34,574)
– Interest expenses and borrowing costs (Note 34)	78,271	78,652
– Share of loss of investment in a joint venture	6,681	—
– Share of loss of investment in an associate	65	—
– Amortisation of deferred government grants	(58)	—
– Fair value losses on contingent consideration liabilities (Note 30)	—	1,901
– Fair value losses on derivative financial instruments (Note 30)	—	1,362
– Accrual/(reversal) of provision for obsolescence of inventories (Note 15)	1,055	(4,611)
– Provision for impairment of trade receivables (Note 16)	425	1,825
– (Reversal)/accrual of provision for impairment of supplier rebates receivable (Note 17)	(5,449)	191,265
– Accrued compensation to suppliers for losses caused by a fire accident (Note 30)	—	808
– Pre-IPO Option Scheme expenses (Note 21)	—	602
Operating profit before working capital changes	169,110	101,409
Changes in working capital:		
– Decrease/(increase) in inventories	18,889	(161,527)
– Decrease in trade and bills receivables	10,911	303,496
– Increase in prepayments, deposits and other receivables	(166,317)	(232,298)
– Increase in restricted bank deposits pledged for bank acceptance bills	(69,798)	(198,021)
– Increase in trade and bills payables	13,335	45,154
– Increase/(decrease) in accruals and other payables	52,547	(95,882)
Cash generated from/(used in) operations	28,677	(45,905)

Non-cash transactions

The principal non-cash transaction for the year ended 31 December 2014 is the issue of ordinary shares as consideration for the acquisition of a subsidiary as described in Note 20(a) (2013: Nil).

39 OPERATING LEASE COMMITMENTS

The Group leases certain of its office premises, stores under non-cancellable operating lease agreements. The leases have various terms and renewal rights.

As at the balance sheet date, the Group's future aggregate minimum lease payments under non-cancellable operating leases were as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Not later than 1 year	**37,741**	43,360
Later than 1 year and not later than 5 years	**87,304**	98,322
Later than 5 years	**24,661**	31,609
	149,706	173,291

40 FUTURE OPERATING LEASE RENTALS RECEIVABLE

As at the balance sheet date, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of land and buildings as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Not later than 1 year	**5,856**	4,388
Later than 1 year and not later than 5 years	**5,532**	8,705
	11,388	13,093

The minimum lease receipts as set out above are mainly related to leasing of shop premises located at the Group's own stores and office building which are entered into primarily on a short-term or medium-term basis.

41 ACQUISITION AND DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY

(a) Acquisition of additional equity interest in a subsidiary without change of control in 2013

In March 2013, the Group acquired the remaining 30% equity interest in Huyin Real Estate which it already holds an equity interest of 70% from an individual for a consideration of RMB15,000,000. The carrying amount of the non-controlling interests in Huyin Real Estate on the date of acquisition was RMB12,772,000. The Group recognised a decrease in non-controlling interests of RMB12,772,000 and a decrease in equity attributable to owners of the Company of RMB2,228,000 which represented the excess of consideration paid. The effect of change in the ownership interest of Huiyin Real Estate on the equity attributable to owners of the Company in 2013 is summarised as follows:

	RMB'000
Carrying amount of non-controlling interests acquired	12,772
Consideration paid to non-controlling interests	(15,000)
Excess of consideration paid recognised within equity	(2,228)

(b) Deemed disposal of a subsidiary with loss of control in 2014

As described in Note 11, a co-operation agreement was entered into with a third party fund company Weiying regarding the operations of Huiyin Real Estate. The co-operation agreement had become effective on 4 March 2014 and since then, Huiyin Real Estate became a joint venture of the Group and its assets, liabilities and financial results ceased to be consolidated in the accounts of the Group. This constituted a deemed disposal of a subsidiary with loss of control. The excess of the consideration paid to non-controlling interests in 2013 amounting to RMB2,228,000 previously recognised within equity was also transferred to cost of investment in a joint venture at the date of loss of control.

42 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

The directors of the Company are of the view that the following companies were related parties that had transactions or balances with the Group during the years presented.

Name	Relationship with the Group
Mr. Cao Kuanping	Substantial shareholder of the Company/Director
Huiyin Real Estate (Note 11)	A joint venture of the Group
Huazhang (Note 12)	An associate of the Group

42 RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions with related parties

Other than the transactions with Huiyin Real Estate as disclosed in Notes 11 and 34, the following transactions were undertaken by the Group with related parties during the year:

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
– Sales of goods to an associate		
Huazhang	10,890	—
– Rental expenses to a related party		
Mr. Cao Kuanping	3,650	3,460
– Directors' emoluments		
Salaries, bonuses and other welfares	7,111	7,439

In the opinion of the directors of the Company, the above related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and respective related parties.

Two property leasing contracts, one for office use and the other for retail purpose, were entered into by the Group with Mr. Cao Kuanping in 2013 for a term of 3 years from 20 January 2013 to 19 January 2016. The aggregate annual rents payable by the Group to Mr. Cao Kuanping under the two property leasing contracts amount to RMB3,650,000.

(c) Key management compensation

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Salaries and other allowances	3,534	3,389
Bonuses	255	284
Social security costs	335	232
Pre-IPO Option Scheme expenses	—	529
Other benefits	2,827	2,827
	6,951	7,261

42 RELATED PARTY TRANSACTIONS *(continued)*

(d) Balances with related parties

Other than the balances with Huiyin Real Estate as disclosed in Note 11, the Group had the following balances with related parties at the balance sheet date:

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Trade balance due to a related party:		
Advances from an associate for purchases of goods		
– Huazhang	3,942	—
Non-trade balances due to related parties:		
Accruals and other payables (Note 23)		
– Mr. Cao Kuanping	463	463
Salaries, bonuses and welfares payable to directors		
– Mr. Cao Kuanping	152	1,861
– Mr. Mao Shanxin	19	334
– Mr. Mo Chihe	24	384
– Mr. Wang Zhijin	69	1,005
– Mr. Lu Chaolin	19	321
– Ms. Hu Yanyu	50	
	333	3,905
	796	4,368

The balance due to Mr. Cao Kuanping as at the balance sheet date mainly represented miscellaneous payments that Mr. Cao Kuanping paid on behalf of the Group.

43 CONTINGENCIES

On 11 April 2014, the Group entered into certain facilities agreements with certain third-party customers of the Group and a bank. Pursuant to these facilities agreements, the Group executed guarantees in favour of the bank for the total facilities of RMB20,700,000 provided by the bank to those customers with the expiring date of 11 April 2016. As at 31 December 2014, such facilities were fully utilised by those customers, including amounts of RMB5,200,000 subsequently lent to the Group with an expiring date within 1 year and an effective interest rate of 8.04% (Note 23(a)), the remaining amounts of RMB15,500,000 were retained by those customers under the facilities agreements. No provision in relation to the guarantees has been recognised in these consolidated financial statements as in the directors' opinion, it is not probable that significant liability will arise.

As at 31 December 2014, the Group had been defending several legal actions brought by third parties in the PRC, with the total claim amount of RMB8,300,000 (2013: RMB11,800,000). After seeking advices from PRC lawyers, the Group considered these legal claims unfounded. No provision in relation to those claims has been recognised in these consolidated financial statements as in the directors' opinion, it is not probable that significant liability will arise.

44 APPROVAL AND AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The consolidated financial statements set out on pages 45 to 133 were approved and authorised for issue by the board of directors of the Company on 20 March 2015.

Financial Summary

	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Revenue	3,093,022	2,849,142	2,457,541	2,835,129	1,784,450
Profit/(loss) attributable to equity holders of the Company	50,004	(149,755)	(226,687)	15,509	91,719
Total assets	3,396,448	3,287,913	3,089,332	2,515,235	1,856,880
Total liabilities	2,549,626	2,560,427	2,205,991	1,409,085	784,591
Total equity	846,822	727,486	883,341	1,106,150	1,072,289
Non-controlling interests in equity	45,145	35,852	40,326	40,938	15,317