2011 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

Contents

2 Corporate Information

3 Financial and Operational Highlights

4 Chairman's Statement

8 Management Discussion and Analysis

24 Corporate Governance Report

32 Report of the Directors

40 Directors' and Senior Management's Profile

43 Independent Auditor's Report

45 Consolidated Balance Sheet

47 Balance Sheet of the Company

48 Consolidated Income Statement

49 Consolidated Statement of Comprehensive Income

50 Consolidated Statement of Changes in Equity

51 Consolidated Cash Flow Statement

52 Notes to the Consolidated Financial Statements

118 Financial Summary

CORPORATE INFORMATION

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

NON-EXECUTIVE DIRECTOR
Mr. Li Jung-Hsing

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Zhou Shuiwen
Mr. Tam Chun Chung
Mr. Tan Bien Kiat

COMPANY SECRETARY
Ms. Ngai Kit Fong

AUDIT COMMITTEE
Mr. Tam Chun Chung *(Chairman)*
Mr. Tan Bien Kiat
Mr. Zhou Shuiwen

REMUNERATION COMMITTEE
Mr. Zhou Shuiwen *(Chairman)*
Mr. Cao Kuanping
Mr. Tan Bien Kiat

NOMINATION COMMITTEE
Mr. Tan Bien Kiat *(Chairman)*
Mr. Mo Chihe
Mr. Zhou Shuiwen

AUTHORISED REPRESENTATIVES
Mr. Cao Kuanping
Ms. Ngai Kit Fong

REGISTERED OFFICE
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Cayman Islands

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PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART XI OF THE COMPANIES ORDINANCE
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AUDITOR
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Certified Public Accountants
22nd Floor, Prince's Building
Central
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COMPLIANCE ADVISER
Guotai Junan Capital Limited
27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG
Tricor Investor Services Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS
Bank of Communications (Yangzhou Branch)
No. 2 Wenhe Bei Lu
Yangzhou City
Jiangsu Province
PRC

Agricultural Bank of China (Runyang Sub-branch)
No. 47 Hanjiang Lu
Yangzhou City
Jiangsu Province
PRC

China Merchant Bank (Yangzhou Branch)
Haiguan Building, West Wing
No. 12 Wenchang Xi Lu
Yangzhou City
Jiangsu Province
PRC

China Citic Bank (Yangzhou Branch)
No. 171 Weiyang Lu
Yangzhou City
Jiangsu Province
PRC

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 in 2011 was RMB2,835.1 million, an increase of 58.9% compared with 2010.

2. Gross profit increased 12.8% to RMB361.4 million (2010: RMB320.5 million).

3. Gross profit margin in 2011 was 12.8%, while that of 2010 was 18.0%.

4. Operating profit was approximately RMB53.7 million for 2011, decreased by RMB88.2 million compared with 2010.

5. Profit for the year was approximately RMB19.0 million, decreased by 79.8% from RMB94.0 million of 2010.

6. As at 31 December 2011, we had a total of 61 self-operated stores, an increase of 15.1% from 53 stores at the end of 2010. Retail revenue represented 38.1% of the total revenue of the Group for 2011 (43.1% in 2010).

CHAIRMAN'S STATEMENT

Cao Kuanping
Chairman

During the year, the Group fully captured the growth opportunities in the China's home appliance retail industry, and further strengthened its internal control and improved its after-sales services, so as to enhance its "Huiyin" brand awareness and maintain the steady expansion of its retail network.

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 2011.

2011 was a year of both development and challenges for the Group. During the first half, due to various government measures to stimulate consumption, coupled with the acceleration of urbanization, China's home appliance industry achieved a stable growth, and the third and fourth-tier home appliance markets were even more blooming. However, there was a downturn in the operating environment in the second half due to the weak global economy caused by the European debt crisis. During the year, the Group fully captured the growth opportunities in China's home appliance retail industry, and further strengthened its internal control and improved its after-sales services, so as to enhance its "Huiyin" brand awareness and maintain the steady expansion of its retail network. For the year ended 31 December 2011, the Group recorded revenue of RMB2,835.1 million, representing an increase of 58.9% from RMB1,784.5 million in 2010. The Group's profit attributable to equity holders recorded a year-on-year decrease of 83.1% to RMB15.5 million with basic earnings per share of RMB1.48 cent.

OPPORTUNITIES AND CHALLENGES IN THE MARKETS

Statistics from the Ministry of Commerce of the People's Republic of China showed that sales of products under the Rural Appliance Rebate Program were more than 103 million units with sales of approximately RMB264.1 billion during 2011. Since the implementation of the Change of the Old for New Program from 2009 to 31 December 2011, the aggregate sales volume of home appliances under the Change of the Old for New Program was approximately 92.48 million units, with the policy-driven consumption of home appliances amounting to approximately RMB342.0 billion. Statistics from the Department of Commerce of Jiangsu Province showed that cumulative sales volume of home appliances in Yangzhou city in Jiangsu Province under the Rural Appliance Rebate Program was approximately 13.19 million units with cumulative sales amounting to approximately RMB31.5 billion; under the Change of the Old for New Program, the statistics showed that, since the official introduction of the policy, the cumulative sales volume of home appliances under such program within the province was approximately 13.87 million units with sales amounting to approximately RMB51.2 billion.

For the year ended 31 December 2011, approximately 9.2% and 24.6% of revenue of the Group were generated from sales under the Rural Appliance Rebate Program and the Change of the Old for New Program respectively, reflecting the positive effect of such policies on stimulating domestic demand and promoting industry upgrade.

UNIQUE INTEGRATED BUSINESS MODEL

As a leader in the third and fourth-tier home appliance markets, the Group further expanded its retail network into various regions in Anhui Province in addition to focusing on Jiangsu Province. The Group achieved steady business expansion by leveraging its advantage as one of the authorized distributors under the Rural Appliance Rebate Program and the Change of the Old for New Program. Facing the rapidly developing rural markets, the Group flexibly conducted its unique integrated business model, fully using its extensive sales network and brand advantage in the third and fourth-tier home appliances markets, and integrating retail, bulk distribution (including sales to franchised stores) and after-sales services to further accelerate its presence in the target markets and boost its revenue.

To enhance the ''Huiyin'' brand awareness in the target markets and the competitive strength of the outlets, the Group carried out comprehensive optimized management on outlet classification in 2011 by improving performance of the outlet in all aspects such as resource integration, improvement of staff skills, promotion planning, alliance across different industries and the integration of supply chain. As at 31 December 2011, more than 6,100 product models were available at 61 self-operated stores of the Group, of which 45 were general stores, 6 were shop-in-shops in department stores and 10 were brand retail stores.

The Group has adopted a unique expansion strategy with self-operated stores to complement franchised stores to enhance its penetration into the highly scattered third and fourth-tier markets. Most of the franchised stores of the Group are operated under the registered brand of "Huiyin", offering more than 1,000 product models. During the year, in response to the accelerating urbanization process in some areas, the Group put its focus on enhancing the competitiveness and service quality of the franchised outlets, and improving the overall operation and management standards by using optimized franchised outlets network through franchise consolidation management of the franchised outlets and the franchise consolidation management committee. In addition, the Group introduced a resource planning system and a store information management system to monitor real-time sales performance and the inventory level of franchised stores, which further enhanced the profitability and operating efficiency of its outlets.

STRENGTHENING CORPORATE GOVERNANCE

We fully understand that sound corporate governance is the cornerstone of business expansion of the Group and the Group's overall governance could not be improved without good corporate governance. During 2011, the Group further improved its corporate governance through strengthening the development of base level organizations, striving to raise its operating efficiency and risk resistance, adhering to a sound complete system and procedure, and conducting reviews and making improvements from time to time in areas such as management system, staff training, market planning, store management, financial management, information management, logistics management and after-sales services.

In addition, the Group also improved its communication with investors, shareholders and the public by improving investor relations and maintaining real-time and effective communication with investors during the year so as to increase the transparency of corporate information and safeguard the interests of investors.

OUTLOOK

With the integration of the Chinese home appliance industry and the gradual cessations of relevant industry policies, it is widely believed that the home appliance market would see a slower growth. As a leader in the third and fourth-tier home appliance markets, facing the challenging environment of the industry, the Group continues to enhance its own strength in line with its rapid expansion, maintain its leading position in the target markets, and better plan and prepare for the future development.

During the year, the Group enhanced the profitability of its outlets by upgrading its existing sales network, expanding its product mix, controlling costs and improving its management and operation basis. In addition, the Group will step up its effort in brand promotion and strengthen its close relationships with suppliers, and further enhance the information technology system and the overall competiveness of the Group. In addition to actively expanding its sales network, the Group is also committed to strengthening internal management and actively encouraging creativity and innovation in brand building, human resources and customer relationship. We also recognize the growing popularity of online shopping, and the Group will continue to expand this business in order to enhance its competitive strength. The Group will be able to achieve sustainable expansion as well as the enhancement of profitability and operational efficiency of the Huiyin Household Appliances through the effective implementation of the aforesaid strategies.

Due to the continued growth in rural household income, sales of home appliances in the rural market have seen an explosive growth within a few years. The capacity of the middle to high-end consumer market in the third and fourth-tier cities is also increasing. Therefore, many domestic appliance companies have increased their investments in the rural market. Looking ahead, we believe that the home appliance industry will benefit from the sustainable development of the rural market and maintain the growth momentum, which is most favourable to the companies targeting the third and fourth-tier markets.

The sustainable development of Huiyin Household Appliances depends on the support from our shareholders and business partners. 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 Group, and to relentless efforts by the staff over the past year. Huiyin Household Appliances will continue to strive to be a leader in the third and fourth-tier markets and grow with time bringing more fruitful returns to the shareholders.

Cao Kuanping
Chairman

Hong Kong, 20 March 2012

MANAGEMENT DISCUSSION AND ANALYSIS

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 3 percentage points.

MARKET REVIEW

Increasing Consumption Power in China

2011 was the first year of China's Twelfth Five-Year Plan. China continued to implement a proactive fiscal policy and a prudent monetary policy, and also constantly strengthened and improved macro control. Meanwhile, uncertainties still hampered the pace of recovery of the global financial market. Affected by external factors such as economic weakness in the United States, the European debt crisis and the earthquake in Japan, the growth in China's demand for household appliances slowed down, and this industry faced such great challenges as increased production costs, changing international competition environment and technology upgrade pressure, etc.

As announced by the National Bureau of Statistics of China, China's economic growth and inflation rate reached 9.2% and 5.4% respectively in 2011. The total retail sales of consumer goods in the country were RMB18,122.6 billion in 2011, up by about 17% from the last year; the retail sales of consumer goods in urban areas and rural areas reached RMB15,690.8 billion and RMB2,431.8 billion respectively, up by 17.2% and 16.7% respectively from the corresponding period of the last year. The growth in sales of household appliances and AV equipment dropped about 6 percentage points to 21.6% from the last year. Although the growth in national consumption slowed down as compared to 2010, thanks to the steady growth of national income, the growth rate of total retail sales of consumer goods in the country in 2011 was still 2.1 percentage points higher than the average value of the past ten years. The Ministry of Commerce of the People's Republic of China expects that during the "Twelfth Five-Year Plan" period, the overall size of the domestic market will gradually expand and the annual growth rate of the total retail sales of consumer goods in the country will be about 15%. The retail sales is expected to reach RMB32,000.0 billion by 2015.

Meanwhile, the growth in rural residents' income was still higher than that of urban residents, reflecting that the rural market still offered room for development. The National Bureau of Statistics of China announced that the gross income per capita of urban residents was RMB23,979 in 2011 with a real growth of 8.4%; while the gross income per capita of rural residents was RMB6,977, up by RMB1,058 as compared to the corresponding period of the last year and representing a real year-on-year growth of 11.4%. As the diversified growth in 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 3 percentage points.

Policies on home appliances driving sales

During the year, thanks to government measures to promote the development of the home appliance market, coupled with the steady growth in urban and rural household income, the Chinese home appliance industry achieved stable growth under the promotion of various stimulus policies, and developments in the home appliance markets in the third and fourth-tier markets were even more blooming. As announced by the Ministry of Commerce of the People's Republic of China, sales of products under the "Rural Appliance Rebate Program" amounted to more than 103 million units with sales of approximately RMB264.1 billion during 2011. Latest statistics from the Ministry of Commerce of the People's Republic of China showed that since the implementation of the "Old for New Program" from June 2009 to 31 December 2011, the aggregate sales volume of home appliances such program was approximately 92.48 million units, with the policy-driven home appliance consumption amounting to approximately RMB342.0 billion, thus reflecting the positive effect of the home appliance policies on stimulating domestic demand and promoting industry upgrade.

The Group's business base, Jiangsu Province was directly benefiting from the "Rural Appliance Rebate Program" and the " Old for New Program", resulting in a rapid growth in home appliance sales during the year. The latest statistics from the Department of Commerce and the Department of Finance of Jiangsu Province showed that the cumulative sales volume of home appliances under the "Rural Appliance Rebate Program" was approximately 13.19 million units with cumulative sales amounting to approximately RMB31.5 billion during 2011. Statistics also showed that since the official introduction of the "Old for New Program" in September 2009, the cumulative sales volume of home appliances under such program within the province was approximately 13.87 million units with sales amounting to approximately RMB51.2 billion. The "Rural Appliance Rebate Program" and the "Old for New Program" also achieved a great success in Anhui Province. The cumulative sales volume under the "Rural Appliance Rebate Program" in the province reached approximately 6.74 million units with sales of nearly RMB18.0 billion in 2011. As one of the provinces newly included in the "Old for New Program" in June 2010, Anhui saw a rapid growth in home appliance sales since then. As of 31 December 2011, the total sales volume of home appliances under the "Old for New Program" was 3.51 million units with sales of approximately RMB12.5 billion. For the year ended 31 December 2011, approximately 9.2% and 24.6% of revenue of the Group were generated from sales under the "Rural Appliance Rebate Program" and the "Old for New Program", respectively.

BUSINESS REVIEW

Innovative and unique integrated business model

The Group has always strived to become a leader in the third and fourth-tier home appliance markets in China since its establishment. Facing the rapidly developing rural markets, the Group actively captured opportunities and leveraged its extensive sales network in the third and fourth-tier markets. The Group also combined its unique integrated business model and brand advantage, integrating retail, bulk distribution (including sales to franchised stores) and after-sales services to further increase its share in target markets as well as revenue.

In recent years, the Group had rapidly expanded its retail network through self-operated stores and its extensive franchise network. The Group was also a distributor to its franchised stores as well as other independent third parties, which not only served as support to its existing retail business, but also effectively enhanced customer loyalty through its extensive after-sales services network.

The Group achieved more effective use of existing resources through the optimization of outlet management and steady expansion across all business segments. The Group recorded revenue growth across all business segments during the year. For the year ended 31 December 2011, revenue of the Group increased to RMB2,835.1 million, up 58.9% as compared with RMB1,784.5 million of the last year. Net profit of the Group decreased to RMB19.0 million representing a year-on-year decrease of 79.8% and gross profit margin decreased to 12.8%, representing a year-on-year decrease of 5.2 percentage points. The drop was attributable to the macro policy, increased cost pressure in the home appliance industry, certain provisions made by the Group in respect of the amounts due from suppliers after taking into account of increased operating pressure in the upstream industry during the second half of 2011, and one-off differences arising from the consideration payable to the joint venture partner for its transfer of inventory, fixed assets and employees to the subsidiary, namely Huainan City Four Seas Huiyin Household Appliances Company Limited (淮南市四海滙銀家電有限責任公司).

1. Retail business

- **Self-operated stores**

  The Group's self-operated stores provided a variety of products. Approximately 6,100 product models were available at its self-operated stores as of 31 December 2011. During the year, the Group carried out optimized management based on outlet classification and made proper adjustment according to the different grades determined by actual sales information of each store. The Group aimed to enhance competitive advantage and operation performance of the outlet network through various reforms such as resource integration, improvement of staff skills, planning and advertisement, alliance across different industries and the integration of supply chain. Through optimized management, the Group also maintained the advantage of the excellence outlets to enhance the influence of 'Huiyin' brand in the target markets.

  As at 31 December 2011, the number of self-operated stores of the Group reached 61, representing a year-on-year increase by 8 stores or 15.1%, of which 6 were opened in Jiangsu Province, located in Yangzhou, Taizhou, Nanjing and Zhenjiang respectively, and the number of stores in Jiangsu Province increased to 44. In addition, Anhui Province, another focus of the Group's expansion, has 4 new self-operated stores as compared to that of last year. The Group also opened 17 outlets in Huainan, Xuancheng, Wuhu and some other places, proving the success of the Group's expansion program in Anhui Province and greatly enhancing its local awareness and influence.

  In order to meet the unique market demands in different regions, the Group continued to make flexible adjustments to product variety. With the rapid development of the IT industry and internet, the application of e-commerce became increasingly common. In light of this, the Group began to introduce mobile phone-related products to increase the proportion of "3C products" (i.e. computers, communication products and consumer electronic products). Huiyin Household Appliance held an opening ceremony and agency promotion meeting of pinyi108.com (滙銀品易網) on 29 October 2011 in Yangzhou, meaning that the Group officially entered into the e-commerce business.

As at 31 December 2011, together with its Yangzhou flagship store, the Group had a total of 45 general stores, 6 shop-in-shops located in department stores mainly offering high-end home appliances and consumer electronics, and 10 brand retail stores specializing in selling a number of products and brands. During 2011, revenue of the self-operated stores of the Group reached RMB1,080.5 million, up approximately 40.4% from the previous year.

- **Franchised stores**

  Most of the franchised stores of the Group were operated under the registered brand of "Huiyin", offering more than 1,000 product models for clients in the third and fourth-tier markets. During the year, the Group continued to optimize its franchise network to maintain a steady growth in the franchise business. In 2011, the business focus of the Group was on the development of self-operated stores. The accelerating urbanization process in some areas also contributed to the integration of some stores located in urban and rural areas. As a result, the number of franchised stores under the Group decreased by 70 to 157 from the previous year. To enhance the competitiveness and service quality of outlets, the Group has put the development strategy focus of its franchised stores on the enhancement of quality. The operation and management standards of franchised stores were generally enhanced through the franchise consolidation management. In addition, the Group's franchise consolidation management committee continued to speed up the full integration of franchised stores and self-operated stores in terms of, among other things, store and booth design, product variety, promotion and value-added services.

  During the year, the Group introduced a resource planning system and a store information management system to monitor real-time sales performance and the inventory level of franchised stores, which maintained the profitability and operating efficiency of franchised stores. Revenue of the Group derived from franchised stores, which was the major bulk distribution clients of the Group, amounted to approximately RMB691.7 million for the year ended 31 December 2011, up 54.3% from the previous year, and accounted for approximately 24.4% of the total sales revenue of the Group.

- **Outlet network**

  To further strengthen its position in the highly scattered third and fourth-tier markets, the Group adopted a unique expansion strategy with self-operated stores being complementary to franchised stores to gradually penetrate into the target markets.

  Since the opening of its first self-operated store in Yangzhou in 2003, the retail network of the Group had expanded rapidly. As at 31 December 2011, the Group had an extensive retail network with 218 stores in 31 cities/districts of Jiangsu and Anhui Provinces, of which 61 and 157 were self-operated stores and franchised stores respectively, and the total number of self-operated stores and franchised stores in Anhui Province increased to 19. Anhui Province had become another expansion focus of the Group.

  The distribution of self-operated stores and franchised stores of the Group as at 31 December 2011 is set out below:

	Self-operated stores	Franchised stores
Jiangsu Province		
Yangzhou	21	114
Taizhou	6	29
Nanjing	7	2
Huai'an	4	—
Zhenjiang	2	4
Suzhou	2	—
Yancheng	1	2
Nantong	1	1
Changzhou	—	1
Wuxi	—	1
Lianyungang	—	1
Sub-total	44	155
Anhui Province		
Huainan	9	—
Xuancheng	4	—
Wuhu	2	—
Chuzhou	1	2
Ma'anshan	1	—
Sub-total	17	2
Total	61	157

2. Bulk distribution business

In order to support its retail business, the Group as a supplier distributes products to its franchised stores as well as other independent third parties, including home electronic products retailers and corporate customers. Currently, the Group is a bulk distributor of products for more than 20 internationally or domestically renowned brands and has maintained close relationships with suppliers. The bulk distribution business is complementary to the retail business and provides reliable supply for self-operated stores and franchised stores. Furthermore, the position as an exclusive supplier to franchised stores has secured a stable source of income for the Group.

This operating model was well received by suppliers as they benefited from the Group's one-stop services ranging from delivery, warehousing to customer management and distribution logistics. Suppliers were still able to deeply penetrate into the target markets of the Group even if they have not established their branches in such markets, thereby helping reduce their operating risks.

Huiyin Household Appliances had profound experience and an extensive sales network in the retail industry in Jiangsu Province and Anhui Province, which helped the branded home appliances and consumer electronics deeply penetrate into such markets. Leveraging its extensive sales network as well as a deep understanding of consumption patterns in the third and fourth-tier markets, the Group kept abreast of consumers' preferences and demand, which helped the Group remain a long-standing bulk distributor for these home appliances and consumer electronic brands. In addition to maintaining good relationships with the existing client brands, the Group actively acquired peers with growth potential to expand its branded product mix for distribution. In August 2011, the Group was authorized to be the sole agency of a well-known domestic air-conditioning brand in Xuancheng, Anhui Province where the Group had form 3 major outlets. This bulk distribution business not only facilitated the growth in the Group's sales business in Anhui Province but also greatly heightened its local advantage in supply chain.

3. After-sales services

After-sales services are one of the important steps to the continued expansion of the Group's retail and bulk distribution businesses as well as a key advantage of the Group. The Group offered a broad range of installation and maintenance services for the products purchased from the Group or from other third party vendors, and provided retail business support. 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 2011, the Group operated and managed a total of 63 service centers, of which 8 were self-operated service centers and 55 were authorized service centers, providing quality maintenance services for customers across a broad geographical area.

The Group was committed to enhancing the service quality through the introduction of diversified after-sales services, which in turn boosted customer loyalty and enhance consumer brand recognition. During the year, the Group launched an extended warranty plan ("滙金保"延保計劃), under which customers may choose to extend their warranty period by paying a minimal one-off extended warranty fee. The plan covered various home appliances and has been well received by customers since its launch, reflecting high recognition of the Group's efforts by consumers.

Accurate customer marketing and brand promotion strategies

In response to different demands in different markets, the Group adopted diversified customers marketing and brand promotion strategies and flexibly arranged strategic store locations in different areas in 2011.The Group conducted market research and surveys regularly in order to collect data in relation to consumer behaviour and feedback from customers on various marketing tactics adopted by stores. In addition, the Group made use of media channels including websites, TV, newspapers and magazines to launch promotional activities and post different types of advertisements, and launched regular sales promotions. The Group conducted group purchase activities in agreement with several home appliance brands, under which discounts were offered to customers according to the group purchase sizes. As a result, sales were boosted and the awareness as well as popularity of "Huiyin" were enhanced.

During the year, the Group carried out various promotion activities in the community and follow-up services, thereby strengthening communication between the Group and customers, enhancing the Huiyin brand image and increasing its penetration into the community. The Group also launched timely promotion activities during major festivals such as the Labour Day holiday, National Day Golden Week and New Year holiday. These large sales promotions provided customers with more new offerings and special offers, which directly stimulated growth in the Group's sales revenue. Its online sales promotion also saw considerable progress. The Group's pinyi108.com officially went live in 2011 and it had attracted extensive attention in various cities during the year.

Close supplier partnership and unique purchase strategy

The Group is always committed to providing diversified goods for customers and maintaining a stable supply of goods to meet different consumer demands. The Group has established good business relationships with its suppliers via its unique purchase strategy so as to ensure a unified and stable source of goods for each retail outlet. During the year, certain provisions were made by the Group in respect of the amounts due from suppliers to take into account the increasing operating pressure of the upstream industry. As for product selection, the procurement department of the Group conducted product inspection from time to time, aiming to maintain the quality and variety of consumer electronic products to further enhance its competitive strength in the industry. Due to the rapid growth of e-commerce, the Group initiated its brand strategy planning concerning the introduction of 3C digital products during the year. By introducing 3C digital products of several world-wide recognized brands, the Group has achieved regional strategic cooperation on such products.

In addition, during the year, the Group launched the "Promotion of Commodity Program System" ("關於商品專案制度推廣") and "Commodity Program-Based Bonus System" ("商品專案制分紅") on a trial basis, which led to sales program with guaranteed volume and revenue through defining specific product models, thus stepping up its cooperation with the suppliers, and further establishing its sales drives and improving sales profit.

Enhancement of information technology system construction and information monitoring

As a vital support for the Group's operation, the information system should be improved from time to time in line with the growth of the Group. During the year, the Group integrated its existing information management system and optimized its procedures and used the supply chain system at some of the franchised stores to facilitate the central management of franchised stores' supply chain by the Group. The revolutionary information technology system of the Group extended the scope of information sharing between the Group and some of its franchisees, which allowed it to effectively track the sales performance and inventory level of its franchised stores on a real-time basis and ultimately facilitating its operation management in such areas as sourcing, inventory, replenishments and logistics.

Excellent talent resources management

In order to support its business reform program and enhance staff quality, the Group proactively enhanced its human resources management and implemented overall stall incentive management strategy. The Group has a sound training system, with its diversified training courses covering, among other things, product knowledge, sales and management skills, which can raise the overall quality of employees at all levels. During the year, the Group organized more than 3,300 training sessions with more than 28,000 participants. In addition, the Group's "Huiyin Business School" had conducted its fourth session in 2011. Such education and training platform continues to provide the employees of the Group with standardized, systematic and differential education and training. With the launch of e-commerce and other emerging programs during the year, the Group actively brought in relevant technical talents. As at 31 December 2011, the Group had a total of 1,375 employees.

FINANCIAL REVIEW

Revenue

During the year, due to the business development, the booming growth in the third and fourth-tier household appliances consumer market and accelerated urbanization of rural area despite impact of macro-economic slowdown and expiration of the Change of the Old for New Program at the end of year, the Group's revenue was approximately RMB2,835.1 million, representing an increase of 58.9% from RMB1,784.5 million in 2010.

Turnover of the Group comprises revenues by operation as follows:

	2011		2010	
	RMB'000		RMB'000	
Retail	**1,080, 486**	**38.1%**	769,364	43.1%
Bulk Distribution				
– Sales to franchisees	**691,714**	**24.4%**	448,167	25.1%
– Sales to other retailers and distributors	**1,043,343**	**36.8%**	552,259	31.0%
Rendering of services	**19,586**	**0.7%**	14,660	0.8%
Total revenue	**2,835,129**	**100.0%**	1,784,450	100.0%

During the year, 43 self-operated stores of the Group which already operated in 2010 accounted for 70.5% of the total number of the self-operated stores in the year. The increase in retail sales was also attributable to the robust demand in third and fourth-tier market, especially an increase of retail sales in Anhui Province, as well as an increase in sales per self-operated store due to our enhanced brand recognition, improved store management and beneficial market conditions in 2011.

During the year, sales to franchisees increased primarily as a result of an increase in sales per franchised store. Accelerating the rural urbanization process, raising farmers' income and stimulating consumption in rural area were the focus of the economic policies for 2011. The franchised stores grasped market opportunities through upgrading and improving the store image, product selection, promotion skills and quality of services, etc.

During the year, sales to other retailers and distributors increased mainly due to an increase in sales volume because of the booming demand and rapid growing consumption capacity for the household appliances, as well as extended distribution rights for certain brands and lines of production in certain areas.

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

	2011		2010	
	RMB'000		RMB'000	
Air-conditioners	**1,561,737**	**55.5%**	1,100,581	62.2%
TV sets	**621,872**	**22.1%**	324,918	18.4%
Refrigerators	**215,239**	**7.6%**	142,883	8.1%
Washing machines	**164,748**	**5.9%**	91,170	5.1%
Other small appliances	**251,947**	**8.9%**	110,238	6.2%
Total revenue	**2,815,543**	**100.0%**	1,769,790	100.0%

The percentage of air-conditioner sales decreased in 2011, which was mainly due to the diversification of production lines, therefore the percentage of revenue of air-conditioner sales decreased.

The percentage of TV sets sales increased, which was mainly due to an increase in sales of new products, such as smart TVs and 3D TVs. The drive of replacement and upgrade stimulated demand and increased the capacity of consumer market.

Cost of sales

Cost of sales increased by approximately 69.0% from RMB1,464.0 million for 2010 to RMB2,473.7 million for 2011, primarily due to an increase in sales volume. The rate of increase in cost of sales was higher than that of our sales growth principally because: (i) the sales volume of our bulk distribution operation increased at a faster rate than that of retail operation, as the prices that we charge for merchandise through our bulk distribution operation were generally lower than the prices of similar products sold at our self-operated store; and (ii) the Group suffered costing pressure due to the inflated costs and expenses of home appliances' manufactures, and the expiration of subsidies to the energy-saving appliances on 31 May 2011.

Gross profit

As a result of the above principal factors, our gross profit increased by approximately 12.8% from RMB320.5 million for 2010 to RMB361.4 million for 2011.

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

	2011	2010
Retail	**17.8%**	23.5%
Bulk Distribution	**9.3%**	13.5%
Rendering of services	**39.5%**	33.4%
Overall	**12.8%**	18.0%

During the year, the gross profit margin of the Group decreased, mainly due to the impact of macro-economic policies and the increasing cost pressure in the industry.

The gross profit margin of retail operation decreased because: (i) the production cost increased in this industry and the subsides to the energy-saving appliances was cancelled, while the sales price could not be reflected immediately due to customers' price sensitivities; and (ii) the sales percentage of the whole retail business in Anhui Province increased from 6.5% for 2010 to 16.6% for 2011, while the gross profit margin in Anhui was lower than that in Jiangsu.

The gross profit margin of our bulk distribution operation was hurt by not only economic slowdown, but also pricing pressure in market while costs ran higher in production industry.

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

	2011	2010
Air-conditioners	**9.2%**	17.5%
TV sets	**14.3%**	17.9%
Refrigerators	**16.3%**	15.9%
Washing machines	**17.5%**	16.8%
Other small appliances	**22.6%**	24.3%
Overall	**12.6%**	17.8%

The gross profit margin of air-conditioners decreased because: (i) the impact of macro-economic policies and increasing cost pressure in upstream industry; and (ii) under our bulk distribution operation, merchandise is often sold to our franchisees and other third parties with volume discounts. The volume discounts are assessed based on the anticipated annual purchases by a particular customer and periodic discount policy agreed between the customer and us in advance. Due to the development of bulk distribution business, such as new areas of certain brands, the Group provided new customers with larger amount of volume discounts in 2011, which led to the decrease of the gross profit margin of air-conditioners.

The gross profit margin of TV series decreased primarily due to an increase in percentage of bulk distribution sales, while the gross profit margin of TV series for bulk distribution operation was lower than that for retail operation.

Other income

During the year, the Group's other income amounted approximately RMB18.0 million, representing an increase from RMB16.1 million in 2010, which was mainly due to the impact of an increase in promotion and store display income and also subsidies of transportation and old merchandise arising from the Change of the Old for New Program offset by a decrease in government subsidies.

Other losses

During the year, the Group's other losses amounted to approximately RMB10.3 million, representing a significant increase from RMB1.1 million in 2010, which was mainly due to the fair value losses amounting to RMB11.1 million arising from the consideration payable to the joint venture partner.

Selling and marketing expenses

During the year, the Group's total selling and marketing expenses amounted to approximately RMB172.8 million, representing an increase from RMB96.8 million for 2010, which was mainly due to the increase of operating lease expenses in respect of buildings and warehouses and other expenses related to newly opened retail stores in 2011, such as employee benefit expenses, service charges, utilities and telephone expenses and etc.

The following tables sets out a summary for selling and marketing expense as a percentage of total sales:

	2011	2010
Employee benefit expenses	**1.09%**	0.86%
Service charges	**0.53%**	0.29%
Operating lease expenses in respect of buildings and warehouses	**1.66%**	1.09%
Promotion and advertising expenses	**1.00%**	1.49%
Depreciation of property, plant and equipment	**0.73%**	0.65%
Utilities and telephone expenses	**0.31%**	0.08%
Transportation expenses	**0.48%**	0.49%
Travelling expenses	**0.11%**	0.18%
Others	**0.17%**	0.29%
Total selling and marketing expenses	**6.08%**	5.42%

The percentage of operating lease expenses in respect of buildings and warehouses increased, which was mainly due to the leasing pressure of self-operated stores newly opened since the second half year of 2011.

The percentage of promotion and advertising expenses decreased, which was mainly due to the increasing sales volume and the smooth growth of promotion and advertising expense benefit from higher efficiency of marketing management.

Administrative expenses

During the year, the Group's total administrative expenses amounted to approximately RMB142.6 million, increasing from RMB96.9 million in 2010, which was mainly due to the increase of the employee benefit expenses, operating lease expenses, and provision for impairment on receivables.

The following table sets out a summary for administrative expenses:

	2011	2010
Employee benefit expenses	**35,971**	28,483
Pre-IPO Option Scheme expenses	**10,553**	15,840
Operating lease expenses in respect of buildings	**10,403**	5,510
Amortization and depreciation	**6,564**	3,889
Utilities and telephone expenses	**2,085**	5,013
Travelling expenses	**4,009**	4,113
Professional fees for the Listing of the Company	**—**	7,468
Auditors' remuneration	**3,825**	3,750
Consulting expenses	**3,108**	4,302
Provision for impairment on receivables	**32,910**	—
Others	**33,175**	18,506
Total administrative expenses	**142,603**	96,874

The increase of provision for impairment on receivables was mainly due to making of certain provision for receivables from suppliers after having considered the increased operating pressure of upstream companies in the industry in the second half of 2011.

Finance costs – net

During the year, the Group's net finance costs was approximately RMB12.6 million, compared to RBM1.4 million of net finance costs in 2010, which was mainly due to the fact that much more borrowings were incurred in 2011 compared with 2010.

Profit before income tax

During the year, the Group's profit before income tax was approximately RMB41.1 million, decreased by approximately 70.7% from RMB140.4 million in 2010.

Income tax

During the year, the Group's income tax was approximately RMB22.0 million, representing 53.6% of the profit before income tax, compared with approximately RMB46.4 million representing 33.1% of the profit before income tax in 2010. The higher effective tax rate during the year was mainly due to the increase of certain non-deductible expenses, including fair value losses on contingent consideration liabilities, impairment loss against goodwill and etc.

Profit attributable to equity holders of the Company

The Group's profit attributable to equity holders for 2011 and 2010 were approximately RMB15.5 million and RMB91.7 million respectively, representing a decrease of 83.1%. If the impact of Pre-IPO Option Scheme expenses, professional fees for the Listing of the Company, fair value changes on contingent liabilities and amortization expense on intangible assets arising from acquisitions of business is excluded, the decrease rate would be approximately 62.7%.

Prepayment for land use rights

As announced by the Company on 28 January 2011, a wholly-owned subsidiary of the Company succeeded in the bid to acquire a land parcel in Yangzhou. The prepayment for land use rights represented 50% of the total consideration. The remaining 50% amounting to RMB117.7 million is to be paid upon the transfer of the land parcel from Yangzhou Municipal Land Bureau after they have completed the land clearance.

Cash and cash equivalents

As at 31 December 2011, the Group's cash and cash equivalents were approximately RMB123.7 million, representing a decrease of 31.9% from 181.6 million as at December 2010.

Inventories

As at 31 December 2011, the Group's inventories amounted to approximately RMB382.7 million, increasing from RMB276.4 million as at 31 December 2010, which was in line with the business expansion of the Group.

Prepayments, deposits and other receivables

As at 31 December 2011, prepayments, deposits and other receivables of the Group amounted to approximately RMB967.5 million, increasing from RMB789.4 million as at 31 December 2010.

Trade and bills receivables

As at 31 December 2011, trade and bills receivables of the Group amounted to approximately RMB173.7 million, representing a slight increase from RMB167.0 million as at 31 December 2010, which was mainly due to the increase of bills receivable. Trade and bills receivables turnover days were 22 days for 2011, which represented a decrease compared with 28 days for 2010.

Trade and bills payables

As at 31 December 2011, trade and bills payables of the Group amounted to approximately RMB547.2 million, representing a slight increase from RMB526.9 million as at 31 December 2010, which was mainly due to the increase of bills payable. Trade and bills payables turnover days were 79 days for 2011, which represented a decrease compared with 90 days for 2010.

Gearing ratio and the basis of calculation

As at 31 December 2011, gearing ratio of the Group was 35.1%, representing an increase from 4.5% as at 31 December 2010, which was mainly due to the significant increase of borrowing balance. The gearing ratio is equal to total borrowing divided by total balances of equity and borrowings.

Capital expenditure

During the year, capital expenditure of the Group amounted to approximately RMB232.5 million, increasing from RMB76.3 million in 2010. The increase of the capital expenditure was mainly due to the prepayments for the land use rights, addition of logistics center construction costs and distribution agreements arising from the acquisition of a subsidiary amounting to approximately RMB125.0 million, RMB44.2 million and RMB22.9 million respectively in 2011.

Cash flow

During the year, net cash outflow from operating activities of the Group amounted to approximately RMB201.9 million as compared to RMB122.8 million in 2010. Higher net cash outflow from operating activities in 2011 was mainly due to the impact of increase in inventory and prepayments, deposits, trade and bills receivables and other receivables.

Net cash outflow from investing activities amounted to approximately RMB227.0 million, representing an increase from RMB39.6 million in 2010, which was mainly due to the prepayment for land use rights, amounting to approximately RMB125.0 million.

Net cash inflow from financing activities amounted to approximately RMB371.1 million, a substantially increase as compared to RMB328.2 million in 2010, which was mainly due to fact that much more borrowings were incurred in 2011 as compared with 2010.

Capital structure

As at 31 December 2011, the Group's cash and bank balances were mainly held in Renminbi, and the Group's short term bank borrowings were denominated in Renminbi and in US dollar with floating interest rate.

As at 31 December 2011, equity attributable to shareholders of the Group amounted to RMB1,065.2 million, compared to approximately RMB1,057.0 million as at 31 December 2010.

Liquidity and financial resources

During the year, the Group's working capital, capital expenditure and cash for investment were funded from cash on hand, bank borrowings and IPO proceeds. As at 31 December 2011, the interest-bearing bank borrowings of the Group amounted to RMB599.1 million, representing a substantially increase from RMB50.0 million as at 31 December 2010.

Of all the short term bank borrowings, the two bank borrowing balances of US$15.8 million, equivalent to RMB99.7 million, were utilized in the Mainland China in the form of additional capital injection, which were registered at local administration of foreign exchange. The Group was under negotiation with the relevant banks for the change of utilization of the two borrowings.

As announced by the Company on 26 April 2011, a wholly-owned subsidiary of the Company proposes to issue Medium-Term Notes in the PRC with an principal amount of not more than RMB400.0 million. Application had been made for the registration of the Medium-Term Notes with the National Association of Financial Market Institutional Investors(中國銀行間市場交易商協會). The Board believes that the proposed issue of the Medium-Term Notes will provide the Group with additional source of funding for its business development and expansion.

Pledging of assets

As at 31 December 2011, the Group's pledged bank deposits amounted to RMB411.3 million, representing an increase from RMB207.0 million as at 31 December 2010. Certain land use rights, buildings and investment properties with a total net book value of RMB88.4 million had been pledged.

Contingent liabilities

As at 31 December 2011, the Group had no contingent liabilities which have not been properly accrued for.

Capital commitments

As at 31 December 2011, the Group had commitments for capital and property development expenditure amounted to approximately RMB120.4 million.

Foreign currencies and treasure policy

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

USE OF FUNDS RAISED FROM INITIAL PUBLIC OFFERING

On 25 March 2010, the shares of our Company were successfully listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Our initial public offering ("IPO") was well received by investors in both the international offering and the Hong Kong public offering. Net proceeds raised from 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 intend to use approximately HK$156.5 million (equivalent to approximately RMB137.6 million) for expansion of our retail network, approximately HK$203.2 million (equivalent to approximately RMB178.6 million) for potential acquisitions of home appliances and electronics retail enterprises in eastern China which target at the third and fourth-tier markets, approximately HK$55.0 million (equivalent to approximately RMB48.4 million) for expansion of our existing distribution and logistics centers in Jiangsu Province, approximately HK$5.0 million (equivalent to approximately RMB 4.4 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 2011, 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 2011) (RMB million)
Expansion of retail network	**137.6**	137.6
Acquisitions of home appliances and electronics retail enterprises	**178.6**	68.3
Expansion of distribution and logistics centers in Jiangsu Province	**48.4**	48.4
Improving information and management systems	**4.4**	2.1
General working capital	**34.5**	34.5
	403.5	290.9

EMPLOYMENT AND REMUNERATION POLICY

We adopt remuneration policies similar to our peers in the industry. The remuneration payable to our employees is fixed by reference to the prevailing market rates in the region. Our management receives 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 2011, the Group had 1,375 employees, down 15.3% from 1,624 at the end of 2010.

FINAL DIVIDEND

The Board of the Company does not recommend to make any final dividend for the year ended 31 December 2011 (2010: HK 2.0 cents).

OUTLOOK

Uncertainties continue to cast shadow on the global economic recovery. Inflation, rising production costs and other factors have resulted in a more challenging environment in China. Looking ahead, the Group will consolidate and maintain the brand awareness of "Huiyin" in the Chinese home appliance market, as well as the strength of supply chain in the third and fourth-tier markets in China by continually leveraging its unique business model and adhering to the cautiously optimistic marketing and promotion strategies. The Group will enhance its outlet management efficiency by leveraging its optimized business model while continuing its close communication with customers in order to understand their needs. This will not only help control operating costs, but also enhance competiveness and create a win-win situation for its partnerships with suppliers.

The Rural Appliance Rebate Program and the Old for New Program are coming to an end. Although a new round of consumption stimulus policy is expected to be launched in 2012, it is widely believed that the home appliance market would see a slower growth. Home appliance companies will need to adjust their development strategies to maintain business development. On the other hand, with the accelerating urbanization process in China, the home appliance markets in rural areas still enjoy huge room for development. Benefiting from the rapid growth in rural household income and the steady improvement in living standards of rural residents, the demand for home appliances is expected to continue its growth in the third and fourth-tier markets and rural markets. It is expected that the development in such markets is still blooming. Looking ahead, as a leader in the third and fourth-tier home appliance markets, the Group is prepared to fully promote the development of e-commerce and direct sales in addition to strengthening its sales channels and introducing more diversified products types. During the year, the Group began to consolidate its markets and upgrade its industry chain and introduced its brand strategy planning for 3C digital products, striving to offer consumers with high-quality and diversified consumer electronic products to further strengthening its competitive strength. Leveraging its profound experience in sales, customer service, logistics and other aspects, coupled with the integration of the existing information management system and optimized procedures and professional department staff training, the Group will be able to continue to improve its operating efficiency and build an extensive and stable customer base.

The Group will strive to enhance its brand and profitability from all aspects through various business models and adjusting operating structure. As for the marketing strategy and product promotion, the Group will continue to strengthen its sales channel and its close relationships with suppliers, and further expand the coverage of 3C products in its outlets as well as share of strategic brands in order to offer customers with more quality products. As for internal control, the Group will continue to improve its performance evaluation system including efficiency of capital use, cost control system, establishment of internal procedures, risk management and staff development.

As a leading chain store operator and distributor of quality home appliances and consumer electronic products in eastern China, the Group has always strived to become a leader in the third and fourth-tier home appliance markets in China. The Group has established a solid foundation for its future long term development, and believes that the effective implementation of the above strategies will enable itself to achieve sustainable business growth, enhance profitability and operating efficiency, thereby generating higher returns for shareholders and investors.

CORPORATE GOVERNANCE REPORT

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 Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") .

Throughout the year ended 31 December 2011, the Company has complied with the code provisions as set out in the CG Code (to the extent that such provisions are applicable), except for the deviation from code provision A.2.1 which is explained in the relevant paragraph of this 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

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The Board has delegated to the senior management the authority and responsibility for the day-to-day management and operation of the Group.

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 five executive directors, one non-executive director 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

Non-executive director:

Mr. Li Jung-Hsing

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. Tan Bien Kiat, Chairman of the Nomination Committee and member of the Audit Committee and the Remuneration Committee

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 2011, 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. 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 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 non-executive directors make various contributions to the effective 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 and Re-election and Removal of Directors

Each of the executive directors of the Company is engaged on a service agreement for a term of three years commencing on 5 March 2010 for Mr. Cao Kuanping, Mr. Mo Chihe, Mr. Mao Shanxin and Mr. Wang Zhijin and on 25 March 2011 for Mr. Lu Chaolin. The appointment may be terminated by not less than six months' prior written notice.

Each of Mr. Li Jung-Hsing, non-executive director, Mr. Zhou Shuiwen and Mr. Tam Chun Chung, independent non-executive directors of the Company are appointed for a specific term of one year commencing on 5 March 2010, and shall continue thereafter subject to a maximum of three years unless terminated in accordance with the terms of the appointment letters. Mr. Tan Bien Kiat, independent non-executive director, is appointed for a term of three years commencing on 22 July 2011 and the appointment 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.

Nomination Committee

The Nomination Committee comprises three members, the majority of them are independent non-executive directors.

The principal duties of the Nomination Committee include the following:

- To review the structure, size and composition of the Board and make recommendations regarding any proposed changes;
- To develop and formulate relevant procedures for nomination and appointment of directors;
- To identify suitable candidates for appointment as directors;
- To make recommendations to the Board on appointment or re-appointment of and succession planning for directors; and
- To assess the independence of independent non-executive directors.

The Nomination Committee carries out the process of selecting and recommending candidates for directorships by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process where necessary.

The Nomination Committee met once during the year ended 31 December 2011 and reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The attendance records of this meeting are set out under "Directors' Attendance Records" on page 28.

In accordance with the Company's Articles of Association, Mr. Tan Bien Kiat, having been appointed as independent non-executive director of the Company by the Board in July 2011, shall retire and being eligible, offer himself for re-election at the next forthcoming annual general meeting. In addition, Mr. Wang Zhijin, Mr. Zhou Shuiwen and Mr. Tam Chun Chung, shall retire by rotation and being eligible, offer themselves for re-election at the next forthcoming annual general meeting.

The Nomination Committee recommended the re-appointment of the directors standing for re-election at the next forthcoming annual general meeting of the Company.

The Company's circular dated 27 April 2012 contains detailed information of the directors standing for re-election.

Training and Continuing Development

Each newly appointed director receives formal, comprehensive and tailored 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.

Directors are continually updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for directors will be arranged where necessary.

Board Meetings

Board Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance.

Notice of regular Board meetings is served to all directors at least 14 days before the meeting. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management where necessary.

The Chief Executive Officer and Chief Financial Officer attend all regular Board meetings and where necessary, other Board and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The Company's Articles of Association contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

Directors' Attendance Records

Regular Board meetings are held at least 4 times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. In addition, special Board meetings are held when necessary. Such Board meetings involve the active participation, either in person or through other electronic means of communication, of a majority of directors. The attendance records of each director at the meetings of the Board, Nomination Committee, Remuneration Committee and Audit Committee during the year ended 31 December 2011 are set out below:

	Attendance out of number of meetings			
Name of director	Board	Nomination Committee	Remuneration Committee	Audit Committee
Mr. Cao Kuanping	6/6	—	1/1	—
Mr. Mo Chihe	6/6	1/1	—	—
Mr. Mao Shanxin	5/6	—	—	—
Mr. Wang Zhijin	6/6	—	—	*1/1
Mr. Lu Chaolin (appointed on 25 March 2011)	4/5	—	—	—
Mr. Li Jung-Hsing	5/6	—	—	—
Mr. Zhou Shuiwen	3/6	1/1	1/1	2/2
Mr. Tam Chun Chung	5/6	—	—	2/2
Mr. Tan Bien Kiat (appointed on 22 July 2011)	2/2	—	—	1/1

* By invitation

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 2011.

The Company has also established written guidelines on no less exacting terms 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.

DELEGATION BY THE BOARD

The Board reserves for its decision all major matters of the Company, including: approving and monitoring all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

The Board has established three committees, namely, the Nomination Committee, Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are posted on the Company's website and are available to shareholders upon request.

The Board also has the full support of the Chief Executive Officer and the senior management for the discharge of its responsibilities.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of senior management of the Group. Details of the remuneration of each of the directors of the Company for the year ended 31 December 2011 are set out on pages 105 and 106 in note 30(a) to the consolidated financial statements.

Remuneration Committee

The Remuneration Committee comprises three members, the majority of which are independent non-executive directors.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his associates will participate in deciding his own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee consults with the Chairman of the Company about these recommendations on remuneration policy and structure and remuneration packages.

The Remuneration Committee has reviewed the remuneration policy and structure of the Company, and the remuneration packages of the executive directors and the senior management for the year.

The Remuneration Committee held one meeting during the year ended 31 December 2011 and the attendance records are set out under “Directors’ Attendance Records” on page 28.

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 2011.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive 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.

Audit Committee

The Audit Committee comprises three independent non-executive directors (including one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the staff responsible for the accounting and financial reporting function, internal auditor or external auditor before submission to the Board;
- To review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditor;
- To review the adequacy and effectiveness of the Group's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee oversees the internal control system of the Group, reports to the Board on any material issues, and makes recommendations to the Board.

During the year, the Audit Committee reviewed the Group's annual results and annual report for the year ended 31 December 2011 and the interim results for the six months ended 30 June 2011, the financial reporting and compliance procedures, the report from the management on the Company's internal control and risk management systems and processes, and the reappointment of the external auditor.

The Audit Committee held two meetings during the year ended 31 December 2011 and the attendance records are set out under "Directors' Attendance Records" on page 28.

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 and 44.

For 2011, the remuneration of the Company's external auditor for the review of half-yearly interim financial information of the Group and audit of the annual consolidated financial statements of the Group was RMB3.83 million in aggregate.

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.

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee or, in their absence, other members of the respective committees normally attend the annual general meeting and other relevant shareholder meetings to answer questions at shareholder meetings.

The 2012 Annual General Meeting ("AGM") will be held on 5 June 2012. The notice of AGM will be sent to shareholders at least 20 clear business days before the AGM.

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 huiyin@pordahavas.com for any enquiries.

SHAREHOLDER 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.

All resolutions put forward at shareholder meetings will be voted by poll pursuant to the Listing Rules and the Company's Articles of Association and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholder meeting.

GOING CONCERN

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

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting this annual report and the audited financial statements of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2011.

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 reorganisation are set forth in the Company's listing prospectus dated 12 March 2010 (the "Prospectus"). Shares in the Company had been listed on the Main Board of the Stock Exchange since 25 March 2010.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is a retail chain operator and distributor of quality home appliances and consumer electronic products.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2011 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 for the year ended 31 December 2011.

The register of members of the Company will be closed from Friday, 1 June 2012, to Tuesday, 5 June 2012, both dates 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 branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 31 May 2012.

USE OF PROCEEDS FROM THE COMPANY'S LISTING

Details of the use of proceeds from the Company's Listing are set out on page 22 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 19 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2011, 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 RMB789.7 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 9 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 2011 are set out in note 24 to the consolidated financial statements.

DIRECTORS

The Directors of the Company during the year and up to the date of this annual 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 *(appointed on 25 March 2011)*

Non-executive Directors

Mr. Li Jung-Hsing
Mr. Ke Shifeng *(resigned on 25 March 2011)*

Independent non-executive Directors

Mr. Li Fei *(resigned on 22 July 2011)*
Mr. Zhou Shuiwen
Mr. Tam Chun Chung
Mr. Tan Bien Kiat *(appointed on 22 July 2011)*

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the AGM 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 40 to 42.

CHANGE IN INFORMATION IN RESPECT OF DIRECTOR

Mr. Zhou Shuiwen, an independent non-executive Director, resigned as 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, in March 2012.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2011 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 39 to the audited consolidated financial statements in this report, during the year ended 31 December 2011, the Group had rental expenses paid to Mr. Cao Kuanping amounting to RMB837,000. The relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules on an annual basis in respect of the Group's annual aggregate amount of such rental expenses do not exceed 0.1% and the continuing connected transaction will be exempt from the reporting, announcement and independent shareholders' approval requirements of Chapter 14A of the Listing Rules. Details of the aforesaid transaction have been disclosed in the section headed "Connected Transactions" of the prospectus of the Company dated 12 March 2010.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2011, 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 interests 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	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	257,803,625 Shares (L)	24.59%
	The Company	Beneficial owner	50,000,000 underlying Shares (L)	4.77%
Mo Chihe	The Company	Beneficial owner	3,000,000 underlying Shares (L)	0.29%
	The Company	Beneficial owner	3,000,000 underlying Shares (S)	0.29%
Mao Shanxin	The Company	Beneficial owner	10,000,000 underlying Shares (L)	0.95%
	The Company	Beneficial owner	10,000,000 underlying Shares (S)	0.95%
Wang Zhijin	The Company	Beneficial owner	3,000,000 underlying Shares (L)	0.29%
	The Company	Beneficial owner	3,000,000 underlying Shares (S)	0.29%
Lu Chaolin	The Company	Beneficial owner	3,000,000 underlying Shares (L)	0.29%
	The Company	Beneficial owner	3,000,000 underlying Shares (S)	0.29%

(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 2011, 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	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	257,803,625	24.59%
ARC Huiyin Holdings Limited	The Company	Beneficial owner	196,061,250	18.70%
ARC Capital Holdings Limited	The Company	Interest of controlled corporation	196,061,250	18.70%
The China Fund, Inc.	The Company	Beneficial owner	160,413,750	15.30%
Martin Currie Inc.	The Company	Interest of controlled corporation	160,413,750	15.30%
Martin Currie Limited	The Company	Interest of controlled corporation	160,413,750	15.30%
Pope Investments LLC	The Company	Beneficial owner	60,574,843	5.78%
Wells William P.	The Company	Interest of controlled corporation	60,574,843	5.78%

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 18 to the consolidated financial statements.

On 5 March 2010, the Company has 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 2011 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 2011	Granted during the year	Exercised during the year	As at 31 December 2011	Approximate percentage of interest in the Company
Cao Kuanping *Chairman and Executive Director*	25,000,000	—	—	25,000,000	2.38%
Mo Chihe *Executive Director*	3,000,000	—	—	3,000,000	0.29%
Mao Shanxin *Executive Director*	10,000,000	—	—	10,000,000	0.95%
Wang Zhijin *Executive Director and Chief Financial Officer*	3,000,000	—	—	3,000,000	0.29%
Lu Chaolin *Executive Director and Vice General Manager*	3,000,000	—	—	3,000,000	0.29%
Gao Yuan *General manager of Yangzhou Hengxin Air-conditioner Sales Co., Ltd.*	3,000,000	—	—	3,000,000	0.29%
Sun Qingxiang *General manager of Yangzhou Huide Electronics Distribution Co., Ltd.*	3,000,000	—	—	3,000,000	0.29%

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. 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 18 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 2011, 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 2011 are set out in note 22 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales to the five largest customers of the Group accounted for approximately 18.5% of the Group's total revenue and sales to the largest customer accounted for approximately 5.4% of the Group's total revenue for year 2011. The aggregate purchases from the five largest suppliers of the Group accounted for approximately 79.6% of the Group's total purchases and purchases from the largest supplier accounted for approximately 34.3% of the Group's total purchases for year 2011.

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 29 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 annual report, there was a sufficient prescribed public float of the issued share of the Company under the Listing Rules.

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 2012

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

EXECUTIVE DIRECTORS

Mr. Cao Kuanping（曹寬平先生）, aged 49, 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 17 years. Prior to the establishment of 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 Ruike 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. Mo Chihe（莫持河先生）, aged 40, 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 揚州滙銀家電有限公司 (Yangzhou Huiyin Household Appliance Co., Ltd.*). He has close to 12 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（會計（企業）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 45, 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. 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 35, 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. 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 13 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 36, 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 揚州滙銀家電有限公司(Yangzhou Huiyin Household Appliance Co., Ltd.*) as deputy general manager since its establishment in May 2002. Mr. Lu is the legal representative of 揚州恒信空調銷售有限公司 (Yangzhou Hengxin Air-conditioner 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*), respectively. Mr. Lu was appointed as a director of 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 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.

NON-EXECUTIVE DIRECTOR

Mr. Li Jung-Hsing（李榮興先生）, aged 58, was appointed as a non-executive Director of our Company since 3 April 2008. Mr. Li was appointed as a Director pursuant to the shareholders' agreement dated 3 April 2008 entered into by Mr. Cao, China Houde Investment Co., Ltd., New Dame Limited, New Fellow Holdings Limited and our Company pursuant to which each of New Dame Limited and New Fellow Holdings Limited is entitled to appoint a Director. Upon Listing, the appointment of Mr. Li as a Director will be subject to re-election procedures as provided in the Articles of Association. Mr. Li joined ARC Advisors (HK) Limited ("ARC Advisors") in October 2006 and is currently an executive director for operations of ARC Advisors. He has over 21 years of experience in the retail operations of multinational entities in Asia. In 1997, Mr. Li was a store manager in the IKEA Division of Jardine Consumer Marketing Services Taiwan Ltd. Between October 1990 and January 1994, he was employed by Makro Taiwan Ltd. during which he was promoted to Non-food Commercial Director. Mr. Li obtained his bachelor of engineering degree from National Taiwan College of Marine Science and Technology (currently known as National Taiwan Ocean University) in 1977. In 2008, he obtained his Executive MBA, which is a part-time programme launched by 復旦大學 (Fudan University). Mr. Li was a non-executive director of New Focus Auto Tech Holdings Limited (stock code: 360), which is a company listed on the Main Board of the Stock Exchange, between May 2007 and 26 June 2009.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhou Shuiwen（周水文先生）, aged 45, 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 is 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, since March 2008. 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. He was also appointed as a supervisor of 江蘇聯環藥業股份有限公司 (Jiangsu Lianhuan Pharmaceutical Joint Stock Co., Ltd.*) (stock code: 600513), which is a company listed on Shanghai Stock Exchange, and 海南海藥股份有限公司 (Hainan Haiyao Pharmaceutical Joint Stock Co., Ltd.*) (stock code: 000566), which is a company listed on Shenzhen Stock Exchange between May 2006 and May 2009, and between May 2004 and May 2007, respectively. 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 39, 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 16 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. Tan Bien Kiat（陳敏潔先生）, aged 56, has been appointed as an independent non-executive Director, the chairman of the Nomination Committee, and a member of the Audit Committee and the Remuneration Committee of the Board with effect from 22 July 2011. Mr Tan has 15 years of experience in private equity and fund management and is the Founder and Managing Director of Titan Capital, a private equity investment firm. Mr. Tan was also the Managing Director of TPG Newbridge, the Asian arm of TPG Capital, a leading global private equity firm with US$40 billion of capital under management and was responsible to start and run their operations in South and South-East Asia, and Australia from 1997 to 2003. Prior to that, from 1994 to 1997, he was the Chief Executive of a major South East Asia conglomerate which controlled five public-listed companies. His career included senior management stints with Booz Allen and A.T. Kearney, both leading American strategy consulting firms, where he was instrumental in pioneering their Asian franchisees. Mr. Tan holds an MBA and MS from Columbia University in New York City. He is an international trustee of International House of New York, President of Social Venture Partners, a philanthropic organization, and is on the financial & investment committee of the Board of Trustees of Singapore University of Technology & Design, a joint venture with MIT.

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）, aged 34, 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*).

Ms. Zhang Yun（張雲女士）, aged 32, head of the Group's after-sale service centre（售後服務中心總監）, is responsible for the overall management of the Group's after-sale service centre. She has been engaged in the home appliances and consumer electronic products distribution business for over six years. Prior to joining the Group in 2003, Ms. Zhang was employed by 揚州蘇寧電器有限公司 (Yangzhou Suning Appliance Co., Ltd.*) to deal with after-sales works and was responsible for installation and maintenance works in Yangzhou between 2003 and 2004.

Mr. Gao Yuan（高源）, aged 38, general manager of Hengxin Air-Conditioner, is responsible for the overall management of Hengxin Air-Conditioner. Mr. Gao has close to 11 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）, aged 36, 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 10 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.*

INDEPENDENT AUDITOR'S REPORT

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 117, which comprise the consolidated and Company balance sheets as at 31 December 2011, 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 2011, 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 2012

CONSOLIDATED BALANCE SHEET

As at 31 December 2011

	Note	As at 31 December 2011 RMB'000	2010 RMB'000
ASSETS			
Non-current assets			
Land use rights	7	17,792	18,228
Prepayments for land use rights	8	125,047	—
Property, plant and equipment	9	186,609	140,539
Investment properties	10	23,456	24,092
Intangible assets	11	73,355	41,169
Deferred income tax assets	12	30,161	11,399
		456,420	235,427
Current assets			
Inventories	13	382,661	276,441
Trade and bills receivables	14	173,653	166,962
Prepayments, deposits and other receivables	15	967,474	789,442
Restricted bank deposits	16	411,312	206,976
Cash and cash equivalents	17	123,715	181,632
		2,058,815	1,621,453
Total assets		2,515,235	1,856,880
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	18	7,162	7,162
Reserves	19	1,058,050	1,049,810
		1,065,212	1,056,972
Non-controlling interests in equity		40,938	15,317
Total equity		1,106,150	1,072,289

As at 31 December 2011

	Note	As at 31 December 2011 RMB'000	2010 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	12	5,370	1,722
Other non-current liabilities	23	8,211	5,455
		13,581	7,177
Current liabilities			
Trade and bills payables	20	547,246	526,850
Accruals and other payables	21	137,321	86,806
Dividend payable	34	—	275
Borrowings	22	599,089	50,000
Current income tax liabilities		70,288	80,278
Other current liabilities	23	41,560	33,205
		1,395,504	777,414
Total liabilities		1,409,085	784,591
Total equity and liabilities		2,515,235	1,856,880
Net current assets		663,311	844,039
Total assets less current liabilities		1,119,731	1,079,466

The notes on pages 52 to 117 are an integral part of these financial statements.

Cao Kuanping
Director

Wang Zhijin
Director

BALANCE SHEET OF THE COMPANY

As at 31 December 2011

	Note	As at 31 December 2011 RMB'000	2010 RMB'000
ASSETS			
Non-current assets			
Investments in and amounts due from subsidiaries	24	910,263	853,532
Current assets			
Prepayments, deposits and other receivables	15	140	147
Dividends receivable		12,738	13,818
Cash and cash equivalents		73	1
		12,951	13,966
Total assets		923,214	867,498
LIABILITIES			
Current liabilities			
Accruals and other payables	21	26,670	22,058
Borrowings	22	99,680	—
Dividend payable	34	—	275
Total liabilities		126,350	22,333
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	18	7,162	7,162
Share premium	19	827,784	845,606
Other reserves	19	26,393	15,840
Accumulated losses	19	(64,475)	(23,443)
Total equity		796,864	845,165
Total equity and liabilities		923,214	867,498
Net current liabilities		(113,399)	(8,367)
Total assets less current liabilities		796,864	845,165

The notes on pages 52 to 117 are an integral part of these financial statements.

Cao Kuanping
Director

Wang Zhijin
Director

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Note	Year ended 31 December 2011 RMB'000	2010 RMB'000
Revenue	25	2,835,129	1,784,450
Cost of sales	28	(2,473,727)	(1,463,968)
Gross profit		361,402	320,482
Other income	26	17,952	16,074
Other losses – net	27	(10,342)	(1,090)
Selling and marketing expenses	28	(172,752)	(96,755)
Administrative expenses	28	(142,603)	(96,874)
Operating profit		53,657	141,837
Finance income		9,195	3,749
Finance costs		(21,799)	(5,145)
Finance costs – net	31	(12,604)	(1,396)
Profit before income tax		41,053	140,441
Income tax expense	32	(22,023)	(46,413)
Profit for the year		19,030	94,028
Attributable to:			
– Equity holders of the Company		15,509	91,719
– Non-controlling interests		3,521	2,309
		19,030	94,028
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB cents per share)			
– Basic	33	1.48	9.36
– Diluted	33	1.40	9.19
Dividends	34	–	58,802

The notes on pages 52 to 117 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Profit for the year	19,030	94,028
Other comprehensive income	—	—
Total comprehensive income for the year	19,030	94,028
Attributable to:		
– Equity holders of the Company	15,509	91,719
– Non-controlling interests	3,521	2,309
	19,030	94,028

The notes on pages 52 to 117 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Note	Attributable to equity holders of the Company							
	Note	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 2010		142	435,188	15,377	(88,917)	211,165	572,955	2,508	575,463
Profit/Total comprehensive income for the year 2010		—	—	—	—	91,719	91,719	2,309	94,028
Appropriation to statutory reserves		—	—	5,760	—	(5,760)	—	—	—
Capital contribution from non-controlling interests		—	—	—	—	—	—	10,500	10,500
Issue of shares		7,020	410,418	—	—	—	417,438	—	417,438
Pre-IPO Option Scheme – value of employee services		—	—	—	15,840	—	15,840	—	15,840
Special dividend		—	—	—	—	(40,980)	(40,980)	—	(40,980)
Balance at 31 December 2010		7,162	845,606	21,137	(73,077)	256,144	1,056,972	15,317	1,072,289
Profit/Total comprehensive income for the year 2011		–	–	–	–	15,509	15,509	3,521	19,030
Appropriation to statutory reserves	19	–	–	6,870	–	(6,870)	–	–	–
Capital contribution from non-controlling interests		–	–	–	–	–	–	22,200	22,200
Final dividend for the year 2010	34	–	(17,822)	–	–	–	(17,822)	–	(17,822)
Dividends paid by a subsidiary to non-controlling interests		–	–	–	–	–	–	(100)	(100)
Pre-IPO Option Scheme – value of employee services	28	–	–	–	10,553	–	10,553	–	10,553
Balance at 31 December 2011		7,162	827,784	28,007	(62,524)	264,783	1,065,212	40,938	1,106,150

The notes on pages 52 to 117 are an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2011

	Note	Year ended 31 December 2011 RMB'000	2010 RMB'000
Cash flows from operating activities:			
Cash used in operations	35	(127,024)	(112,285)
Interest paid		(20,667)	(2,879)
Income tax paid		(54,215)	(7,668)
Net cash used in operating activities		(201,906)	(122,832)
Cash flows from investing activities:			
Acquisition of business, net of cash obtained		—	(9,544)
Acquisition of subsidiary, net of cash acquired	36	(46,627)	(1,822)
Purchase of property, plant and equipment		(61,996)	(30,654)
Prepayments for land use rights	8	(125,047)	—
Purchase of intangible assets	11	(12)	(1,363)
Proceeds from disposal of property, plant and equipment	35	417	27
Interest received		6,304	3,749
Net cash used in investing activities		(226,961)	(39,607)
Cash flows from financing activities:			
Net proceeds from initial public offering (excluding the underwriter's fee, incentive fees and professional fees)		—	403,528
Special dividend paid by the Company		(275)	(40,705)
Final dividend paid by the Company	34	(17,822)	—
Distribution to a former investor of an acquired subsidiary		—	(702)
Proceeds from bank borrowings	22	599,089	284,500
Repayments of bank borrowings	22	(50,000)	(304,500)
Restricted bank deposits pledged for bank borrowings	16	(182,015)	—
Capital contribution from non-controlling interests		22,200	—
Dividend paid by a subsidiary to non-controlling interests		(100)	—
Professional fees paid relating to the Listing of the Company		—	(13,934)
Net cash generated from financing activities		371,077	328,187
(Decrease)/increase in cash and cash equivalents		(57,790)	165,748
Cash and cash equivalents at beginning of the year	17	181,632	18,150
Exchange differences on cash and cash equivalents		(127)	(2,266)
Cash and cash equivalents at end of the year	17	123,715	181,632

The notes on pages 52 to 117 are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED 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 Scotia Centre, 4th Floor, P.O. Box 2804, George Town, 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 in the People's Republic of China (the "PRC").

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

The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 25 March 2010.

2 BASIS OF PREPARATION

The 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 liabilities) at fair value through profit or loss.

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

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

3 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.

(a) New/revised standards, amendments and interpretations to existing standards mandatory for the financial year beginning on 1 January 2011 that are relevant to the Group's operations

- HKAS 24 (Revised) "Related Party Disclosures" is effective for annual periods beginning on or after January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. It also clarifies and simplifies the definition of a related party. While the new definition will make it easier to apply, some entities will have more related parties and will be required to make additional disclosure.

- HKAS 34 (Amendment) "Interim Financial Reporting" is effective for annual periods beginning on or after 1 January 2011. It emphasizes the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

The adoption of the above revised standard and amendment starting from 1 January 2011 did not give rise to any significant impact on the Group's results of operations and financial position for the year ended 31 December 2011.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) New/revised standards, amendments and interpretations to existing standards that have been issued and are relevant to the Group but they are not yet effective for the financial year beginning on 1 January 2011 and have not been early adopted by the Group

- HKFRS 9 'Financial Instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The standard is not effective until 1 January 2015 but is available for early adoption.

- HKFRS 10 'Consolidated Financial Statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The standard is not effective until 1 January 2013 but is available for early adoption.

- HKFRS 12 'Disclosures of Interests in Other Entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard is not effective until 1 January 2013 but is available for early adoption.

- HKFRS 13 'Fair Value Measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. The standard is not effective until 1 January 2013 but is available for early adoption.

The Group will apply the new standards described above when they become effective. The Group is in the process of making an assessment on the impact of these new standards and does not anticipate that the adoption will result in any material impact on the Group's results of operations and financial position.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.1 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. Under the acquisition method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. 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. Acquisition-related costs are expensed as incurred. 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.

Accounting policy for contingent consideration is set out in Note 3.15.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this 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 and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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 dividends 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)*

3.1 Consolidation

(a) Subsidiaries *(continued)*

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.

(b) Transactions with non-controlling interests on ownership of subsidiaries

The Group applies a policy of treating transactions with non-controlling interests on ownership of subsidiaries 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 net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

3.2 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 board of directors that makes strategic decisions.

3.3 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 Foreign currency translation *(continued)*

(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'.

3.4 Land use rights

All land in the PRC is state-owned or collectively-owned and no individual land ownership right exists. The Group acquired the rights to use certain land. 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.

3.5 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.5 Property, plant and equipment *(continued)*

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.

3.6 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.

3.7 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.7 Intangible assets *(continued)*

(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 represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

3.8 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.

3.9 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 had certain warrants during the year 2010 which did not qualify for hedge accounting, changes in the fair value of these derivative instruments were recognised immediately in the income statement within 'other gains/(losses) - net'.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.10 Inventories

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 a 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.

3.11 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.

3.12 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.

3.13 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.

3.14 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.15 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.

3.16 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.

3.17 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.

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 and its subsidiaries 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.

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 to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.17 Current and deferred income tax *(continued)*

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except 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 be reversed in the foreseeable future.

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 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.

3.18 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.

3.19 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)*

3.20 Provision and contingent liability

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.

3.21 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)*

3.21 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 services

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

(d) 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.

(e) Franchise fee income

Franchise fee income is recognized 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.

(f) Promotion and store display income

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.21 Revenue recognition *(continued)*

(g) 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.

(h) Dividend income

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

3.22 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 costs are deferred and recognised in the income statement over the period necessary to match them with the cost that they are intended to compensate.

3.23 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.

3.24 Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in 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 mainly 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. Given the general expectations about the strengthening of RMB and no material foreign currencies held by the Group except for the bank borrowings denominated in US$, the Group has not entered into any forward exchange contracts to hedge its exposure to foreign exchange risk.

As at December 2011, if RMB had strengthened/weakened by 5% against US$ with all other variables held constant, post-tax profit for the year would have been RMB 6,100,000 higher/lower, mainly as a result of net foreign exchange gains/losses on translation of US$ denominated bank borrowings. The Group did not have significant foreign currency balances as at 31 December 2010.

(b) Cash flow and fair value interest rate risk

Other than bank deposits with stable interest rate (Notes 16 and 17), 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 RMB599,089,000 (2010: Nil) expose the Group to cash flow interest rate risk, and such borrowings are denominated in US$. Borrowings obtained at fixed rates of RMB50,000,000 as at 31 December 2010 exposed the Group to fair value interest-rate risk. As at 31 December 2011, if interest rate on US$ denominated borrowings had been 10 basis points lower/higher with all other variables held constant, the post-tax profit for the year would have been RMB 449,000 (2010: Nil) higher/lower mainly as a result of lower/higher interest expense on borrowings with variable rates. The Group has not hedged its cash flow and fair value interest rate risk. The interest rate and terms of repayments of borrowings are disclosed in Note 22.

(c) Credit risk

Majority of the Group's sales are settled mainly 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.

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

(c) Credit risk *(continued)*

(i) Deposits with bank

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)	2011 RMB'000	2010 RMB'000
Five largest restricted bank deposits			
— Bank of China	A-1	149,319	34,040
— Bank of Communications	A-	74,100	39,701
— Agricultural Bank of China	A-1+	71,894	19,090
— Bank of Nanjing	A-3	31,220	99,045
— China Merchants Bank	A-2	30,030	—
		356,563	191,876
Five largest cash and cash equivalents			
— Bank of Communications	A-	29,458	53,673
— Agricultural Bank of China	A-1+	18,368	19,865
— Citic Bank	N/A	12,916	8,489
— China Merchants Bank	A-2	11,875	2,031
— Everbright Bank	N/A	10,039	—
		82,656	84,058

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 colletion 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.

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.

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

(d) Liquidity risk *(continued)*

	Within 3 months RMB'000	Between 3 to 6 months RMB'000	Between 6 to 12 months RMB'000
As at 31 December 2011			
Borrowings (Note 22)	50,000	196,400	352,689
Interest payments on borrowings (note)	8,702	6,244	4,623
Trade and bills payables (Note 20)	319,166	228,080	—
Accruals and other payables, excluding the advances from customers, value added tax and other tax payables (Note 21)	39,711	—	—
	417,579	430,724	357,312
As at 31 December 2010			
Borrowings (Note 22)	—	—	50,000
Interest payments on borrowings (note)	695	695	1,390
Trade and bills payables (Note 20)	373,390	153,460	—
Accruals and other payables, excluding the advances from customers, value added tax and other tax payables (Note 21)	23,174	—	—
	397,259	154,155	51,390

Note:

The interest payments on borrowings are calculated based on borrowings held as at 31 December 2011 and 2010 without taking into account of future borrowings.

4 FINANCIAL RISK MANAGEMENT *(continued)*

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 'equity', as shown on the consolidated balance sheet, plus total borrowings.

The gearing ratios at 31 December 2011 and 2010 were as follows:

	As at 31 December	
	2011 RMB'000	2010 RMB'000
Total borrowings (Note 22)	599,089	50,000
Total equity	1,106,150	1,072,289
Total capital	1,705,239	1,122,289
Gearing ratio	35.13%	4.46%

The changes in the gearing ratios during the years were primarily due to the changes in the borrowing balances.

4.3 Fair value estimation

The different levels of valuation method for financial instruments carried at fair value are 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 assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);

— Inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of contingent consideration arising from the business combination (Note 23) and derivative liabilities are measured at fair value by level 3.

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 annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 3.7. The recoverable amounts of cash-generating units have been determined based on fair value less costs to sell calculations. These calculations require the use of estimates (Note 11).

An impairment charge of RMB 2,500,000 arose in the cash-generating unit ("CGU") of Nanjing Chaoming Technology Development Co., Ltd. ("Nanjing Chaoming") during the course of year 2011, resulting in the carrying amount of the CGU being written down to its recoverable amount. If the budgeted discount rate in the calculation for this CGU had been 2% higher than management's estimates (19.61% instead of 17.61%), the Group would have recognised a further impairment of goodwill by RMB 8,987,000.

No impairment charge arose during the course of year 2011 for the CGU of Huainan City Four Seas Huiyin Household Appliances Co., Ltd. ("Huainan Four Seas"). If the budgeted discount rate used in the calculation for this CGU had been 2% higher than management's estimates (25% instead of 23%), the Group would have recognised an impairment of goodwill by RMB 2,182,000.

(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, including whether the Group is eligible for a lower PRC withholding tax rate of 5% instead of 10% on the applicable unremitted earnings of its PRC entities. 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 2011, the Group has deferred income tax assets in the amount of approximately RMB 30,161,000 (2010: RMB11,399,000); and deferred income tax liabilities of approximately RMB 5,370,000 (2010: RMB 1,722,000). 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 has 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

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.

(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.

If the discount rate used in the calculation on the fair value on the non-current portion of contingent consideration liabilities (Note 23) had been 2% lower than management's estimate (21% instead of 23%), the carry amount of contingent consideration liabilities as at 31 December 2011 would be RMB 8,461,000, and an additional charge would be recognized in the income statement.

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

The Group determines the fair value of its investment properties as at each balance sheet date for disclosure purposes based on a valuation performed by a professionally qualified valuer. 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.

(g) Rebates from suppliers and provision for 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 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.

6 SEGMENT INFORMATION

The chief operating decision-maker ("CODM"), being the board of 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 board of 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, and real estate business.

The segment results for the year ended 31 December 2011 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	1,080,486	2,567,329	19,586	–	3,667,401
Inter-segment revenue	–	(832,272)	–	–	(832,272)
Revenue	1,080,486	1,735,057	19,586	–	2,835,129
Operating profit/(loss)	44,637	15,303	6,382	(12,665)	53,657
Finance costs - net					(12,604)
Profit before income tax					41,053
Income tax expense					(22,023)
Profit for the year					19,030
Other segment items are as follows:					
Capital expenditure	16,530	90,484	125,502	–	232,516
Depreciation charge	3,342	19,079	31	–	22,452
Amortisation charge	2,632	2,236	–	–	4,868

6 SEGMENT INFORMATION *(continued)*

The segment results for the year ended 31 December 2010 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	769,364	1,754,732	14,660	—	2,538,756
Inter-segment revenue	—	(754,306)	—	—	(754,306)
Revenue	769,364	1,000,426	14,660	—	1,784,450
Operating profit/(loss)	91,387	63,919	4,903	(18,372)	141,837
Finance costs - net					(1,396)
Profit before income tax					140,441
Income tax expense					(46,413)
Profit for the year					94,028
Other segment items are as follows:					
Capital expenditure	60,042	16,280	—	—	76,322
Depreciation charge	6,279	7,020	—	—	13,299
Amortisation charge	985	1,264	—	—	2,249

* Unallocated mainly represented the expenses incurred in the Company, such as Pre-IPO Option Scheme expenses, losses arising from the exercise of the warrants, exchange losses arising from the bank deposits denominated in the foreign currencies.

Segment assets and liabilities as at 31 December 2011 are as follows:

Segment assets and liabilities	Retail RMB'000	Bulk distribution RMB'000	All other segments RMB'000	Group RMB'000
Segment assets	392,207	1,945,432	140,151	2,477,790
Unallocated assets				37,445
Total assets				2,515,235
Segment liabilities	150,526	576,392	6,733	733,651
Unallocated liabilities				675,434
Total liabilities				1,409,085

6 SEGMENT INFORMATION *(continued)*

Segment assets and liabilities as at 31 December 2010 are as follows:

Segment assets and liabilities	**Retail** RMB'000	**Bulk distribution** RMB'000	**All other segments** RMB'000	**Group** RMB'000
Segment assets	329,378	1,503,734	10,647	1,843,759
Unallocated assets				13,121
Total assets				1,856,880
Segment liabilities	63,603	584,718	3,766	652,087
Unallocated liabilities				132,504
Total liabilities				784,591

Segment assets consist primarily of property, plant and equipment, land use rights, intangible assets, inventories, trade and bills receivables, prepayments, deposits and other receivables and operating cash and mainly exclude deferred tax assets 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, land use rights and intangible assets, including additions resulting from acquisitions through business combinations.

7 LAND USE RIGHTS

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

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Opening net book amount	**18,228**	18,664
Amortisation (Note 28)	**(436)**	(436)
Closing net book amount	**17,792**	18,228
Cost	**19,590**	19,590
Accumulated amortization	**(1,798)**	(1,362)
Closing net book amount	**17,792**	18,228

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 2011, land use rights with a net book amount of RMB 12,716,000 together with certain buildings (Note 9), investment properties (Note 10) and restricted bank deposits (Note 16) had been pledged as collateral for Group's bank acceptance bills of RMB 72,700,000 (Note 20) and bank borrowings of RMB 86,400,000 (Note 22). As at 31 December 2010, no land use rights had been pledged as collateral for any bank acceptance bills or bank borrowings.

8 PREPAYMENTS FOR LAND USE RIGHTS

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Prepayments for land use rights	**125,047**	—

In January 2011, the Group succeeded in the bid to acquire the land use rights of a plot of land with an approximate total site area of 26,071 square meters located in Yangzhou City ("Land Parcel") via the public tender auction and listing-for-sale held by Yangzhou Municipal Land Bureau at the total consideration of RMB 235,420,000. In accordance with the terms and conditions in the land purchase agreement, a deposit of RMB 117,710,000 had been paid by the Group during the year, and the remaining 50% of the consideration, being RMB 117,710,000 is to be paid upon the transfer of the Land Parcel from Yangzhou Municipal Land Bureau which shall take place within 300 days from the date of the bid. During the year, the Group established a new subsidiary together with a third party to jointly develop the project on this Land Parcel, which is intended to be a real estate complex, including a large flagship retail store of the Group. The Group owns 70% of the equity interests in this subsidiary.

The prepayments for land use rights represented the 50% of the total consideration and the related deed tax amounting to RMB 117,710,000 and RMB 7,337,000 respectively.

9 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Electronics and office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010						
Cost	93,934	20,063	5,679	17,927	—	137,603
Accumulated depreciation	(5,994)	(5,076)	(2,513)	(7,433)	—	(21,016)
Net book amount	87,940	14,987	3,166	10,494	—	116,587
Year ended 31 December 2010						
Opening net book amount	87,940	14,987	3,166	10,494	—	116,587
Additions	11,129	4,875	4,427	16,815	—	37,246
Acquisition of a subsidiary	—	33	—	—	—	33
Disposals (Note 35)	—	(20)	(8)	—	—	(28)
Depreciation (Note 28)	(3,965)	(1,517)	(1,062)	(6,755)	—	(13,299)
Net book amount	95,104	18,358	6,523	20,554	—	140,539
At 31 December 2010						
Cost	105,063	24,926	10,079	34,742	—	174,810
Accumulated depreciation	(9,959)	(6,568)	(3,556)	(14,188)	—	(34,271)
Net book amount	95,104	18,358	6,523	20,554	—	140,539
Year ended 31 December 2011						
Opening net book amount	95,104	18,358	6,523	20,554	—	140,539
Additions	18,975	4,881	1,863	17,967	25,267	68,953
Acquisition of a subsidiary (Note 36)	—	34	—	—	—	34
Disposals (Note 35)	—	(393)	(72)	—	—	(465)
Depreciation (Note 28)	(3,966)	(3,022)	(1,132)	(14,332)	—	(22,452)
Net book amount	110,113	19,858	7,182	24,189	25,267	186,609
At 31 December 2011						
Cost	124,038	29,107	11,728	48,757	25,267	238,897
Accumulated depreciation	(13,925)	(9,249)	(4,546)	(24,568)	—	(52,288)
Net book amount	110,113	19,858	7,182	24,189	25,267	186,609

9 PROPERTY, PLANT AND EQUIPMENT *(continued)*

Notes:

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

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Selling and marketing expenses	20,756	11,659
Administrative expenses	1,696	1,640
	22,452	13,299

(b) As at 31 December 2011, buildings with a net book amount of RMB 52,180,000 together with certain land use rights (Note 7), investment properties (Note 10) and restricted bank deposits (Note 16) had been pledged as collateral for Group's bank acceptance bills of RMB 72,700,000 (Note 20) and bank borrowings of RMB 86,400,000 (Note 22). As at 31 December 2010, no property, plant and equipment had been pledged as collateral for any bank acceptance bills or bank borrowings.

(c) Construction in progress as at 31 December 2011 mainly comprises the multifunctional building under construction.

10 INVESTMENT PROPERTIES

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
At 1 January	24,092	24,728
Amortisation (Note 28)	(636)	(636)
Closing net book amount	23,456	24,092
Cost	26,796	26,796
Accumulated amortisation	(3,340)	(2,704)
Closing net book amount	23,456	24,092

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 RMB 27,900,000, had they been stated at fair values as of 31 December 2011 (2010: RMB 28,400,000). Such fair values of the investment properties were based on revaluations performed by American Appraisal China Limited, an independent and professional qualified valuer. Fair value was 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.

As at 31 December 2011, the investment properties with a net book amount of RMB 23,456,000 together with certain land use rights (Note 7), buildings (Note 9) and restricted bank deposits (Note 16) had been pledged as collateral for Group's bank acceptance bills of RMB 72,700,000 (Note 20) and bank borrowings of RMB 86,400,000 (Note 22). As at 31 December 2010, no investment properties had been pledged as collateral for any bank acceptance bills or bank borrowings.

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

11 INTANGIBLE ASSETS

	Goodwill RMB'000	Distribution agreement RMB'000	Non-compete agreements RMB'000	Computer software RMB'000	Total RMB'000
At 1 January 2010					
Cost	—	2,997	—	4,466	7,463
Accumulated amortisation	—	(2,997)	—	(1,163)	(4,160)
Net book amount	—	—	—	3,303	3,303
Year ended 31 December 2010					
Opening net book amount	—	—	—	3,303	3,303
Additions	—	—	—	1,363	1,363
Acquisition of business	34,060	—	3,620	—	37,680
Amortisation (Note 28)	—	—	(121)	(1,056)	(1,177)
Closing net book amount	34,060	—	3,499	3,610	41,169
At 31 December 2010					
Cost	34,060	—	3,620	5,829	43,509
Accumulated amortisation	—	—	(121)	(2,219)	(2,340)
Net book amount	34,060	—	3,499	3,610	41,169
Year ended 31 December 2011					
Opening net book amount	34,060	—	3,499	3,610	41,169
Additions	—	—	—	12	12
Acquisition of a subsidiary (Note 36)	14,163	22,927	1,350	30	38,470
Amortisation (Note 28)	—	(2,293)	(949)	(554)	(3,796)
Impairment charge (Note 28)	(2,500)	—	—	—	(2,500)
Closing net book amount	45,723	20,634	3,900	3,098	73,355
At 31 December 2011					
Cost	48,223	22,927	4,970	5,871	81,991
Accumulated amortisation	—	(2,293)	(1,070)	(2,773)	(6,136)
Impairment	(2,500)	—	—	—	(2,500)
Net book amount	45,723	20,634	3,900	3,098	73,355

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

11 INTANGIBLE ASSETS *(continued)*

Impairment tests for goodwill

Goodwill is allocated to the group's CGU identified according to operating segment. Goodwill of RMB 14,163,000 is allocated to the CGU of Nanjing Chaoming and Rmb 34,060,000 is allocated to the CGU of Huainan 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

The key assumptions used for fair value less costs to sell calculations of Nanjing Chaoming as at 31 December 2011 are as follows:

	Year ended 31 December					After
	2012	2013	2014	2015	2016	2016
Growth rate of existing scale	30%	30%	15%	15%	10%	Nil
Growth of revenue resulting from new stores to open	20%	50%	20%	10%	8%	Nil
Terminal growth rate	Nil	Nil	Nil	Nil	Nil	3%
Discount rate	17.61%	17.61%	17.61%	17.61%	17.61%	17.61%

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.

Impairment charge of RMB 2,500,000 arose during the course of year 2011.

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

The key assumptions used for fair value less costs to sell calculations of Huainan Four Seas as at 31 December 2011 are as follows:

	Year ended 31 December				After
	2012	2013	2014	2015	2015
Growth rate of existing scale	10%	10%	10%	10%	Nil
Growth of revenue resulting from new stores to open	30%	11%	5%	1%	Nil
Terminal growth rate	Nil	Nil	Nil	Nil	3%
Discount rate	23%	23%	23%	23%	23%

11 INTANGIBLE ASSETS *(continued)*

Impairment tests for goodwill *(continued)*

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

The key assumptions used for fair value less costs to sell calculations of Huainan Four Seas as at 31 December 2010 are as follows:

	Year ended 31 December					After
	2011	2012	2013	2014	2015	2015
Growth rate of existing scale	10%	10%	10%	10%	10%	Nil
Growth of revenue resulting from new stores to open	61%	30%	11%	5%	1%	Nil
Terminal growth rate	Nil	Nil	Nil	Nil	Nil	3%
Discount rate	23%	23%	23%	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 2011 (2010: Nil).

12 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 offset amounts are as follows:

	As at 31 December	
	2011 RMB'000	2010 RMB'000
Deferred income tax assets:		
– to be recovered within 12 months	11,060	7,459
– to be recovered after more than 12 months	19,101	3,940
	30,161	11,399
Deferred income tax liabilities:		
– to be settled within 12 months	784	1,722
– to be settled after more than 12 months	4,586	—
	5,370	1,722

12 DEFERRED INCOME TAX *(continued)*

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

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
At beginning of the year	9,677	(28,183)
Acquisition of a subsidiary (Note 36)	(5,731)	—
Utilised upon remittance of earnings	1,722	—
Recognised in the consolidated income statement (Note 32)	19,123	37,860
At end of the year	24,791	9,677

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, 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 2010	3,079	1,295	1,791	256	547	4,201	11,169
Recognised in the consolidated income statement	765	(1,295)	(641)	1,630	139	(368)	230
At 31 December 2010	3,844	—	1,150	1,886	686	3,833	11,399
Recognised in the consolidated income statement	7,437	200	1,893	(814)	8,836	1,210	18,762
At 31 December 2011	11,281	200	3,043	1,072	9,522	5,043	30,161

12 DEFERRED INCOME TAX *(continued)*

Deferred income tax liabilities

	Withholding tax on unremitted earnings of subsidiaries RMB'000	Distribution agreement RMB'000	Accrued supplier rebates RMB'000	Total RMB'000
At 1 January 2010	1,029	—	38,323	39,352
Recognised in the consolidated income statement	693	—	(38,323)	(37,630)
At 31 December 2010	1,722	—	—	1,722
At 1 January 2011	1,722	–	–	1,722
Acquisition of a subsidiary (Note 36)	–	5,731	–	5,731
Utilised upon remittance of earnings	(1,722)	–	–	(1,722)
Recognised in the consolidated income statement	211	(572)	–	(361)
At 31 December 2011	211	5,159	–	5,370

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 RMB 457,000 (2010: RMB 392,000) in respect of losses amounting to RMB 2,770,000 (2010: RMB 2,374,000) that can be carried forward against future taxable income.

13 INVENTORIES

	As at 31 December	
	2011 RMB'000	2010 RMB'000
Merchandise held for resale	385,149	277,516
Provision for obsolescence	(3,448)	(1,382)
	381,701	276,134
Low value consumables	960	307
Total	382,661	276,441

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

	As at 31 December	
	2011 RMB'000	2010 RMB'000
Carrying amount of merchandise sold	2,466,044	1,459,469
Write-down of inventories (Note 28)	2,125	915
	2,468,169	1,460,384

As at 31 December 2011, no inventories had been pledged as collateral for any bank acceptance bills or bank borrowings (2010: Nil).

14 TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2011 RMB'000	2010 RMB'000
Trade receivables	144,830	71,709
Less: Provision for impairment	(871)	(1,362)
Trade receivables, net	143,959	70,347
Bills receivable	29,694	96,615
Trade and bills receivables, net	173,653	166,962

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

14 TRADE AND BILLS RECEIVABLES

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

	As at 31 December	
	2011 RMB'000	2010 RMB'000
0 – 30 days	59,825	41,367
31 – 90 days	65,240	17,583
91 – 365 days	18,894	11,397
1 year – 2 years	871	1,140
2 years – 3 years	—	—
Over 3 years	—	222
Total	144,830	71,709

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

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

As at 31 December 2011, trade receivables of RMB 871,000 (2010: RMB 1,362,000) were past due, impaired and provided for. The ageing analysis of these trade receivables is as follows:

	As at 31 December	
	2011 RMB'000	2010 RMB'000
91 – 365 days	—	—
1 year – 2 years	871	1,140
2 years – 3 years	—	—
Over 3 years	—	222
Total	871	1,362

14 TRADE AND BILLS RECEIVABLES *(continued)*

As at 31 December 2011, trade receivables of RMB 21,226,000 (2010: RMB 18,237,000) 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	
	2011	2010
	RMB'000	RMB'000
31 – 90 days	**2,332**	6,840
91 – 365 days	**18,894**	11,397
Total	**21,226**	18,237

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

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
At beginning of the year	**1,362**	2,504
Reversal of provision for receivable impairment (Note 28)	**(491)**	(1,142)
At end of the year	**871**	1,362

Bills receivable do not contain impaired assets.

As at 31 December 2011, no bills receivable had been pledged as collateral for the Group's bank acceptance bills.

As at 31 December 2010, bills receivable with a carrying amount of RMB 50,000,000 had been pledged as collateral for the Group's bank acceptance bills of RMB 45,000,000 (Note 20).

15 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

(a) Group

	As at 31 December	
	2011 RMB'000	2010 RMB'000
Advance payments to suppliers	418,884	337,098
Rebates receivable from suppliers, net of provision	473,572	399,101
Prepaid rentals	26,222	11,660
Deposits	13,276	6,733
Prepaid consulting fees	1,584	4,703
Other prepayments	1,440	903
Other receivables from third parties		
– Value added tax recoverable	27,397	24,601
– Staff advances	1,131	3,208
– Amount paid on behalf of a supplier	—	1,284
– Interests receivable from banks	2,892	—
– Others	1,076	151
	967,474	789,442

Provision of RMB 33,401,000 (2010: Nil) for supplier rebates receivable had been recognised during the year considering the increased operating pressure of suppliers in the industry in the second half year of 2011.

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.

(b) Company

	As at 31 December	
	2011 RMB'000	2010 RMB'000
Other receivables	140	147

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

16 RESTRICTED BANK DEPOSITS

	As at 31 December	
	2011 RMB'000	2010 RMB'000
Restricted bank deposits	411,312	206,976

As at 31 December 2011, restricted bank deposits of RMB 195,480,000 (2010: RMB 205,976,000) had been pledged as collateral for bank acceptance bills of RMB 435,030,000 (2010: RMB 430,800,000) (Note 20).

As at 31 December 2011, restricted bank deposits of RMB 2,500,000 (2010: RMB 10,000,000) had been pledged as collateral for bank acceptance bills of RMB 4,500,000 (2010: RMB 20,000,000), together with a personal guarantee of RMB 2,000,000 (2010: RMB 10,000,000) provided by a third party (Note 20).

As at 31 December 2011, restricted bank deposits of RMB 31,317,000 (2010: Nil), together with certain land use rights (Note 7), buildings (Note 9) and investment properties (Note 10) with a total net book amount of RMB 88,352,000 (2010: Nil) had been pledged as collateral for bank acceptance bills of RMB 72,700,000 (2010: Nil) (Note 20) and bank borrowings of RMB 86,400,000 (2010: Nil) (Note 22).

As at 31 December 2011, restricted bank deposits of RMB 182,015,000 (2010: Nil) had been pledged as collateral for bank borrowings of RMB 212,689,000 (2010: Nil) (Note 22).

All restricted bank deposits are denominated in RMB and their carrying amounts approximate their fair values as at the balance sheet date. The weighted average interest rate per annum on restricted bank deposits was 3.4% as at 31 December 2011 (2010: 2.5%).

17 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2011 RMB'000	2010 RMB'000
Cash on hand		
– denominated in RMB	520	704
Cash at bank		
– denominated in RMB	116,052	179,353
– denominated in HK$	1,773	1,015
– denominated in US$	5,370	560
	123,195	180,928
	123,715	181,632

17 CASH AND CASH EQUIVALENTS *(continued)*

As at 31 December 2011 and 2010, the effective interest rate per annum was as follows:

	As at 31 December	
	2011	2010
RMB	**0.50%**	0.36%
HK$	**0.001%**	0.001%
US$	**0.001%**	0.001%

18 SHARE CAPITAL

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

	Note	Par value	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares
				US$	RMB'000
Year ended 31 December 2010					
Authorised:					
At 1 January 2010	(a)	US$0.001	50,000,000	50,000	359
Issue of ordinary shares	(b)	US$0.001	1,950,000,000	1,950,000	10,239
At 31 December 2010			2,000,000,000	2,000,000	10,598
Issued and fully paid:					
At 1 January 2010	(c)	US$0.001	20,000,000	20,000	142
Shares issued under the capitalisation issue	(d)	US$0.001	730,000,000	730,000	4,983
New issue of shares	(e)	US$0.001	297,970,000	297,970	2,034
Exercise of the warrants	(f)	US$0.001	372,290	372	3
At 31 December 2010			1,048,342,290	1,048,342	7,162
Year ended 31 December 2011					
Authorised:					
At 1 January 2011 and 31 December 2011		US$0.001	2,000,000,000	2,000,000	10,598
Issued and fully paid:					
At 1 January 2011 and 31 December 2011		US$0.001	1,048,342,290	1,048,342	7,162

Notes:

(a) On 5 February 2008, the Company was incorporated in the Cayman Islands as a limited liability company with authorised share capital of US$50,000 divided into 50,000,000 ordinary shares of US$0.001 each.

(b) On 5 March 2010, the shareholders resolved that the authorised share capital of the Company be increased from US$ 50,000 to US$ 2,000,000 by the creation of an additional 1,950,000,000 shares of US$ 0.001 each.

18 SHARE CAPITAL *(continued)*

Notes *(continued)*:

(c) On 5 February 2008, one share was issued to Mr. Cao. On 17 March 2008, Mr. Cao transferred the one share to China Houde Investment Co., Ltd. ("China Houde").

On 3 April 2008, the Company issued and allotted 10,493,999 shares, 4,470,000 shares and 5,036,000 shares (totalling 19,999,999 shares) to China Houde, New Dame Limited ("New Dame") and New Fellow Holdings Limited ("New Fellow") respectively.

On 6 March 2010, China Houde made a distribution in specie to its shareholders in proportion to their then shareholdings in China Houde pursuant to which an aggregate of 10,494,000 shares held by China Houde were distributed to China Ruike Investment and Development Co., Ltd. ("China Ruike"), Pope Investments LLC ("Pope") and Dalton Greater China (Master) Fund ("Dalton") as to 6,768,630 shares, 3,216,411 shares and 508,959 shares, respectively.

Also on 6 March 2010, New Dame and New Fellow transferred 4,470,000 shares and 5,036,000 shares (totalling 9,506,000 shares) to Queenbury Investments Limited ("Queenbury") which subsequently made a distribution in specie to its shareholders, namely ARC Huiyin Holdings Limited ("ARC Huiyin") and The China Fund, Inc. ("China Fund"), in proportion to their shareholdings in Queenbury, pursuant to which an aggregate of 9,506,000 shares were transferred to ARC Huiyin and China Fund as to 5,228,300 shares and 4,277,700 shares, respectively.

(d) Pursuant to a shareholders' resolution dated 5 March 2010, conditional on the share premium account of the Company being credited as a result of the successful Listing of the Company, the Company capitalised an amount of US$730,000, standing to the credit of its share premium account in paying up in full at par 730,000,000 shares, which were allotted and issued to China Ruike, Pope, Dalton, ARC Huiyin and China Fund, pro-rata to their shareholdings as at 6 March 2010 in the Company.

(e) On 25 March 2010, the Company issued 250,000,000 ordinary shares of US$0.001 each at HK$1.69 per share in connection with the Listing, and raised gross proceeds of approximately HK$422,500,000 (equivalent to RMB 371,547,000).

On 1 April 2010, pursuant to the exercise of the over-allotment option of the Listing, additional 47,970,000 ordinary shares of US$0.001 each were issued at HK$1.69 per share and gross proceeds of HK$81,069,000 (equivalent to RMB 68,854,000) were raised.

(f) On 25 March 2010, the Company issued 148,916 ordinary shares and 223,374 ordinary shares to Dalton and Pope pursuant to the exercise of warrants by surrender of the warrants to the Company on 23 March 2010. Upon the issue of the 372,290 new shares to Dalton and Pope on 25 March 2010, the fair value of the shares amounting to RMB 553,000 was credited to share capital and share premium and debited to the income statement (Note 27).

(g) 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 2011, 33,333,333 outstanding options were not exercisable as they have not yet been vested, and 16,666,667 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.

18 SHARE CAPITAL *(continued)*

Notes *(continued)*:

(h) 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 2011.

19 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 2010	435,188	15,377	(88,917)	211,165	572,813
Profit for the year 2010	—	—	—	91,719	91,719
Appropriation to statutory reserves	—	5,760	—	(5,760)	—
Issue of shares	410,418	—	—	—	410,418
Pre-IPO Option Scheme					
– value of employee services	—	—	15,840	—	15,840
Special dividend	—	—	—	(40,980)	(40,980)
Balance at 31 December 2010	845,606	21,137	(73,077)	256,144	1,049,810
Representing:					
Proposed final dividend					17,822
Others					1,031,988
					1,049,810
Profit for the year 2011	—	—	—	15,509	15,509
Appropriation to statutory reserves	—	6,870	—	(6,870)	—
Pre-IPO Option Scheme					
– value of employee services	—	—	10,553	—	10,553
Final dividend for the year 2010	(17,822)	—	—	—	(17,822)
Balance at 31 December 2011	827,784	28,007	(62,524)	264,783	1,058,050

19 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 2010	435,188	—	(11,827)	423,361
Profit for the year 2010	—	—	29,364	29,364
Issue of shares	410,418	—	—	410,418
Pre-IPO Option Scheme				
– value of employee services	—	15,840	—	15,840
Special dividend	—	—	(40,980)	(40,980)
Balance at 31 December 2010	845,606	15,840	(23,443)	838,003
Representing:				
Proposed final dividend				17,822
Others				820,181
				838,003
Loss for the year 2011	—	—	(41,032)	(41,032)
Pre-IPO Option Scheme				
– value of employee services	—	10,553	—	10,553
Final dividend for the year 2010	(17,822)	—	—	(17,822)
Balance at 31 December 2011	827,784	26,393	(64,475)	789,702

19 RESERVES *(continued)*

(b) Company *(continued)*

Notes:

(a) Share premium

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

	Note	Gross proceeds from initial public offering RMB'000	Underwriter's fees and incentive fees RMB'000	Losses arising from the exercise of warrants RMB'000	Recognised as share capital RMB'000	Recognised as share premium RMB'000
Share premium at 31 December 2009						435,188
Shares issued under the capitalisation issue	18(d)	—	—	—	(4,983)	(4,983)
New issue of shares	18(e)	440,401	(12,619)	—	(2,034)	425,748
Exercise of the warrants	18(f)	—	—	553	(3)	550
		440,401	(12,619)	553	(7,020)	421,315
Professional fees for the Listing of the Company charged to share premium						(10,897)
Share premium at 31 December 2010						845,606
Final dividend for 2010						(17,822)
Share premium at 31 December 2011						827,784

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.

20 TRADE AND BILLS PAYABLES

	As at 31 December	
	2011 RMB'000	2010 RMB'000
Trade payables	35,016	31,050
Bills payable	512,230	495,800
	547,246	526,850

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

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

	As at 31 December	
	2011 RMB'000	2010 RMB'000
0 – 30 days	13,622	11,228
31 – 90 days	9,223	18,381
91 – 365 days	10,994	1,077
1 year – 2 years	1,177	364
	35,016	31,050

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

As at 31 December 2011, restricted bank deposits of RMB 195,480,000 (2010: RMB 205,976,000) had been pledged as collateral for bank acceptance bills of RMB 435,030,000 (2010: RMB 430,800,000) (Note 16).

As at 31 December 2011, restricted bank deposits of RMB 2,500,000 (2010: RMB 10,000,000) had been pledged as collateral for bank acceptance bills of RMB 4,500,000 (2010: RMB 20,000,000), together with a personal guarantee of RMB 2,000,000 (2010: RMB10,000,000) provided by a third party (Note 16).

As at 31 December 2011, restricted bank deposits of RMB 31,317,000 (2010: Nil) (Note 16), together with certain land use rights (Note 7), buildings (Note 9) and investment properties (Note 10) with a total net book amount of RMB 88,352,000 had been pledged as collateral for bank acceptance bills of RMB 72,700,000 and bank borrowings of RMB 86,400,000 (Note 22).

As at 31 December 2010, bills receivable with a carrying amount of RMB 50,000,000 had been pledged as collateral for the Group's bank acceptance bills of RMB 45,000,000 (Note 14).

21 ACCRUALS AND OTHER PAYABLES

(a) Group

	As at 31 December	
	2011 RMB'000	2010 RMB'000
Advances from customers	87,519	59,145
Salary and welfare payables	11,537	6,784
Accrued expenses	8,344	5,991
Payables for purchase of equipment	15,170	8,213
Value added tax and other tax payables	10,091	4,487
Accrued volume discounts to distributors	800	—
Amount due to a director (Note 39(d))	146	156
Others	3,714	2,030
Total	137,321	86,806

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	
	2011 RMB'000	2010 RMB'000
Other payables to subsidiaries	25,983	21,791
Other payables to third parties	687	267
	26,670	22,058

The other payables to subsidiaries as at 31 December 2011 mainly represent the professional fees for the Listing of the Company paid by Yangzhou Huiyin on behalf of the Company.

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

22 BORROWINGS

(a) Group

	As at 31 December	
	2011 RMB'000	2010 RMB'000
Short term bank borrowings	599,089	50,000

As at 31 December 2011, restricted bank deposits of RMB 31,317,000 (Note 16), together with certain land use rights (Note 7), buildings (Note 9) and investment properties (Note 10) with a total net book amount of RMB 88,352,000 had been pledged as collateral for bank acceptance bills of RMB 72,700,000 (Note 20) and bank borrowings of RMB 86,400,000 (2010: Nil).

As at 31 December 2011, restricted bank deposits of RMB 182,015,000 (2010: Nil) (Note 16) had been pledged as collateral for bank borrowings of RMB 212,689,000 (2010: Nil).

As at 31 December 2011, short term bank borrowings amounting to RMB 300,000,000 (2010: RMB 50,000,000) were unsecured.

As at 31 December 2011, bank borrowings of US$ 25,820,000 (equivalent to approximately RMB 162,689,000) (2010: Nil) are denominated in US$ and bank borrowings of RMB 436,400,000 are denominated in RMB. All borrowings are of floating rates. The bank borrowings of RMB 50,000,000 as at 31 December 2010 are of fixed rates. The carrying amounts of short term borrowings approximate their fair value as at balance sheet date.

The weighted average effective interest rate as at 31 December 2011 was 6.31% (2010: 5.56%). As at 31 December 2011, the Group's borrowings were repayable within one year.

22 BORROWINGS *(continued)*

(b) Company

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Short term bank borrowings, secured	**99,680**	—

As at 31 December 2011, restricted bank deposits of RMB 104,008,000 in Yangzhou Huiyin had been pledged as collateral for bank borrowings of US$15,820,000, equivalent to RMB 99,680,000 (2010: Nil) of the Company.

In accordance with the borrowing agreements, out of the total bank borrowings of US$ 15,820,000, an amount of US$10,000,000, equivalent to RMB 63,009,000, is to be utilised for the operation in the overseas by the Company, and is not allowed to be utilised in the Mainland China directly or through third parties in the form of financing, shareholding investment or security investment and etc, otherwise the bank reserves the right to demand repayment of all outstanding principal and interest thereon if the clause is breached. The remaining balance of US$ 5,820,000, equivalent to RMB 36,671,000, is to be utilized solely for general corporate funding requirements of Yanghzou Huiyin in Hong Kong and overseas, to the extent permitted under the foreign exchange regulations of the PRC, and cannot be used for capital investment in Mainland China directly or through third parties in any forms. As at 31 December 2011, the bank borrowings of US$ 14,999,980, equivalent to RMB 95,367,000, have been injected as the capital contribution in Yangzhou Huiyin, which were registered at local administration of foreign exchange. In the event that immediate repayment of these borrowings are requested by the banks, the directors of the Company believe that the Company has the ability to repay the amount by internal cash resource and/or new borrowings.

All the bank borrowings are denominated in US$ and are of floating rates. The carrying amount of short term borrowings approximate their fair values as at balance sheet date.

The weighted average effective interest rate as at 31 December 2011 was 3.85%. As at 31 December 2011, the Company's borrowings were repayable within one year.

23 CONTINGENT CONSIDERATION LIABILITIES

	Contingent consideration liabilities arising from business combination RMB'000
At 1 January 2011	38,660
Changes in fair values (Note 27)	11,111
At 31 December 2011	49,771
Including	
– Current portion	41,560
– Non-current portion	8,211
	49,771

23 CONTINGENT CONSIDERATION LIABILITIES *(continued)*

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 Huainan Four Seas, and acquisition of business by Huainan Four Seas from Xingfushu comprising inventories, sales network and leases of shops. Huainan 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 RMB 14 million) times 6.5 minus RMB 19.5 million (the "Consideration"), if the Net Operating Profit of Huainan Four Seas for the First Operating Year exceeds RMB 5 million; meanwhile if the Net Operating Profit for the third year after the commencement of business of Huainan Four Seas exceeds RMB 13 million and the aggregate Net Operating Profits for the first three years after the commencement of business of Huainan Four Seas exceeds RMB 30 million, Yangzhou Huiyin shall pay the JV partner a bonus consideration of RMB 12 million (the "Bonus Consideration"). Accordingly, the maximum amount of the contingent consideration payable to the JV partner is RMB 83.5 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 three months immediately preceding the date of the issue and allotment of such Shares.

As at 31 December 2011, there was an increase in fair values of RMB 11,111,000 (2010: RMB980,000) (Note 27) recognised as losses in the consolidated income statement for the contingent consideration arrangement. As at 31 December 2011, the fair values of the contingent consideration liabilities of RMB 49,771,000 (2010: RMB 38,660,000), including current portion of RMB 41,560,000 (2010: RMB 33,205,000) and non-current portion of RMB 8,211,000 (2010: RMB 5,455,000) was estimated by applying the income approach.

24 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES

	As at 31 December	
	2011 **RMB'000**	2010 RMB'000
Amounts due from a subsidiary, China Yinrui HK	**474,933**	418,202
Equity investments in China Yinrui HK, an unlisted entity, pursuant to the Reorganisation (Notes 1 and 2)	**435,330**	435,330
	910,263	853,532

The amounts due from China Yinrui HK as at 31 December 2011 and 2010 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.

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

As at 31 December 2011, 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 2011	Effective interest held as at 31 December 2010	Principal activities	Note
Directly owned							
China Yinrui HK	Hong Kong 14 March 2008	Limited liability company	HK$1	100%	100%	Investment	
Indirectly owned							
Yangzhou Huiyin 揚州滙銀家電有限公司	Yangzhou Jiangsu, PRC 27 May 2002	Foreign investment enterprise	US$ 120,000,000 and US$ 111,427,893	100%	100%	Bulk distribution sales and provision of after-sales services of household appliances	(ii)
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	RMB 62,500,000	100%	100%	Retail sales and provision of after-sales services of household appliances	
Changzhou Keyi Air-Conditioner Sales Co., Ltd. 常州可意空調銷售有限公司	Changzhou Jiangsu, PRC 26 August 2003	Domestic enterprise	RMB 5,000,000	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	RMB 5,000,000	100%	100%	Bulk distribution sales of Daikin air-conditioners	
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	RMB 5,000,000	100%	100%	Bulk distribution sales of household appliances	
Nanjing Huize Electronics Sales Co., Ltd. 南京滙澤電器銷售有限公司	Nanjing Jiangsu, PRC 24 July 2006	Domestic enterprise	RMB 600,000	100%	100%	Retail sales of Gree air-conditioners	

24 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 2011	2010	Principal activities	Note
Indirectly owned *(continued)*							
Yangzhou Hengxin Air-conditioner Sales Co., Ltd. 揚州恒信空調銷售有限公司	Yangzhou Jiangsu, PRC 27 August 2004	Domestic enterprise	RMB 25,000,000	100%	100%	Bulk distribution sales of Gree air-conditioners	
Zhenjiang Huize Household Appliance Sales Co., Ltd. 鎮江滙澤電器銷售有限公司	Zhenjiang, Jiangsu, PRC 26 December 2006	Domestic enterprise	RMB 600,000	100%	100%	Retail and bulk distribution sales of Gree 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	RMB 25,000,000	100%	100%	Bulk distribution sales of Midea air-conditioners	
Yangzhou Hanshang Huiyin Household Appliance Co., Ltd. 揚州邗上滙銀家電有限公司	Yangzhou Jiangsu, PRC 22 June 2009	Domestic enterprise	RMB 10,000,000	100%	100%	Retail sales of household appliances	
Huai'an Huiyin Household Appliance Co., Ltd. 淮安滙銀家電有限公司	Huai'an Jiangsu, PRC 2 March 2009	Domestic enterprise	RMB 1,000,000	100%	100%	Retail and bulk distribution sales of Haier products	
Wuhu Yinrui Household Appliance Sales Co., Ltd. 蕪湖市銀瑞家電銷售有限公司	Wuhu Anhui, PRC 11 March 2009	Domestic enterprise	RMB 2,000,000	100%	100%	Bulk distribution sales of Daikin air-conditioners	
Ningguo Huiyin Household Appliance Sales Co., Ltd. 寧國滙銀家電銷售有限公司	Ningguo Anhui, PRC 23 September 2009	Domestic enterprise	RMB 5,000,000	100%	100%	Retail sales of household appliances	
Jiangsu Huadong Huiyin Household Appliance Co., Ltd. 江蘇華東滙銀家電有限公司	Kunshan Jiangsu, PRC 1 November 2009	Domestic enterprise	RMB 100,000,000 and RMB 20,000,000	100%	100%	Retail sales of household appliances	
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	

24 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 2011	2010	Principal activities	Note
Indirectly owned *(continued)*							
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$ 10,100,000	100%	100%	Retail sales of household appliances	
Huainan Four Seas 淮南市四海匯銀家電有限責任公司	Huainan Anhui, PRC 16 September 2010	Domestic enterprise	RMB 50,000,000	65%	65%	Retail sales of household appliances	(i)(ii)
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	RMB 10,000,000	100%	100%	Bulk distribution and retail sales of household appliances	
Hefei Jingmei Electrical Media Co., Ltd. 合肥精美電子傳媒有限公司	Hefei Anhui, PRC 14 November 2002	Domestic enterprise	RMB 1,840,000	100%	100%	Bulk distribution sales of household appliances	(i)
Wuxi Runpu Household Appliances Co., Ltd. 無錫潤普家電有限公司	Wuxi Jiangsu, PRC 9 December 2010	Domestic enterprise	RMB 1,800,000	100%	100%	Bulk distribution sales of household appliances	
Nantong Huiyin Household Appliances Co., Ltd. 南通匯銀家電有限公司	Nantong Jiangsu, PRC 16 December 2010	Domestic enterprise	RMB 1,000,000	100%	100%	Retail sales of household appliances	
Nanjing Chaoming 南京潮明科技發展有限公司	Nanjing Jiangsu, PRC 20 June 2002	Domestic enterprise	RMB 10,000,000	100%	–	Retail and bulk distribution sales of Sony products	(i)
Huiyin Real Estate Co., Ltd 滙銀置業有限公司	Yangzhou Jiangsu, PRC 17 February 2011	Domestic enterprise	RMB 50,000,000	70%	–	Development of real estate	
Jiangsu Huiyin Electronics (Anhui) Co., Ltd 江蘇滙銀電器（安徽）有限公司	Hefei Anhui, PRC 31 March 2011	Domestic enterprise	RMB 2,000,000	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	RMB 1,000,000	100%	–	Bulk distribution sales of household appliances	

24 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 2011	2010	Principal activities	Note
Indirectly owned *(continued)*							
Jiangsu Huicheng Wanglian Internet Technology Co., Ltd. 江蘇滙程網聯網路技術有限公司	Nanjing Jiangsu, PRC 8 August 2011	Domestic enterprise	RMB 10,000,000 and RMB 2,000,000	90%	–	Retail 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	RMB 20,000,000	100%	–	Bulk distribution sales of household appliances	

Notes:

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

(ii) On 28 November 2011 and 5 December 2011, Yangzhou Huiyin increased its registered capital and paid-up capital. Its registered capital increased from US$100,000,000 to US$120,000,000, and its paid-up capital increased from US$96,427,868 to US$ 111,427,893.

On 6 January 2011, Huainan Four Seas increased its registered capital and paid-up capital from Rmb 30,000,000 to Rmb 50,000,000. Yangzhou Huiyin and Mr Jin, the non-controlling investor of Huainan Four Seas, contributed Rmb 13,000,000 and Rmb 7,000,000 to Huainan Four Seas respectively. After the contribution of paid-up capital to Huainan Four Seas, the Group's effective interest held remains unchanged.

(iii) Tianchang Huiyin Household Appliance Co., Ltd. (天長市滙銀家電有限公司) and Xinghua Huiyin Household Appliance Co., Ltd. (興化市滙銀家電有限公司) were liquidated in June and August 2011 respectively.

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

25 REVENUE

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

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Sales of goods		
– Retail	1,080,486	769,364
– Bulk distribution	1,735,057	1,000,426
including:		
Sales to franchisees	691,714	448,167
Sales to other retailers and distributors	1,043,343	552,259
	2,815,543	1,769,790
Rendering of services		
– Maintenance service	1,327	1,604
– Installation service	18,259	13,056
	19,586	14,660
Total revenue	2,835,129	1,784,450

26 OTHER INCOME

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Promotion and store display income	10,418	6,074
Subsidies of transportation and old merchandise arising from the Change of the Old for New Program	4,734	3,291
Rental income	2,032	1,268
Government subsidies (note)	768	5,441
	17,952	16,074

Note:

The government subsidy income for the year ended 31 December 2011 comprised amounts of RMB 350,000 (2010: Nil) and RMB 237,000 (2010: Nil) granted by Government of Yangzhou City and Government of Huainan City respectively for enterprise development, an amount of RMB 181,000 (2010: RMB 1,000,000) granted by the Ministry of Social Security of Yangzhou City for the re-employment of laid-off workers of other companies. The government subsidy income for the year ended 31 December 2010 also comprised an amount of RMB 3,000,000 granted by Government of Yangzhou City for the award of successfully Listing of the Company, an amount of RMB 861,000 granted by the Ministry of Finance of Yangzhou City as finance subsidy, an amount of RMB 580,000 granted by the Economic Development Zone of Huaqiao Town as the award for establishing a new subsidiary. All of the government subsidies for the year ended 31 December 2011 and 2010 are not subject to any conditions.

27 OTHER LOSSES – NET

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Net exchange gains on monetary receivables and payables	817	444
Fair value losses on contingent consideration liabilities (Note 23)	(11,111)	(980)
Losses arising from the exercise of warrants (Note 18(f))	—	(553)
Losses on disposal of property, plant and equipment, net	(48)	(1)
	(10,342)	(1,090)

28 EXPENSES BY NATURE

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

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Cost of merchandise before deducting supplier rebates	3,061,561	1,894,437
Supplier rebates	(595,517)	(434,968)
Taxes and levies on main operations	5,558	3,584
Employee benefit expenses (Note 29)	66,772	43,757
Pre-IPO Option Scheme expenses (Note 19)	10,553	15,840
Service charges	15,046	5,285
Operating lease expenses in respect of buildings and warehouses	57,341	24,874
Promotion and advertising expenses	28,420	26,616
Amortisation of land use rights (Note 7)	436	436
Depreciation of property, plant and equipment (Note 9)	22,452	13,299
Amortisation of intangible assets (Note 11)	3,796	1,177
Amortisation of investment properties (Note 10)	636	636
Utilities and telephone expenses	10,841	6,479
Transportation expenses	14,239	9,328
Entertainment expenses	6,016	5,842
Travelling expenses	7,269	7,335
Office expenses	4,673	3,069
Provision for obsolescence on inventories (Note 13)	2,125	915
Reversal of provision for impairment on receivables (Note 14)	(491)	(1,142)
Impairment loss against goodwill (Note 11)	2,500	—
Provision for supplier rebates receivable (Note 15)	33,401	—
Property tax and other taxes	4,234	1,544
Professional fees relating to the Listing of the Company	—	7,468
Auditors' remuneration	3,825	3,750
Bank charges	5,713	2,701
Consulting expenses	3,108	4,302
Others	14,575	11,033
Total of cost of sales, selling and marketing expenses and administrative expenses	2,789,082	1,657,597

29 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Salaries and other allowances	48,911	31,541
Social security costs	17,861	12,216
	66,772	43,757

(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 2011, these subsidiaries were required to make monthly defined contributions to these plans at rates ranging from 34.8 % to 42.3% of their total salaries subject to certain ceilings (2010: 34.9% to 42.2%).

(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.

30 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

For the years ended 31 December 2011 and 2010, the remuneration of directors of the Company paid/payable by the Group were as follows:

For the year ended 31 December 2011

Name of directors	Salaries and others RMB'000	Bonuses RMB'000	Social security costs RMB'000	Pre-IPO Option Scheme expenses RMB'000	Total RMB'000
Chairman and executive director					
– Mr. Cao Kuanping	1,827	—	34	5,277	7,138
Other executive directors					
– Mr. Wang Zhijin	753	—	86	633	1,472
– Mr. Mao Shanxin	259	—	34	2,111	2,404
– Mr. Mo Chihe	281	68	34	633	1,016
– Mr. Lu Chaolin	149	51	21	633	854
Non-executive directors					
– Mr. Li Jung-Hsing	—	—	—	—	—
– Mr. Ke shifeng	—	—	—	—	—
Independent non-executive directors					
– Mr. Tam Chun Chung	83	—	—	—	83
– Mr. Zhou Shui Wen	42	—	—	—	42
– Mr. Tan Bien Kiat	20	—	—	—	20
– Mr. Li Fei	21	—	—	—	21
	3,435	119	209	9,287	13,050

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

(a) Directors' emoluments *(continued)*

For the year ended 31 December 2010

Name of directors	Salaries and others RMB'000	Bonuses RMB'000	Social security costs RMB'000	Pre-IPO Option Scheme expenses RMB'000	Total RMB'000
Chairman and executive director					
– Mr. Cao Kuanping	1,826	—	32	7,920	9,778
Other executive directors					
– Mr. Wang Zhijin	688	117	86	950	1,841
– Mr. Mao Shanxin	253	—	25	3,168	3,446
– Mr. Mo Chihe	261	—	28	950	1,239
Non-executive directors					
– Mr. Li Jung-Hsing	—	—	—	—	—
– Mr. Ke Shifeng	—	—	—	—	—
– Mr. Clement Kai Yin Kwong	—	—	—	—	—
Independent non-executive directors					
– Mr. Li Fei	36	—	—	—	36
– Mr. Zhou Shui Wen	36	—	—	—	36
– Mr. Tam Chun Chung	75	—	—	—	75
	3,175	117	171	12,988	16,451

In addition to the emoluments as disclosed above, for the year ended 31 December 2010, Mr. Clement Kai Yin Kwong, a non-executive director of the Company, received consulting fee from the Group for the strategic consulting services provided by him on the Group's business strategy and organisational development (Note 39(b)).

Mr. Ke Shifeng was appointed as a non-executive director on 5 March 2010 to replace Mr. Clement Kai Yin Kwong, and he subsequently resigned on 25 March 2011. Mr. Lu Chaolin was appointed as an executive director by the approval of the Company's board of directors on 25 March 2011.

Mr. Li Fei was appointed as an independent non-executive director on 5 March 2010 and subsequently resigned on 22 July 2011. Mr. Tan Bien Kiat was appointed as an independent non-executive director on 22 July 2011 to replace Mr. Li Fei.

During the years ended 31 December 2011 and 2010, 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.

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include four (2010: four) directors, whose emoluments were reflected in the analysis presented above. The emoluments paid/payable to the remaining one (2010: one) individual were as follows:

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Salaries and other allowances	149	58
Bonuses	100	150
Social security costs	15	16
Pre-IPO Option Scheme expenses	633	950
	897	1,174

The emoluments of the remaining highest paid individual of the Group fall within the following bands:

	Year ended 31 December	
	2011	2010
Emoluments bands		
— Nil to HK$1,000,000	—	—
— HK$1,000,001 to HK$1,500,000	1	1
	1	1

31 FINANCE COSTS – NET

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Finance income		
– Interest income on bank deposits	9,195	3,749
Finance costs		
– Interest expenses on discounting of bills receivable	(8,040)	—
– Interest expenses on bank borrowings	(15,892)	(2,879)
– Net foreign exchange gains/(losses) on cash and cash equivalents and bank borrowings	2,133	(2,266)
	(21,799)	(5,145)
Net finance costs — net	(12,604)	(1,396)

32 INCOME TAX EXPENSE

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
PRC enterprise and withholding income taxes		
— Current income tax	41,146	84,273
— Deferred income tax (Note 12)	(19,123)	(37,860)
	22,023	46,413

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

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Profit before income tax	41,053	140,441
Tax calculated at domestic tax rates applicable to profits in the respective regions	19,329	53,094
Tax effects of:		
Income not subject to tax	(7,081)	(11,440)
Expenses not deductible for tax purpose	9,498	3,718
Tax losses for which no deferred income tax asset was recognised	66	349
Withholding tax on the unremitted earnings of PRC subsidiaries	211	692
Income tax expense	22,023	46,413

The weighted average applicable tax rate was 47% (2010: 38%). The increase is caused by a change in the profitability of the Group's subsidiaries in the respective regions.

32 INCOME TAX EXPENSE *(continued)*

(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 (2010: 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 accrues for the PRC withholding income tax based on the tax rate of 10% for the year ended 31 December 2011 (2010: 5%).

33 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. In determining the weighted average number of ordinary shares in issue during the year ended 31 December 2010, the 730,000,000 shares issued and allocated through capitalisation of the share premium account arose from the Listing of the Company on 25 March 2010 (Note 18(d)) have been regarded as if these shares were in issue since 1 January 2010.

	Year ended 31 December	
	2011	2010
Profit attributable to equity holders of the Company (RMB'000)	15,509	91,719
Weighted average number of ordinary shares in issue (thousand)	1,048,342	979,580
Basic earnings per share (RMB cents)	1.48	9.36

33 EARNINGS PER SHARE *(continued)*

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted number of ordinary shares in issue for the potential dilutive effect caused by the share options granted under the Pre-IPO Option Scheme (Note 18(g)), the warrants, and settlement in ordinary shares for contingent consideration arising from business combination assuming they were exercised.

	Year ended 31 December	
	2011	2010
Profit attributable to equity holders of the Company (RMB'000)	**15,509**	91,719
Weighted average number of ordinary shares in issue (thousand)	**1,048,342**	979,580
Adjustments for:		
– Share options granted under the Pre-IPO Option Scheme (thousand) (Note 18(g))	**–**	11,618
– Warrants (thousand)	**–**	67
– Settlement in ordinary shares for the contingent consideration arising from business combination (thousand)	**58,709**	6,689
Weighted average number of ordinary shares for diluted earnings per share (thousand)	**1,107,051**	997,954
Diluted earnings per share (RMB cents)	**1.40**	9.19

34 DIVIDENDS

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Special dividend declared (note (a))	**–**	40,980
Final dividend proposed (note (b))	**–**	17,822
	–	58,802

(a) In March 2010, the board of directors of the Company approved to declare a one-off and non-recurring dividend of approximately HK$ 46,600,000, equivalent to RMB 40,980,000, arising from the PRC subsidiaries, payable to the shareholders of the Company as of 6 March 2010 on the condition that the Listing of the Company is completed. As at 31 December 2011, all the amounts had been paid to those shareholders.

(b) The board of directors of the Company does not recommend the payment of any final dividend for the year ended 31 December 2011.

A final dividend of HK 2.0 cents (equivalent to approximately RMB 1.7 cents) per share, amounting to approximately HK$ 20,967,000 (equivalent to RMB 17,822,000) for the year ended 31 December 2010 had been approved by the shareholders at the annual general meeting of the Company held on 17 June 2011. The final dividend had all been paid to the shareholders as at 31 December 2011.

35 CASH GENERATED FROM OPERATIONS

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Profit before income tax	41,053	140,441
Adjustments for:		
– Net foreign exchange (gains)/losses on cash and cash equivalents and bank borrowings (Note 31)	(2,133)	2,266
– Net foreign exchange gains on monetary receivables and payables (Note 27)	(817)	(444)
– Amortisation of land use rights (Note 7)	436	436
– Depreciation of property, plant and equipment (Note 9)	22,452	13,299
– Depreciation of investment properties (Note 10)	636	636
– Amortisation of intangible assets (Note 11)	3,796	1,177
– Impairment loss against goodwill (Note 11)	2,500	—
– Losses on disposal of property, plant and equipment (Note 27)	48	1
– Finance income (Note 31)	(9,195)	(3,749)
– Interest expenses (Note 31)	23,932	2,879
– Fair value losses on contingent consideration liabilities (Note 27)	11,111	980
– Pre-IPO Option Scheme expenses	10,553	15,840
– Losses arising from the exercise of warrants (Note 27)	—	553
– Professional fees relating to the Listing of the Company (Note 28)	—	7,468
Operating profit before working capital changes	104,372	181,783
Changes in working capital:		
– Increase in inventories	(102,753)	(89,480)
– Increase in trade and bills receivables	(3,763)	(63,050)
– Increase in prepayments, deposits and other receivables	(169,295)	(436, 298)
– Increase in restricted bank deposits pledged for bank acceptance bills	(22,321)	(70,329)
– Increase in trade and bills payables	20,135	327,938
– Increase in accruals and other payables	46,601	37,151
Cash used in operations	(127,024)	(112,285)

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

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Net book amount (Note 9)	465	28
Losses on disposal of property, plant and equipment (Note 27)	(48)	(1)
Proceeds from disposal of property, plant and equipment	417	27

36 BUSINESS COMBINATION

On 1 January 2011, the Group acquired 100% of the equity interests of Nanjing Chaoming from an independent third party, Mr. Song at final consideration of RMB 46,999,000.

The revenue included in the consolidated income statement since 1 January 2011 up to 31 December 2011 contributed by Nanjing Chaoming was RMB 72,252,000. Nanjing Chaoming incurred losses of RMB 1,776,300 over the year. These amounts have been calculated using the Group's accounting policies, together with the consequential tax effects.

Details of purchase consideration, net assets acquired and goodwill generated are as follows:

	RMB'000
Cash	46,999
Non-compete agreement (i) (Note 11)	(1,350)
Total consideration	45,649
Recognised amounts of identifiable assets acquired and liabilities assumed	
Intangible assets – software (Note 11)	30
Intangible assets – distribution agreement (Note 11) (ii)	22,927
Property, plant and equipment (Note 9)	34
Inventories	3,467
Trade and bills receivables	2,928
Prepayments, deposits and other receivables	9,111
Cash and cash equivalents	372
Deferred tax liabilities (Note 12)	(5,731)
Trade and bills payables	(261)
Accruals and other payables	(34)
Income tax payables	(1,357)
Total identifiable net assets	31,486
Goodwill (Note 11) (iii)	14,163
	45,649
Cash outflow on acquisition	
Purchase consideration settled in cash	46,999
Cash and cash equivalents in subsidiary acquired	(372)
	46,627

The acquisition of the business of Nanjing Chaoming comprised taking over of its growth prospects and presence in geographic markets or locations but these do not constitute or create any identifiable assets that can be recognised.

36 BUSINESS COMBINATION *(continued)*

Notes:

(i) Non-compete agreement

Mr. Song has undertaken in the equity transfer agreement that he will not directly or indirectly carry on any business in relation to household appliances other than through Nanjing Chaoming.

The fair value of the non-compete agreement was estimated by applying income approach. The fair value estimates are based on a discount rate of 17.61%, a beneficial period of 6 years, a probability of breaching the non-compete agreement by Mr. Song of 50% and revenue losses due to the breach of the non-compete agreement by Mr. Song of 5%.

(ii) Distribution agreement

The acquisition of the business of Nanjing Chaoming comprised taking over of its distribution agreement.

The fair value of the distribution agreement was estimated by applying income approach – multi-period excess earnings method. The distribution agreement with supplier is renewed on annual basis and is expected to be renewed in the future considering that the relationship between Nanjing Chaoming and supplier is longstanding. The fair value estimates are based on a discount rate of 20.61%, beneficial period of 10 years.

(iii) Goodwill

The goodwill arising from the acquisition of RMB14,163,000 is attributable to the acquisition of synergy expected from combining the operations of the Group and Nanjing Chaoming, growth prospects and presence in geographic markets or locations.

None of the goodwill recognised is expected to be deductible for income tax purpose.

37 COMMITMENTS

(a) Commitment for capital and property development expenditure

	As at 31 December	
	2011 RMB'000	2010 RMB'000
Contracted but not provided for		
– Buildings	2,660	—
– Land use rights	117,710	—
	120,370	—

37 COMMITMENTS *(continued)*

b) 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.

The Group's future aggregate minimum lease payments under non-cancellable operating leases were as follows:

	As at 31 December	
	2011 RMB'000	2010 RMB'000
Not later than 1 year	59,705	39,240
Later than 1 year and not later than 5 years	214,766	142,787
Later than 5 years	136,875	90,528
	411,346	272,555

38 FUTURE OPERATING LEASE RENTALS RECEIVABLE

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	
	2011 RMB'000	2010 RMB'000
Not later than 1 year	1,751	1,266
Later than 1 year and not later than 5 years	906	1,536
Later than 5 years	24	44
	2,681	2,846

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

39 RELATED PARTY TRANSACTIONS

Previously, parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. In accordance with the revised HKAS 24 'Related Party Disclosures' which has become effective on 1 January 2011, the range of related parties is widened since the definition of related party has been changed. For example, an entity is now considered to be related to an associate of its parent company. Similarity two entities are considered to be related if both entities are joint ventures (or one is an associate and the other is a joint venture) of a third entity. In addition, two entities are considered as related if one entity is controlled by an individual who is part of the key management personal of the other entity. On the other hand, non-controlling interests of subsidiaries are no longer regarded as related parties unless they meet the new definition under the revised HKAS 24. The new definition has no impact on the disclosure of related party transactions for the Group as it has no transactions with those additional entities now fall within the expanded range of related parties.

(a) 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
Mr. Clement Kai Yin Kwong	Director

(b) Transactions with related parties

The following transactions were undertaken by the Group with related parties:

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Continuing transactions:		
– Rental expenses to a related party		
Mr. Cao Kuanping	837	800
– Directors' emoluments		
Salaries, bonuses and other welfares	13,050	16,451
Discontinued transactions:		
– Consulting expenses to a related party		
Mr. Clement Kai Yin Kwong	–	160

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.

39 RELATED PARTY TRANSACTIONS *(continued)*

(c) Key management compensation

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Salaries and other allowances	3,269	3,028
Bonuses	119	117
Social security costs	209	171
Pre-IPO Option Scheme expenses	9,287	12,988
	12,884	16,304

(d) Balances with related parties:

The Group had the following material non-trade balances with related parties:

	As at 31 December	
	2011 RMB'000	2010 RMB'000
Balances due to related parties:		
Accruals and other payables (Note 21)		
– Mr. Cao Kuanping	146	156
Salaries, bonuses and welfares payable to directors		
– Mr. Cao Kuanping	152	152
– Mr. Mao Shanxin	22	21
– Mr. Mo Chihe	23	22
– Mr. Wang Zhijin	131	174
– Mr. Lu Chaolin	68	—
	396	369
	542	525

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. Mr. Lu Chaolin was appointed as a director on 25 March 2011.

40 CONTINGENCIES

In respect of the acquisition of the business of Xingfushu through Huainan Four Seas on 1 November 2010 (Note 23), a Consideration equal to the Net Operating Profit for the First Operating Year times 6.5 minus RMB19,500,000 may be payable to the JV partner in cash if the Net Operating Profit of Huainan Four Seas for the First Operating Year exceeds RMB 5,000,000, up to a maximum undiscounted amount of RMB 71,500,000. Meanwhile if the Net Operating Profit for the third year after the commencement of business of Huainan Four Seas exceeds RMB 13,000,000 and the aggregate Net Operating Profits for the first three years after the commencement of business of the Huainan Four Seas exceeds RMB 30,000,000, Yangzhou Huiyin shall pay the JV partner a Bonus Consideration of RMB 12,000,000. Accordingly, the maximum amount of the contingent consideration payable to the JV partner is RMB 83.5 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 by the Company 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.

41 SUBSEQUENT EVENTS

In January and February 2012, the Group obtained unsecured bank borrowings totalling RMB 90,000,000. Meanwhile in January 2012, the Group obtained a bank borrowing of USD 5,000,000, which is secured by restricted bank deposits of RMB 31,500,000.

42 APPROVAL AND AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 20 March 2012.

FINANCIAL SUMMARY

	As at and for the year ended 31 December				
	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000
Revenue	2,835,129	1,784,450	1,247,825	988,214	500,483
Profit attributable to equity holders of the Company	15,509	91,719	91,477	38,197	43,418
Total assets	2,515,235	1,856,880	945,544	767,624	695,077
Total liabilities	1,409,085	784,591	370,081	284,738	251,796
Total equity	1,106,150	1,072,289	575,463	482,886	443,281
Non-controlling interests in equity	40,938	15,317	2,508	1,408	—