2015 INTERIM REPORT

Huiyin Smart Community Co., Ltd.
汇 银 智 慧 社 区 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1280

汇银乐虎网
乐虎三真服务启动

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Corporate Information

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Ms. Ngai Kit Fong

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. Cao Kuanping
Ms. Ngai Kit Fong

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AUDITOR

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STOCK CODE

1280

WEBSITE OF THE COMPANY

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

MARKET REVIEW

In the first half of 2015, the Chinese economy remained stable, and there are both many opportunities and challenges in the ever-changing market circumstances. According to the statistics of the National Bureau of Statistics of China, the GDP growth rate for the first half of 2015 dropped to 7.0%. Meanwhile, with the increase of income of urban and rural residents, consumption of commodities in Mainland China picked up. According to the statistics published by the National Bureau of Statistics of China, total retail sales of consumer goods in the country for the first half of 2015 was RMB14,157.7 billion, representing an increase of 10.4% over the same period of last year. Retail sales of consumer goods in urban areas was approximately RMB12,185.0 billion, representing an increase of 10.2% over the same period of last year, while those in rural areas was approximately RMB1,972.7 billion, representing an increase of 11.6% over the same period of last year. Notably, the online retail sales reached approximately RMB1,645.9 billion, representing an increase of 39.1% over the same period of last year.

In terms of residents' income growth, there is still a space for development in the third and fourth-tier market in China. Rural residents' income continues to grow faster than that of urban residents during the period under review. According to the data from the National Bureau of Statistics of China, for the first half of 2015, the disposable income per capita of urban residents was RMB15,699, representing an actual increase of 6.7% over the same period of last year; while the cash income per capita of rural residents was RMB5,554, representing an actual increase of 8.3% over the same period of last year. As the income gap between urban and rural residents gradually narrows down, the consumption potential of rural residents is huge.

Cost of household appliances industry reduced strikingly with the falling bulk commodity price, and the demand in the third and fourth-tier market went up steadily with the implementation of "new urbanization". Meanwhile as the State Council and governments at all levels vigorously promoted internet, online to offline ("O2O") business has become a new source of consumption growth. The development of rural e-commerce, cross-border e-commerce as well as community e-commerce will lead to transformation and upgrading of many good enterprises.

BUSINESS REVIEW

An integrated business model

Since our establishment, the Company and its subsidiaries (collectively the "Group") gradually became a leader in the third and fourth-tier home appliance markets in China. However with the development and expansion of the business scope, the Group has transformed to a household appliances, internet+, community e-commerce and lottery operator, and was striving to be a smart community service platform leader in China. During the period under review, facing the rapid progress of urbanization, the Group actively captured opportunities to realize transformation and upgrading. The Group fully leveraged sales network and client resources it already has, promoted the construction of smart community e-commerce platform rapidly, and applied the thinking of Internet+ to constitute a perfect closed-loop. Taking advantage of its famous brand name "Huiyin" and "Huiyin Lehu platform", the Group further enhanced the recognition of the "Huiyin" brand in the target markets, expanded the range of products and services available, and understood the change in consumption temperament and shopping habit of people.

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

For the six months ended 30 June 2015, total revenue of the Group was approximately RMB1,222.1 million, representing a decrease of 20.6% as compared with approximately RMB1,538.3 million for the same period in 2014. Profit of the Group for the period was approximately RMB52.4 million, representing an increase of 14.2% as compared with approximately RMB45.9 million for the same period in 2014. Gross profit margin increased to 13.8%, representing an increase of 1.7 percentage points. The growth in the profit recorded for the period were attributable to the business development of the Group, and reversal of provisions made by the Group in respect of the amounts due from suppliers after taking into account of the recovery of operation in the upstream industry.

Traditional business of household appliances

Retail business

Self-operated stores

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

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

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

During the period under review, the Group continued to optimize its store management program. As at 30 June 2015, the Group had 44 self-operated stores, including 36 general stores, 5 shop-in-shops located in department stores and 3 brand retail stores. An imported-goods store was opened in May, which is the first imported merchandise sales center in Yangzhou city. During the period, the Group's revenue from self-operated stores decreased by 23.9% to RMB328.4 million, accounting for approximately 26.9% of the Group's total sales revenue.

Store network

The Group adopted a strategy of expanding its store network of self-operated stores and franchised stores simultaneously, whereby the Group increased its market share in targeted markets and gradually strengthened its leading position in the highly-fragmented third and fourth-tier markets. Most of the franchised stores of the Group were operated under the registered brand of "Huiyin". During the period under review, the Group continued to enhance the overall operating and management standards of existing franchised stores to optimize its franchise network and enhance its service quality. As at 30 June 2015, the Group had a total of 69 franchised stores, including 27 boutiques with smaller area, less cost but higher efficiency.

The Group had an integrated retail network with 113 stores in 20 cities or districts of Jiangsu and Anhui Provinces, of which 44 and 69 were self-operated stores and franchised stores, and the total number of stores in Jiangsu and Anhui Provinces was 97 and 16 respectively.

Bulk distribution business

The Group distributes as a supplier to our franchised stores as well as other independent third parties, mainly including household electronic product retailers and corporate customers. Bulk distribution business and retail business of the Group are complementary to each other, which provided stable supply for our self-operated stores and franchised stores. Meanwhile, backed by ownership of an established and extensive sales network in the third and fourth-tier markets, the Group well understands consumers' demand and preferences in target market, enabling it to better meet the market demand and consolidate its market position.

In response to the challenging market conditions, the Group launched flexible and diversified promotion activities such as group purchase of brand products and warehouse marketing to target customers during the period under review. Currently the Group is a long-standing bulk distributor for a number of well-known household appliances and consumer electronic brands in target markets, and maintained its long-term and close relationship with upstream suppliers, resulting in the increase in market position and enhancement of industrial recognition.

E-commerce and smart community business

E-commerce

By means of "Huiyin Lehu platform" on PC, mobile APP, wechat mall, multi-media terminals at stores and other online to offline network, the Group's e-commerce business developed rapidly. During the period under review, revenue through the "Huiyin Lehu platform" was approximately RMB302.7 million, representing an increase of 1,563.2% from RMB18.2 million for the same period of 2014. Sales revenue through e-commerce includes online retail sales ("business to customers" ("B2C")) and online bulk distribution ("business to business" ("B2B")).

The Group achieved the goal of a year-on-year growth in e-commerce sales through building an on-line platform and organizing e-commerce professional team. Mobile application, electronic shelves and PC terminal have went live to increase online traffic in all channels. As at 30 June 2015, the Group had more than 500,000 registered members on "Huiyin Lehu platform". The Group launched several kinds of fast moving consumer goods including local fresh products, imported food, daily necessities, quality house appliances and digital electronics, provided local life services such as utilities and telephone bill payment and housekeeping service and advertise service for famous brand products on "Huiyin Lehu platform". Along with offline promotion and quality logistic system, the Group attract customers and improve user activity successfully.

Backed by the Group's extensive sales network and well-covered logistics system, "Huiyin Lehu platform" developed a shopping experience combining online and offline sales by allowing customers to purchase online and receive delivery at home or from its physical points. The online to offline business integration allowed centralized management of the Group's downstream business.

Smart community

Aiming to meet community residents' daily needs and preach safe and healthy shopping lifestyle, the Group developed the community life service platform as an important part of the Group's smart community strategy. As at 30 June 2015, the Group had 115 community life service platforms, basically covering the large and medium-size communities in Yangzhou city and its districts or counties.

To really solve the "last mile" problem of O2O business, in-store multi-media terminals which are connected to the online platform enabled customers to purchase products without leaving their homes, and the easy-to-use interface helped to lower user threshold. Customers can choose delivery to home upon their time request, or to collect goods by using the two storage containers in community life service platforms, one of which is for refrigeration. Various products and services are provided to community residents from "Huiyin Lehu platform". Collaborated with carefully selected suppliers and installed with sophisticated cold chain system, fresh agriculture products can be delivered to customers directly from agricultural base. Meanwhile the Group provides community life services such as housekeeping and household appliance repair and maintenance service to bring more convenience to residents. In addition, to raise brand awareness and increase user stickiness, the Group organizes public welfare activities regularly, which is also underscoring our social responsibility. This one-stop community experience was welcomed by community management and well supported by local government, which enables the Group to expand the smart community network at low cost.

Rendering of Services

Lottery

The Group has engaged in the lottery sales business since the second half of 2014 based on a positive outlook of the lottery business in PRC. After entered into welfare lottery agency sales agreements, sport lottery agency sales agreements and strategic cooperation agreements of sport lotteries with relevant local authorities respectively, the Group currently was authorized to provide agency service for sales of lotteries through its sales channel (including self-operated stores, franchised stores and other distribution network) in Jiangsu Province, Anhui Province and Shanghai City. In response to changes in the market, the Group developed offline points actively. During the period under review, the Group realized a sales commission income of RMB7.8 million from providing agency service for lottery sales of RMB101.2 million.

Client services: after-sales and logistics management

Offering of after-sales services is an important contributor to the continued expansion of the Group's businesses and also the competitive advantage of the Group. The Group offers a broad range of installation and maintenance services for the household appliances purchased from the Group or from other third party vendors and suppliers. During the period under review, the Group offered free repair & maintenance service for registered members of the Group, which is widely welcomed and helpful to expand our membership. Operating through authorized arrangements with independent third party operators allowed the Group to extend the geographic coverage of its after-sales customer service with less capital and operational risks. As at 30 June 2015, the Group operated and managed a total of 23 authorized service centers, which provided thoughtful and diversified after-sales warranty services for consumers across a broad geographical areas.

The Group was endeavouring to improve logistics management of its existing logistics network, warehouses and distribution centers in order to support its growing business operations. During the period under review, the Group enhanced information management and implemented real-time monitoring systems relating to its security system, inventory and employee performance. Meanwhile, in addition to cooperation with qualified third-party logistics suppliers, the Group also set up our own logistics team. Currently the Group can deliver twice per day for the same city shipment, and next day delivery can be achieved in the Yangtze River Delta. GPS was installed to optimize the product delivery process as well as the online shopping experience.

The Group has integrated after-sales and logistics into one centralized platform to improve efficiency and effectiveness of client service management.

Integration of marketing strategies

In order to meet the market demand of consumers in different regions, the Group has integrated marketing and brand promotion strategies and has flexibly established strategic store locations in different areas. During the period under review, the Group continued to upgrade and renovate stores, optimized store distribution and product structure and made improvements in sales, management and services. Promotion activities including "Brand Special Group Purchase (品牌專場團購)", "Horizontal Alliance Special Promotion (異業聯盟專場促銷)" and "Smart Community Service Marketing (智慧社區服務營銷)" were launched, which offered more concessions to consumers and contributed to the Group's sales revenue.

In respect of customer base expansion, the Group continued to develop ecosystem and achieved electronic customer information management. This program has enabled the Group to formulate more accurate marketing approaches for loyal customers and improve its marketing and brand promotion strategies. Community services such as household appliances free maintenance, free housekeeping and trade-in were offered to promote accurately on big data of customers.

In respect of brand marketing, by way of combing traditional marketing strategies and innovative media, the Group improved adverting effect and increased the awareness of "Huiyin" brand. During the period under review, in addition to cooperating with multi-media channels including TV, radio and internet, the Group started to promote through mobile devices to improve the communication and interaction with members of Huiyin.

Information technology system construction and information monitoring

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

Information-based human resources management

As at 30 June 2015, the Group had 944 employees. During the period under review, the Group continued to optimize its human resources management structure and improve the skills of its employees. Through participating in diversified training sessions, the staff has developed their skills while gaining expertise. Meanwhile, the Group communicated with its employees regarding career planning and occupational health through "enterprise culture building", and provided them with new insights in terms of career development. During the period under review, the Group organized over 80 training sessions in various aspects, with a total of approximately 2,500 participating employees.

OUTLOOK

In the second half of 2015, challenges will remain for the global economy, retail business will continue to face significant operational pressure and the domestic consumer market will face the change in growth pattern and structural integration. With the technology development, E-commerce grew rapidly. Chinese government has released policies to vigorously promote O2O business. The Group is constantly taking advantage of its own advantages and taking the opportunities arising from market environment and industry consolidation, and is strategically poised to realize future growth. Household appliance is still an important part of our business. Other than the steady demand from first-time buyers, China's consumption of household appliances now mainly derives from the need for replacement and upgrade. The growing size of cities with the progress of China's urbanization, the increase in residential income in third and fourth-tier cities and the improvement in housing conditions will support the growth of demand for home appliances and become new growth drivers for the market.

In the second half of 2015, the Group will take innovative measures in three aspects – store management, brand building and human resources. In view of the urbanization, the Group will expand its sales network in target markets to increase sales revenue, and to further increase its market share and solidify its market position through upgrading and integration of existing network in the third and fourth-tier markets. The Group has entered into cooperation framework agreement in respect of construction of smart community service platforms with relevant local authorities in Nanjing city, upon which, our O2O community service business would commence in Nanjing, and will be expanded to other areas in Yangtze River Delta. Meanwhile, the Group will actively implement its brand marketing strategy, enhance its brand image (including further optimization of the Group's integrated e-commerce platform covering various aspects such as procurement, sales and customer services) and improve the Group's overall asset management efficiency, so as to deepen the Group's relationship with suppliers and customers. In addition, the Group plans to strengthen corporate culture, internal management and upgrade the development of "Huiyin Business School" in order to train more retail talents and provide customers with professional services.

The transformation of our Group to be a smart community service platform leader in China has found its most suitable business model, and the road is promising. Looking ahead to the coming year, the Group will deploy its network according to the smart community expansion plan and to develop a strategic alliance with its suppliers, to maintain the Group's leading position in the target markets. The Group will improve the interaction with community resources and provide creative service to residents, to further reinforce the awareness of the "Huiyin" brand in target market through traditional business and smart community services. Through these strategies, the board (the "Board") of directors (the "Directors") believe that the Group can achieve sustainable business expansion and fully improve its operational efficiency and profitability, thus creating better returns for its shareholders and investors.

FINANCIAL REVIEW

Revenue

During the period under review, due to the impact of macro-economic slowdown and declining demand in the household appliances consumer market, the Group's revenue was approximately RMB1,222.1 million, representing an decrease of 20.6% from approximately RMB1,538.3 million for the same period of 2014.

Turnover of the Group comprises revenues by operation as follows:

	Six months ended 30 June			
	2015		2014	
	RMB'000		RMB'000	
Sales from traditional business				
– Retail	**328,416**	**26.9%**	431,818	28.1%
– Bulk distribution	**577,294**	**47.2%**	1,081,290	70.3%
Sales from e-commerce and smart community business	**302,742**	**24.8%**	18,180	1.2%
Rendering of services	**13,602**	**1.1%**	7,051	0.4%
Total revenue	**1,222,054**	**100.0%**	1,538,339	100.0%

In the first half of 2015, the decrease in sales from traditional channels was mainly attributable to the impact of macro-economic slowdown and the strategic change of the Group to focus on community e-commerce. Sales from e-commerce and smart community business sharply increased because: i) the Group developed the community life service network from the end of 2014 in Jiangsu province; and ii) after several years' preparation, the Group began to put much more concentration on the e-commerce business.

Cost of sales

Cost of sales decreased by approximately 22.1% from RMB1,352.5 million for the six months ended 30 June 2014 to RMB1,053.5 million for the six months ended 30 June 2015, primarily due to an decrease in sales volume.

Gross profit

Our gross profit decreased by approximately 9.4% from RMB185.9 million for the six months ended 30 June 2014 to RMB168.5 million for the six months ended 30 June 2015.

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

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Traditional business	**12.6%**	11.8%
E-commerce and smart community business	**14.7%**	15.5%
Rendering of services	**74.1%**	61.4%
Overall	**13.8%**	12.1%

The increase in overall gross profit margin was mainly due to change of our product structure to more higher-margin categories.

Other income

During the period under review, the Group recorded other income of approximately RMB9.7 million, representing an increase from approximately RMB6.7 million for the same period in 2014.

Other losses

During the period under review, the Group recorded other losses of approximately RMB6.1 thousand, while other losses of approximately RMB1.6 thousand was recorded in the same period in 2014.

Selling and marketing expenses

During the period under review, the Group's total selling and marketing expenses amounted to approximately RMB84.2 million, representing an increase from approximately RMB70.9 million for the same period in 2014, which was mainly due to the increase of promotion and advertising expenses.

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

	Six months ended 30 June	
	2015	2014
Employee benefit expenses	**1.71%**	1.14%
Service charges	**0.24%**	0.21%
Operating lease expenses in respect of buildings and warehouses	**1.76%**	1.33%
Promotion and advertising expenses	**1.09%**	0.62%
Depreciation of property, plant and equipment	**0.67%**	0.50%
Utilities and telephone expenses	**0.26%**	0.20%
Transportation expenses	**0.45%**	0.44%
Travelling expenses	**0.07%**	0.06%
Others	**0.64%**	0.11%
Total selling and marketing expenses	**6.89%**	4.61%

The increase of percentage of promotion and advertising expenses was mainly due to the rapid development of the community life service network and the e-commerce business.

Administrative expenses

During the period under review, the Group's total administrative expenses (credit) amounted to approximately RMB13.7 million, while expenses approximately RMB17.2 million for the same period of 2014, which was mainly due to the reversal of provision for impairment on receivables.

The following table sets out a summary for administrative expenses:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Employee benefit expenses	**14,163**	18,177
Share option expenses	**15,844**	—
Operating lease expenses in respect of buildings	**1,634**	1,235
Utilities and telephone expenses	**975**	772
Travelling expenses	**2,371**	902
Auditors' remuneration	**1,475**	1,475
Consulting expenses	**117**	285
Amortisation and depreciation	**4,692**	4,359
Reversal of provision for impairment on receivables	**(65,644)**	(32,409)
Others	**10,658**	22,365
Total administrative expenses	**(13,715)**	17,161

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

Operating profit

Profit from operations was approximately RMB107.7 million for the six months ended 30 June 2015, while approximately RMB104.5 million for the same period in 2014.

Finance costs — net

During the period under review, the Group's net finance costs was approximately RMB16.7 million, representing an decrease from approximately RMB22.0 million for the six months ended 30 June 2014, which was mainly due to the decrease of bank borrowings.

Share of loss of a joint venture

During the period under review, the share of loss of a joint venture amounting to RMB5.9 million (2014: RMB5.7 million) was share of loss of Yangzhou Huiyin Real Estate Co., Ltd. ("Huiyin Real Estate"), which had became a joint venture because of a co-operation agreement signed by the Group and Shanghai Coastal Weiying Equity Investment Fund Management Co., Ltd. ("Weiying") on 27 January 2014 to jointly control the legal and financial operations of Huiyin Real Estate to develop the land parcel. The Group recognizes the share of profit and loss of Huiyin Real Estate by applying equity method. The loss of Huiyin Real Estate was mainly due to the interest expense from borrowing owed to the Group, which was previously an intra-group charges.

Share of profit of an associate

During the first half of 2015, the share of profit of an associate amounting to RMB102,000 was share of profit of Taixing Shengshi Huazhang Electronic Sales Co., Ltd. ("Huazhang"), which is an associate set up by Yangzhou Shengshi Xinxing Electronic Sales Co., Ltd. ("Yangzhou Shengshi"), an indirectly owned subsidiary of the Company, together with 2 third party companies on 29 September 2014. The Group recognizes the share of profit and loss of Huazhang by applying equity method.

Profit before income tax

During the period under review, the profit before income tax was approximately RMB85.2 million, while approximately RMB76.8 million for the same period of 2014.

Income tax

During the period under review, the Group's income tax expense was approximately RMB32.8 million, representing 38.5% of the profit before income tax, while there was income tax expense of approximately RMB30.9 million, representing 40.2% of the loss before income tax for the same period of 2014.

Profit attributable to equity holders of the Company

The Group's profit attributable to equity holders for the period under review was approximately RMB55.4 million, while approximately RMB41.3 million for the same period in 2014. The core profit attributable to equity holders of the Company is the profit attributable to equity holders of the Company excluding share option expenses. The core profit attributable to equity holders of the Company was approximately RMB71.2 million for the first half of 2015, representing an increase of 72.4% over the same period of 2014.

Investment in and loan to a joint venture

As announced by the Company on 27 January 2014, the Group entered into a co-operation agreement with Weiying effective on 4 March 2014 in respect of the development of the land parcel acquired in 2011. Under the co-operation agreement, Huiyin Real Estate, which was a 100% controlled subsidiary of the Company previously, would be the entity undertaking the project. The Group and Weiying would jointly control the legal and financial operations as well as other key relevant activities of Huiyin Real Estate. Accordingly, Huiyin Real Estate became a joint venture and its assets and financial results ceased to be consolidated in the accounts of the Group. The Group recognized its interest in Huiyin Real Estate as an investment in joint venture which includes capital contributed of RMB50.0 million and share of accumulated loss of RMB35.3 million as at 30 June 2015.

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

Loan to Huiyin Real Estate as at 30 June 2015 includes principal amount of RMB197.3 million and interest receivable of RMB46.9 million. The loan carries an interest calculated at compound rate of 6.6% per annum which will be settled together with the principal amount upon the completion of the property project being undertaken by Huiyin Real Estate.

Cash and cash equivalents

As at 30 June 2015, the Group's cash and cash equivalents were approximately RMB124.0 million, representing an increase of 112.0% from approximately RMB58.5 million at the end of 2014.

Inventories

As at 30 June 2015, the Group's inventories amounted to approximately RMB327.9 million, representing a decrease from RMB413.8 million at the end of 2014.

Prepayments, deposits and other receivables

As at 30 June 2015, prepayments, deposits and other receivables of the Group amounted to approximately RMB1,239.6 million, representing an increase of 8.4% from approximately RMB1,143.6 million at the end of 2014.

Trade and bills receivables

As at 30 June 2015, trade and bills receivables of the Group amounted to approximately RMB132.2 million, representing an increase of 9.7% from approximately RMB120.5 million at the end of 2014.

Trade and bills payables

As at 30 June 2015, trade and bills payables of the Group amounted to approximately RMB910.6 million, representing a slight decrease from approximately RMB949.9 million at the end of 2014.

Gearing ratio and the basis of calculation

As at 30 June 2015, gearing ratio of the Group was 41.9%, representing a decrease from 55.3% as at 31 December 2014. The gearing ratio is equal to total borrowings divided by the sum of total equity and total borrowings.

Capital expenditure

During the period under review, capital expenditure of the Group amounted to approximately RMB18.3 million, representing an increase from approximately RMB16.7 million for the same period in 2014.

Cash flows

During the period under review, net cash outflow from operating activities of the Group amounted to approximately RMB156.6 million as compared to approximately RMB29.9 million for the same period in 2014. The higher net cash outflow was mainly due to the decrease of advances from customers.

Net cash inflow from investing activities amounted to approximately RMB5.6 million as compared to net cash outflow approximately RMB18.9 million for the same period in 2014. The inflow was mainly due to more interest income received in 2015.

Net cash inflow from financing activities amounted to approximately RMB249.4 million, while the net cash outflow from financing activities amounted to approximately RMB44.9 million for the same period in 2014, which was mainly due to the subscription of new shares amounting to RMB189.3 million during the first half of 2015. As at 30 June 2015, the Group's borrowings were mainly due for repayment within the next 12 months which was primarily due to medium-term notes in the aggregate principal amount of RMB390,000,000 would come to the end of their 3 years term in August 2015. The Group is in the process of seeking for the most suitable re-financing with acceptable costs to replace. The directors are confident that alternative financing will be available on a timely basis.

Liquidity and financial resources

During the period under review, the Group's working capital, capital expenditure and cash for investment were funded from cash on hand, bank borrowings, medium-term notes and proceeds from issurance of ordinary shares. As at 30 June 2015, the interest-bearing bank borrowings of the Group amounted to RMB760.6 million, representing a decrease from RMB1,048.1 million as at 31 December 2014.

Pledging of assets

As at 30 June 2015, the Group's pledged bank deposits and merchandise held for resale amounted to RMB736.4 million and RMB65.0 million respectively. Certain land use rights, buildings and investment properties with a total net book amount of RMB230.8 million had been pledged.

Contingent liabilities

As at 30 June 2015, the Group had no contingent liabilities which have not been properly accrued for.

Foreign currencies and treasury policy

All the 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 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 RMB137.9 million) for expansion of our retail network, approximately HK$203.2 million (equivalent to approximately RMB178.3 million) for potential acquisitions of home appliances and electronics retail enterprises in eastern China which target at the third and fourth-tier markets, approximately HK$55.0 million (equivalent to approximately RMB48.4 million) for expansion of our existing distribution and logistics centers in Jiangsu Province, approximately HK$5.0 million (equivalent to approximately RMB4.4 million) for improving our existing information and management systems, and approximately HK$39.2 million (equivalent to approximately RMB34.5 million) as our general working capital.

As at 30 June 2015, our use of net proceeds raised from IPO was as follows:

	Net proceeds from IPO	
	Available to utilise (RMB million)	**Utilised (up to 30 June 2015) (RMB million)**
Expansion of retail network	137.9	137.9
Acquisitions of home appliances and electronics retail enterprises	178.3	68.3
Expansion of distribution and logistics centers in Jiangsu Province	48.4	48.4
Improving information and management systems	4.4	4.4
General working capital	34.5	34.5
	403.5	293.5

The remaining net proceeds were held by us in short-term deposits with licensed banks and authorised financial institutions in Hong Kong and/or the PRC. The remaining net proceeds will be applied in the manner as stated in the prospectus of the Company dated 12 March 2010.

EMPLOYMENT AND REMUNERATION POLICY

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

HUMAN RESOURCES

As at 30 June 2015, the Group had 944 employees, up 8.6% from 869 at the end of 2014.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2015.

SHARE OPTION SCHEMES

On 5 March 2010, we have adopted a pre-IPO option scheme (the "Pre-IPO Option Scheme") and a share option scheme (the "Share 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 Pre-IPO Option Scheme and the Share Option Scheme include, without limitation, directors and employees of the Company, or any of its subsidiaries or associated companies.

Pre-IPO Option Scheme

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

	Number of Pre-IPO Options				
Name	As at 1 January 2015	Granted during the period	Exercised during the period	Lapsed during the period	As at 30 June 2015
Cao Kuanping *Chairman, Chief Executive Officer and Executive Director*	25,000,000	—	—	25,000,000	—
Mo Chihe *Executive Director*	3,000,000	—	—	3,000,000	—
Mao Shanxin *Executive Director*	10,000,000	—	—	10,000,000	—
Wang Zhijin *Executive Director and Chief Financial Officer*	3,000,000	—	—	3,000,000	—
Lu Chaolin *Executive Director and Vice General Manager*	3,000,000	—	—	3,000,000	—
Gao Yuan *General manager of Yangzhou Hengxin Air-conditioner Sales Co., Ltd.*	3,000,000	—	—	3,000,000	—
Sun Qingxiang *General manager of Yangzhou Huide Electronics Distribution Co., Ltd.*	3,000,000	—	—	3,000,000	—

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

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

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

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

The subscription price payable upon the exercise of any Pre-IPO Options is fixed at HK$1.521. No further options will be offered under the Pre-IPO Option Scheme. Details of the valuation of the Pre-IPO Options are set out in note 17(b) to the unaudited condensed consolidated interim financial statements of this interim report.

On 25 March 2015, all the share options granted under the Pre-IPO Option Scheme have lapsed.

Share Option Scheme

On 14 May 2015, the Board resolved to grant 100,000,000 share options to eligible participants under the Share Option Scheme.

The following directors, an associate of the Directors and employees were granted the share options to subscribe for up to 100,000,000 Shares pursuant to the Share Option Scheme. Among the 100,000,000 share options, 35,500,000 share options were granted to directors of the Company and an associate of a Director.

	Number of Share Options				
Name	As at 1 January 2015	Granted during the period	Exercised during the period	As at 30 June 2015	Approximate percentage of interest in the Company
Directors and their associate					
Cao Kuanping *Chairman, Chief Executive Officer and Executive Director*	–	1,000,000	–	1,000,000	0.08%
Mo Chihe *Executive Director*	–	10,000,000	–	10,000,000	0.79%
Mao Shanxin *Executive Director*	–	1,000,000	–	1,000,000	0.08%
Wang Zhijin *Executive Director and Chief Financial Officer*	–	8,000,000	–	8,000,000	0.64%
Lu Chaolin *Executive Director and Vice General Manager*	–	5,000,000	–	5,000,000	0.40%
Hu Yanyu *Executive Director and Investor Relationship Officer*	–	8,000,000	–	8,000,000	0.64%
Zhou Shuiwen *Independent Non-Executive Director*	–	500,000	–	500,000	0.04%
Tam Chun Chung *Independent Non-Executive Director*	–	500,000	–	500,000	0.04%
Lo Kwong Shun Wilson *Independent Non-Executive Director*	–	500,000	–	500,000	0.04%
Mao Shanzhen *(the spouse of Cao Kuanping and the sister of Mao Shanxin)*	–	1,000,000	–	1,000,000	0.08%
Others *Employees*	–	64,500,000	–	64,500,000	5.13%
	–	100,000,000	–	100,000,000	

The Share Options may only become exercisable in accordance with the following vesting schedule:

(i) half of Share Options (rounded down to the nearest whole number) shall be exercisable at any time during the period commencing on 14 August 2015 and ending on 13 May 2020;

(ii) the remaining half of Share Options (rounded down to the nearest whole number) shall be exercisable at any time during the period commencing on 14 May 2016 and ending on 13 May 2020.

The subscription price payable upon the exercise of any Share Options is fixed at HK$1.69. Details of the valuation of the Share Options are set out in note 17(c) to the unaudited condensed consolidated interim financial statements of this interim report.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2015, 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 (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange, to be notified to the Company and the Stock Exchange, were as follows:

Name	Name of corporation	Capacity and nature of interest	Aggregate number of ordinary shares or underlying shares	Approximate percentage of interest in the corporation
Cao Kuanping	The Company	Interest of controlled corporation	330,103,625 Shares (L)	26.24%
		Beneficial owner	1,000,000 underlying Shares (L)	0.08%
		Spouse interest	1,000,000 underlying Shares (L)	0.08%
Lu Chaolin	The Company	Beneficial owner	5,000,000 underlying Shares (L)	0.40%
Mo Chihe	The Company	Beneficial owner	10,000,000 underlying Shares (L)	0.79%
Mao Shanxin	The Company	Beneficial owner	1,000,000 underlying Shares (L)	0.08%
Wang Zhijin	The Company	Beneficial owner	8,000,000 underlying Shares (L)	0.64%
Hu Yanyu	The Company	Beneficial owner	8,000,000 underlying Shares (L)	0.64%
Tam Chun Chung	The Company	Beneficial owner	500,000 underlying Shares (L)	0.04%
Zhou Shuiwen	The Company	Beneficial owner	500,000 underlying Shares (L)	0.04%
Lo Kwong Shun Wilson	The Company	Beneficial owner	500,000 underlying Shares (L)	0.04%

(L) denotes long position.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Directors or chief executives of the Company, as at 30 June 2015, shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Name of corporation	Capacity and nature of interest	Aggregate number of ordinary shares	Approximate percentage of interest in the corporation
China Ruike Investment & Development Co., Ltd.	The Company	Beneficial owner	330,103,625 (L)	26.24%
Fuxin Investment Holding Co., Ltd.	The Company	Beneficial owner	131,097,727 (L)	10.42%

(L) denotes long position.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the period from 1 January 2015 up to the date of this interim 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 33(b) to the unaudited condensed consolidated interim financial statements in this interim report, during the six months ended 30 June 2015, the Group had rental expenses paid to Mr. Cao Kuanping amounting to RMB1,825,000. As disclosed in the announcement dated 18 January 2013 published by the Company, on 18 January 2013, Mr. Cao Kuanping as landlord entered into a tenancy agreement with Jiangsu Huiyin Electronics Chain-Stores Co., Ltd. as tenant (the "Huiyin Tenancy Agreement") and a tenancy agreement with Yangzhou Huide Electronics Distribution Co., Ltd. as tenant (the "Huide Tenancy Agreement", together with the Huiyin Tenancy Agreement, the "Tenancy Agreements"). Mr. Cao, who is the Chairman and an executive Director of the Company, is a connected person of the Company, and accordingly, the Tenancy Agreements constitute continuing connected transactions of the Company under the Listing Rules. As the applicable percentage ratios on an annual basis calculated with reference to the aggregate annual rents payable by the Group to Mr. Cao are more than 0.1% but less than 5% and the aggregate annual rents payable are more than HK$3,000,000, under Rule 14A.76 of the Listing Rules, the Tenancy Agreements are subject to the announcement and annual reporting requirements set out in Rules 14A.68 and 14A.71 of the Listing Rules and the annual review requirements set out in Rules 14A.55 to 14A.59 but is exempted from shareholders' approval requirement under Chapter 14A of the Listing Rules.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to enhancing the corporate governance of the Group, and the Board reviews and updates all necessary measures in order to promote good corporate governance.

The Company has complied with the code provisions as set out in the Corporate Governance Code (the "Code"), contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2015 except with the following deviation.

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

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

Under code provision E.1.2 of the Code, the chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval. The independent non-executive Directors were unable to attend the extraordinary general meeting of the Company held on 10 July 2015 due to their other business commitments.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made with all Directors and the Directors have confirmed compliance with the required standard set out in the Model Code during the period from 1 January 2015 to 30 June 2015.

The Company has also established the written guidelines no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by relevant employees of the Company. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company.

The English name of the PRC entity mentioned above marked "" is the translation from its Chinese name and is for identification purpose only. If there is any inconsistency, the Chinese name shall prevail.*

AUDIT COMMITTEE

The Audit Committee of the Company comprises three members, all of whom are independent non-executive Directors, namely Mr. Tam Chun Chung, who possesses professional accounting qualifications, Mr. Zhou Shuiwen and Mr. Lo Kwong Shun Wilson. Mr. Tam Chun Chung is the Chairman of the Audit Committee. The Audit Committee has adopted the terms of reference in line with the Code issued by the Stock Exchange. The principal duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors, and arrangements to enable employees of the Company, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company. The Audit Committee of the Company has in conjunction with management reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of this interim report. In addition, the Company's auditor PricewaterhouseCoopers has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2015.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief, the Company has maintained a sufficient public float throughout the period from 1 January 2015 to 30 June 2015, and up to the date of this interim report.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2015.

EVENT AFTER REPORTING PERIOD

Change of Company Name

The English name of the Company has been changed from "Huiyin Household Appliances (Holdings) Co., Ltd." to "Huiyin Smart Community Co., Ltd." and the Chinese name of the Company has been changed from " 汇银家电(控股)有限公司" to "汇银智慧社区有限公司".

The stock short name of Shares for trading on the Stock Exchange will be changed from "HUIYIN APP" to "HUIYIN SMARTCOM" in English and from "匯銀家電" to "匯銀智慧社區" in Chinese.

Details of the change of company name and stock short name and effects of the change of company name can be referred to in the announcement published on the websites of the Stock Exchange and the Company on 10 August 2015.

Placing of new shares

As disclosed in the announcements of the Company dated 28 May 2015, on 28 May 2015 (after trading hours), the Company entered into a placing agreement with a placing agent, pursuant to which the Company conditionally agreed to place, through the placing agent on a best effort basis, up to 102,616,000 placing Shares to not fewer than six placees who and whose ultimate beneficial owners are independent third parties at a price of HK$1.77 per Share (the "**First Placing**"). 102,616,000 new Shares, with an aggregate nominal value of US$102,616, were issued on 5 June 2015 pursuant to the First Placing. Moreover, on 28 May 2015 (after trading hours), the Company also entered into a subscription agreement with China Ruike Investment & Development Co., Ltd. ("**China Ruike**") pursuant to which China Ruike conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue 35,000,000 new Shares at a price of HK$1.77 per Share to China Ruike (the "**Subscription**"). 35,000,000 Shares, with an aggregate nominal value of US$35,000, were issued to China Ruike on 17 July 2015 pursuant to the Subscription.

The subscription price of HK$1.77 per Share represents (i) a discount of approximately 9.23% to the closing price of HK$1.95 per Share as quoted on the Stock Exchange on the date of the placing agreement; (ii) a discount of approximately 5.85% to the average of the closing price per Share of approximately HK$1.88 as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of the placing agreement; and (iii) a discount of approximately 1.67% to the average of the closing price per Share of approximately HK$1.80 as quoted on the Stock Exchange for the last ten consecutive trading days prior to the date of placing agreement.

The net proceeds from the First Placing and the Subscription, after the deduction of the placing commission and other related expenses which were borne by the Company, are approximately HK$238.00 million, including approximately HK$177.05 million from the First Placing and approximately HK$60.95 million from the Subscription. The net proceeds from the First Placing and the Subscription will be used as to approximately HK$190.00 million for general working capital of the Group, which is mainly for purchasing merchandise, and approximately HK$48.00 million for future development of the existing business of the Group, including development of the business of community e-commerce. The net price of the 137,616,000 Shares under the First Placing and the Subscription was approximately HK$0.99.

Further details of the First Placing and the Subscription of the Company can be referred to in the announcements of the Company dated 5 June 2015 and 17 July 2015, and the circular of the Company dated 18 June 2015.

The Board considers that the fund raising activities mentioned above represent good opportunities to raise additional funds for the Company and broaden the capital base of the Company.

On behalf of the Board

Cao Kuanping
Chairman

Hong Kong, 10 August 2015

Condensed Consolidated Balance Sheet

	Note	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
ASSETS			
Non-current assets			
Land use rights	7	47,518	48,149
Property, plant and equipment	7	229,320	223,280
Investment properties	7	5,660	5,745
Intangible assets	8	37,491	37,429
Investment in and loan to a joint venture	9	258,947	256,976
Investment in an associate	10	718	618
Deferred income tax assets	11	131,873	134,924
		711,527	707,121
Current assets			
Inventories	12	327,909	413,843
Trade and bills receivables	13	132,235	120,473
Prepayments, deposits and other receivables	14	1,239,586	1,143,634
Restricted bank deposits	15	736,378	986,063
Cash and cash equivalents	16	123,989	25,314
		2,560,097	2,689,327
Total assets		3,271,624	3,396,448
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital: nominal value	17	8,447	7,819
Reserves		1,004,900	793,858
		1,013,347	801,677
Non-controlling interests in equity		42,171	45,145
Total equity		1,055,518	846,822

	Note	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	20	6,252	—
Deferred income tax liabilities	10	211	211
Deferred government grants	21	2,789	2,818
		9,252	3,029
Current liabilities			
Trade and bills payables	18	910,567	949,869
Accruals and other payables	19	335,187	367,390
Borrowings	20	754,360	1,048,068
Current income tax liabilities		153,180	127,710
Other current liabilities	22	53,560	53,560
		2,206,854	2,546,597
Total liabilities		2,216,106	2,549,626
Total equity and liabilities		3,271,624	3,396,448
Net current assets		353,243	142,730
Total assets less current liabilities		1,064,770	849,851

The notes on pages 30 to 70 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Income Statement

	Note	Unaudited Six months ended 30 June 2015 RMB'000	 2014 RMB'000
Revenue	23	**1,222,054**	1,538,339
Cost of sales	26	**(1,053,531)**	(1,352,456)
Gross profit		**168,523**	185,883
Other income	24	**9,656**	6,693
Other losses — net	25	**(6)**	(2)
Selling and marketing expenses	26	**(84,183)**	(70,942)
Administrative expenses	26	**13,715**	(17,161)
Operating profit		**107,705**	104,471
Finance income	27	**19,370**	24,056
Finance costs	27	**(36,090)**	(46,036)
Finance costs — net	27	**(16,720)**	(21,980)
Share of loss of a joint venture	9	**(5,913)**	(5,698)
Share of profit of an associate	10	**102**	
Profit before income tax		**85,174**	76,793
Income tax expense	28	**(32,787)**	(30,882)
Profit for the period		**52,387**	45,911
Attributable to:			
– Equity holders of the Company		**55,361**	41,321
– Non-controlling interests		**(2,974)**	4,590
		52,387	45,911
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB cents per share)			
– Basic	29	**4.72**	3.94
– Diluted	29	**4.55**	3.24
Dividends	30	**—**	—

The notes on pages 30 to 70 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Comprehensive Income

	Unaudited Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Profit for the period	52,387	45,911
Other comprehensive income or loss	—	—
Total comprehensive income for the period	52,387	45,911
Attributable to:		
– Equity holders of the Company	55,361	41,321
– Non-controlling interests	(2,974)	4,590
	52,387	45,911

The notes on pages 30 to 70 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes In Equity

		Unaudited							
		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 2014		7,162	827,784	28,007	(59,660)	(111,659)	691,634	35,852	727,486
Profit/Total comprehensive income for the six months ended 30 June 2014		–	–	–	–	41,321	41,321	4,590	45,911
Dividend paid by a subsidiary to non-controlling interests		–	–	–	–	–	–	(100)	(100)
Total transactions of with owners		–	–	–	–	41,321	41,321	4,490	45,811
Deemed disposal of a subsidiary with loss of control		–	–	–	2,228	–	2,228	1,192	3,420
Balance at 30 June 2014		7,162	827,784	28,007	(57,432)	(70,338)	735,183	41,534	776,717
Balance at 1 January 2015		7,819	884,938	28,007	(57,432)	(61,655)	801,677	45,145	846,822
Profit/Total comprehensive income for the six months ended 30 June 2015		–	–	–	–	55,361	55,361	(2,974)	52,387
Issue of ordinary shares	17	628	139,837	–	–	–	140,465	–	140,465
Share Option Schemes – value of employee services	17	–	–	–	15,844	–	15,844	–	15,844
Balance at 30 June 2015		8,447	1,024,775	28,007	(41,588)	(6,294)	1,013,347	42,171	1,055,518

The notes on pages 30 to 70 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Cash Flow Statement

	Note	Unaudited Six months ended 30 June 2015 RMB'000	2014 RMB'000
Cash flows from operating activities:			
Cash (used in)/generated from operations		(129,283)	3,711
Interest paid		(23,074)	(26,859)
Income tax paid		(4,266)	(6,800)
Net cash used in operating activities		(156,623)	(29,948)
Cash flows from investing activities:			
Purchase of property, plant and equipment	7	(17,526)	(16,446)
Purchase of intangible assets	8	(811)	(190)
Proceeds from disposal of property, plant and equipment	7	44	83
Disposal of a subsidiary with loss of control	9	—	(7,963)
Additional loan to a joint venture	9	(39)	(39)
Interest received		23,906	5,689
Net cash generated from/(used in) investing activities		5,574	(18,866)
Cash flows from financing activities:			
Proceeds from bank borrowings	20	113,000	178,200
Repayments of bank borrowings	20	(409,131)	(223,000)
Proceeds from advance from third parties	19	68,200	—
Repayments of advance from third parties	19	(5,200)	—
Net Proceeds from issuance of bonds	20	6,244	—
Proceeds from issuance of ordinary shares	17	140,465	—
Proceeds from advance from a shareholder for subscription of ordinary shares of the Company	19	48,866	—
Net decrease in restricted cash relating to financing activities	15	287,000	—
Dividend paid by a subsidiary to non-controlling interests	30	—	(100)
Net cash generated from/(used in) financing activities		249,444	(44,900)
Increase/(decrease) in cash and cash equivalents		98,395	(93,714)
Cash and cash equivalents at beginning of the period	16	25,314	152,235
Exchange differences on cash and cash equivalents		280	(53)
Cash and cash equivalents at end of the period	16	123,989	58,468

The notes on pages 30 to 70 are an integral part of these condensed consolidated interim financial statements.

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 5 February 2008 as an exempted company with limited liability under the Companies Law (2009 Revision as amended, supplemented or otherwise modified) of the Cayman Islands. The address of its registered office is Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands. The Company changed its name from China Yinrui Investment Holding Co., Ltd. to Huiyin Household Appliances (Holdings) Co., Ltd. on 8 December 2009, and then chaged its name to Huiyin Smart Community Co., Ltd. On 16 July 2015.

The Company is principally engaged in investment holding. The principal activities of the Company and its subsidiaries (together, the "Group") are engaged in the retail and bulk distribution sales of household appliances, e-commerce and smart community business and other services in the People's Republic of China (the "PRC").

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

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

2 BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 June 2015 are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements of the Company for the year ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

These condensed consolidated interim financial statements are presented in thousands of Renminbi ("RMB'000"), unless otherwise stated and were approved by the Company's board of directors on 10 August 2015.

These condensed consolidated interim financial statements have not been audited.

3 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those used for and described in the annual consolidated financial statements of the Company for the year ended 31 December 2014.

(a) Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(b) New amendment and improvements adopted by the Group in 2015:

- Amendment to HKAS 19 "Defined Benefit Plans: Employee Contributions"
- Annual improvements 2012, affecting the following 4 standards: HKFRS 8 "Operating Segments", HKAS 16 "Property, Plant and Equipment", HKAS 24 "Related Party Disclosures" and HKAS 38 "Intangible Assets"
- Annual improvements 2013, affect the following 3 standards: HKFRS 3 "Business Combinations'', HKFRS 13 "Fair Value Measurement" and HKAS 40 "Investment Property"

The adoption of the above new amendment and improvements starting from 1 January 2015 did not give rise to any significant impact on the Group's results of operations and financial position for the six months ended 30 June 2015.

The Group has not early adopted any new accounting and financial reporting standards, amendments and interpretations to existing standards which have been issued but are not yet effective for the financial year ending on 31 December 2015.

4 ESTIMATES

The preparation of these condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2014.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 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 condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2014.

There have been no changes in the risk management department since year end or in any risk management policies.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

5.2 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.

	Within 3 months RMB'000	Between 3 to 6 months RMB'000	Between 6 to 12 months RMB'000	Between 1 to 2 years RMB'000	More than 2 years RMB'000
As at 30 June 2015					
Borrowings (Note 20)	477,063	203,067	75,000	–	7,901
Interest payments on borrowings (note)	28,046	2,515	614	473	2,840
Trade and bills payables (Note 18)	657,663	252,904	–	–	–
Accruals and other payables, excluding the advances from customers, advances from a shareholder for subscription of ordinary shares of the Company, value added tax and other tax payables and salary and welfare payables (Note 19)	146,201	–	–	–	–
	1,308,973	458,486	75,614	473	10,741
As at 31 December 2014					
Borrowings (Note 20)	88,317	311,570	651,281		–
Interest payments on borrowings (note)	6,152	4,112	26,550		–
Trade and bills payables (Note 18)	561,650	388,219	–	–	–
Accruals and other payables, excluding the advances from customers, value added tax and other tax payables, salary and welfare payables (Note 19)	78,008	5,200	–	–	–
	734,127	709,101	677,831		–

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

5.2 Liquidity risk *(continued)*

Note:

The interest payments on borrowings are calculated based on borrowings held as at 30 June 2015 and 31 December 2014 respectively without taking into account of future borrowings.

As at 30 June 2015, the Group's borrowings were mainly due for repayment within the next 12 months which was primarily due to medium-term notes in the aggregate principal amount of RMB390,000,000 would come to the end of their 3 years term in August 2015 (Note 20 (c)). The Group is in the process of seeking for the most suitable re-financing with acceptable costs to replace. The directors are confident that alternative financing will be available on timely basis and the repayment of the medium-term notes will not become an unsolvable liquidity issue to the Group. This will only be a temporary challenge to the management in choosing the best option for the Group.

5.3 Fair value estimation

The different levels of valuation method for derivatives and other 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 liabilities that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair values of contingent consideration arising from the business combination (Note 22) were measured at fair value by Level 3.

5.4 Fair value measurements using significant unobservable inputs (Level 3)

	Contingent consideration Six months ended 30 June 2014 and 30 June 2015 RMB'000
Opening balance and closing balance	53,560

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

5.5 Group's valuation processes

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

The main Level 3 input used by the Group pertains to the discount rate for contingent consideration. It is estimated based on the market conditions.

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

As at 30 June 2015 and 31 December 2014, the fair values of all financial assets and liabilities approximate their carrying amounts.

6 SEGMENT INFORMATION

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

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

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

- Traditional business
- E-commerce and smart community business

6 SEGMENT INFORMATION *(continued)*

Other operations of the Group mainly comprise provision of maintenance and installation services to customers, the real estate business until March 2014 during which such business was deconsolidated and became a joint venture of the Group and starting from September 2014, the agency service for sales of lotteries.

The unaudited segment results for the six months ended 30 June 2015 are as follows:

	Traditional business RMB'000	E-commerce and smart community business RMB'000	All other segments RMB'000	Unallocated RMB'000	Group RMB'000
Segment revenue	1,030,694	302,742	13,602	–	1,347,038
Inter-segment revenue	(124,984)	–	–	–	(124,984)
Revenue from external customers	905,710	302,742	13,602	–	1,222,054
Operating profit/(loss)	92,485	36,019	(1,227)	(19,572)	107,705
Finance costs - net					(16,720)
Share of loss of a joint venture					(5,913)
Share of profit of an associate					102
Profit before income tax					85,174
Income tax expense					(32,787)
Profit for the period					52,387
Other segment items are as follows:					
Capital expenditure	13,710	4,583	–	39	18,332
Depreciation charge	8,539	2,854	128	–	11,521
Amortisation charge	1,023	342	15	–	1,380

6 SEGMENT INFORMATION *(continued)*

The unaudited segment results for the six months ended 30 June 2014 are as follows:

	Traditional business RMB'000	E-commerce and smart community business RMB'000	All other segments RMB'000	Unallocated RMB'000	Group RMB'000
Segment revenue	1,525,298	18,180	7,051	—	1,550,529
Inter-segment revenue	(12,190)	—	—	—	(12,190)
Revenue from external customers	1,513,108	18,180	7,051	—	1,538,339
Operating profit/(loss)	104,978	1,654	1,376	(3,537)	104,471
Finance costs - net					(21,980)
Share of loss of a joint venture					(5,698)
Profit before income tax					76,793
Income tax expense					(30,882)
Profit for the period					45,911
Other segment items are as follows:					
Capital expenditure	16,378	258	—	39	16,675
Depreciation charge	9,848	155	238	—	10,241
Amortisation charge	950	15	—	—	965

Traditional business included the results from sales of household appliances through retail and wholesale channel.

E-commerce and smart community business included the results from sales of household appliances, foods and other merchandise through online and smart community channel.

All other segments included the results from rendering maintenance and installation services and commission from agency services for sales of lotteries.

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

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

6 SEGMENT INFORMATION *(continued)*

Unaudited segment assets and liabilities as at 30 June 2015 are as follows:

	Traditional business RMB'000	E-commerce and smart community business RMB'000	All other segments RMB'000	Group RMB'000
2015				
Segment assets	2,024,482	630,286	28,319	2,683,087
Unallocated assets				588,537
Total assets				3,271,624
Segment liabilities	952,539	287,778	12,930	1,253,247
Unallocated liabilities				962,859
Total liabilities				2,216,106

The audited segment assets and liabilities as at 31 December 2014 are as follows:

	Traditional business RMB'000	E-commerce and smart community business RMB'000	All other segments RMB'000	Group RMB'000
2014				
Segment assets	2,448,081	47,811	13,038	2,508,930
Unallocated assets				887,518
Total assets				3,396,448
Segment liabilities	1,334,222	26,057	13,359	1,373,638
Unallocated liabilities				1,175,988
Total liabilities				2,549,626

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

Segment liabilities comprise operating liabilities and exclude items such as deferred income tax liabilities, current income tax liabilities, borrowings, advance from a shareholder for subscription of ordinary shares of the Company and corporate liabilities.

7 CAPITAL EXPENDITURE OTHER THAN INTANGIBLE ASSETS

	Land use rights RMB'000	Property, plant and equipment RMB'000	Investment properties RMB'000
Six months ended 30 June 2014			
Opening net book amount at 1 January 2014	22,887	186,803	5,915
Additions	—	18,513	—
Disposal	—	(85)	—
Deemed disposal of a subsidiary with loss of control	—	(314)	—
Amortisation and depreciation (Note 26)	(279)	(10,156)	(85)
Closing net book amount at 30 June 2014	22,608	194,761	5,830
Six months ended 30 June 2015			
Opening net book amount at 1 January 2015	48,149	223,280	5,745
Additions	—	17,526	—
Disposals	—	(50)	—
Amortisation and depreciation (Note 26)	(631)	(11,436)	(85)
Closing net book amount at 30 June 2015	47,518	229,320	5,660

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

As at 30 June 2015, land use rights and buildings with a net book amount of RMB11,731,000 and RMB128,751,000 respectively (31 December 2014: RMB11,748,000 and RMB130,933,000 respectively) had been pledged as collateral for the Group's bank borrowings of RMB48,000,000 (31 December 2014: RMB38,000,000) (Note 20).

As at 30 June 2015, land use rights, buildings and investment properties with a net book amount of RMB4,533,000, RMB23,457,000 and RMB5,660,000 respectively (31 December 2014: RMB4,734,000, RMB23,853,000 and RMB5,745,000 respectively) together with land use rights of a land parcel owned by a joint venture (Note 9) had been pledged as collateral for the Group's medium-term notes of RMB389,230,000 (31 December 2014: RMB386,900,000) (Note 20).

As at 30 June 2015, land use rights and buildings with a net book amount of RMB25,467,000 and RMB31,176,000 (31 December 2014: RMB25,820,000 and RMB31,537,000 respectively) together with certain restricted bank deposits (Note 15) had been pledged as collateral for the Group's bank acceptance bills of RMB40,000,000 (31 December 2014: RMB45,000,000) (Note 18).

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

7 CAPITAL EXPENDITURE OTHER THAN INTANGIBLE ASSETS *(continued)*

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 interim financial statements. The carrying amount of the investment properties would have been RMB6,174,000 had they been stated at fair values as of 30 June 2015 (31 December 2014: RMB6,619,000). The fair values of the investment properties as at 30 June 2015 and 31 December 2014 were based on a review performed by the management of the Group, which were determined by discounted cash flow approach of the income method to value "open market value" for the existing use as a fully operational entity of the property interest in question. The fair value measurement falls under Level 3 of the fair value hierarchy.

Amortisation of the Group's land use rights as well as the depreciation of the investment properties have been charged to administrative expenses in the consolidated income statement. The depreciation of property, plant and equipment has been charged to the selling expenses and administrative expenses.

8 INTANGIBLE ASSETS

	Goodwill RMB'000	Distribution agreement RMB'000	Non-compete agreement RMB'000	Computer software RMB'000	Total RMB'000
Six months ended 30 June 2014					
Opening net book amount at 1 January 2014	34,060	—	2,000	1,941	38,001
Additions	—	—		190	190
Deemed disposal of a subsidiary with loss of control	—	—		(3)	(3)
Amortisation (Note 26)	—	—	(475)	(211)	(686)
Closing net book amount at 30 June 2014	34,060	—	1,525	1,917	37,502
Six months ended 30 June 2015					
Opening net book amount at 1 January 2015	34,060	—	1,050	2,319	37,429
Additions	—	—	—	811	811
Amortisation (Note 26)	—	—	(475)	(274)	(749)
Closing net book amount at 30 June 2015	34,060	—	575	2,856	37,491

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

8 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 Technology Development Co., Ltd. ("Nanjing Chaoming") and RMB 34,060,000 is allocated to the CGU of Anhui Four Seas Huiyin Household Appliances Sales Co., Ltd. ("Huainan Four Seas", formerly known as "Huainan City Four Seas Huiyin Household Appliances Co., Ltd.")

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

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

No impairment charge arose during the course of the six months ended 30 June 2015 as impairment on the goodwill had been fully provided for as at 31 December 2012.

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

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

The key assumptions used for fair value less costs to sell calculations of Huainan Four Seas as at 30 June 2015 and 31 December 2014 are as follows:

	Six months ended 30 June 2015	After 2015
Growth rate of existing scale	10%	Nil
Growth of revenue resulting from new stores to open	1%	Nil
Terminal growth rate	Nil	3%
Discount rate	14%	14%

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 the six months ended 30 June 2015 (Six months ended 30 June 2014: Nil).

8 INTANGIBLE ASSETS *(continued)*

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

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

9 INVESTMENT IN AND LOAN TO A JOINT VENTURE AND SHARE OF LOSS OF A JOINT VENTURE

In January 2014, Yangzhou Huiyin and its wholly-owned subsidiary, Yangzhou Huiyin Real Estate Co., Ltd. (楊州滙銀置業有限公司) ("Huiyin Real Estate") have entered into a co-operation agreement with Shanghai Coastal Weiying Equity Investment Fund Management Co., Ltd. (上海沿海威盈股權投資基金管理有限公司) ("Weiying"), a third party fund company. Pursuant to the agreement, the contracting parties conditionally agreed to co-operate to develop the Land Parcel owned by Huiyin Real Estate (the "Project").

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

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

As Weiying had made a prepayment of contribution into Huiyin Real Estate amounted to RMB10 million in 2013 (Note 19), the post-tax loss incurred before the date of loss of control, which was related to the Project and required to be borne by Weiying, had been recognised as loss for the period attributable to non-controlling interests and the carrying amount of non-controlling interests of RMB1,192,000 were derecognised at the date of loss of control.

The Land Parcel is subject to a charge in favour of Jiangsu Province Credit Re-assurance Co. Ltd. (江蘇省信用再擔保有限公司) registered on 5 February 2013. As at 30 June 2015, land use rights of the Land Parcel together with the Group's land use rights, buildings and investment properties with a total net book amount of RMB33,650,000 (31 December 2014: RMB34,332,000) (Note 7) had been pledged as collateral for the Group's medium-term notes of RMB389,230,000 (31 December 2014: RMB386,900,000) (Note 20).

9 INVESTMENT IN AND LOAN TO A JOINT VENTURE AND SHARE OF LOSS OF A JOINT VENTURE *(continued)*

	Investment in a joint venture RMB'000	Borrowing to a joint venture RMB'000	Total RMB'000
Six months ended 30 June 2014			
At 4 March 2014 (date of loss of control)	27,281	227,468	254,749
Additions	—	7,597	7,597
Share of loss	(5,698)	—	(5,598)
At 30 June 2014	21,583	235,065	256,648
Six months ended 30 June 2015			
At 1 Jauary 2015	20,600	236,376	256,976
Additions	—	7,884	7,884
Share of loss	(5,913)	—	(5,913)
At 30 June 2015	14,687	244,260	258,947

As at 30 June 2015, investment in a joint venture included capital contributed of RMB50,000,000 (31 December 2014: RMB50,000,000) and share of loss of RMB35,312,000 (31 December 2014: RMB29,400,000), whereas borrowing to a joint venture included principal amount of RMB197,345,000 (31 December 2014: RMB197,306,000) and interest receivable of RMB46,914,000 (31 December 2014: RMB39,070,000). The borrowing carried an interest calculated at compound rate of 6.6% per annum which will be settled together with the principal amount upon the completion of the Project undertaken by Huiyin Real Estate.

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

Note:

(i) The % of ownership interest presented is the investment amount percentage of the Group in the joint venture. The legal ownership structure of Huiyin Real Estate has not been changed and Yangzhou Huiyin is continued to be officially registered as the sole owner. The investment amount percentages of the Group and Weiying are in proportion to the respective aggregated amounts invested by them as at each reporting date. As at 30 June 2015, the investment amount of the Group in Huiyin Real Estate is the aggregate of the consideration for the Land Parcel and related expenses totalling RMB244,558,000, whereas the investment amount of Weiying is the amount of costs and expenses in relation to the Project paid by Weiying totalling RMB22,000,000 (31 December 2014: RMB22,000,000). The investment amount percentage presented is for reference only. The Group will account for the profit and loss of Huiyin Real Estate and its underlying assets and liabilities by applying equity method in its consolidated financial statements and takes into account of the sharing of revenue and expenses as stipulated under the co-operation agreement which does not necessarily coincide with the investment percentage.

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

9 INVESTMENT IN AND LOAN TO A JOINT VENTURE AND SHARE OF LOSS OF A JOINT VENTURE *(continued)*

Commitments and contingent liabilities in respect of the joint venture

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

	As at 30 June 2015 RMB'000
Commitment to contribute household appliances	8,000

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

Summarised financial information for the joint venture

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

(a) Summarised balance sheet

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Current		
Cash and cash equivalents	6,757	10,389
Inventories	265,613	248,696
Other current assets	1,313	1,999
Total current assets	273,683	261,084
Liabilities	(15,017)	(513)
Non-current		
Assets	14,568	12,182
Net assets	273,234	272,753

9 INVESTMENT IN AND LOAN TO A JOINT VENTURE AND SHARE OF LOSS OF A JOINT VENTURE *(continued)*

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

(b) Summarised statement of comprehensive income

	Six months ended 30 June 2015 RMB'000	From 4 March 2014 (date of loss of control) to 30 June 2014 RMB'000
Revenue	—	—
Administrative expenses	(2,241)	(1,357)
Finance income	215	44
Finance costs	(7,844)	(7,558)
Loss before income tax	(9,870)	(8,871)
Income tax credit	2,467	2,218
Loss for the period	(7,403)	(6,653)
Other comprehensive income or loss	—	—
Total comprehensive loss for the period	(7,403)	(6,653)
Dividends received or receivable from joint venture	—	—

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

9 INVESTMENT IN AND LOAN TO A JOINT VENTURE AND SHARE OF LOSS OF A JOINT VENTURE *(continued)*

Reconciliation of summarised financial information

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

	Six months ended 30 June 2015 RMB'000	From 4 March 2014 (date of loss of control) to 30 June 2014 RMB'000
Opening net assets	272,753	261,329
Contribution from venturers	7,884	12,597
Loss for the period	(7,403)	(6,653)
Closing net assets	273,234	267,273
Add/(less): Contribution from Weiying	(22,000)	(15,000)
Accumulated loss derived from expenses related to the Project and required to be borne by Weiying (i)	5,485	2,147
Excess of consideration paid in transaction with non-controlling interests	2,228	2,228
Carrying amount	258,947	256,648

Note:

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

10 INVESTMENT IN AN ASSOCIATE AND SHARE OF PROFIT OF AN ASSOCIATE

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

Huazhang has a registered capital of RMB 5,000,000 of which Yangzhou Shengshi contributed RMB750,000 in cash, and the principal activities of Huazhang consist of household appliance trading.

Nature of investment in an associate as at 31 December 2014 and 30 June 2015:

Name of entity	Place and date incorporation	% of ownership interest	Nature of the relationship	Measurement method
Taixing Shengshi Huazhang Electronics Sales Co., Ltd.	Taixin Jiangsu, PRC 29 September 2014	15	Note (i)	Equity

Note:

(i) Huazhang's principal business is the sales of air-conditioners in Taixing. Yangzhou Shengshi is the main supplier of Huazhang.

As at 30 June 2015, the carrying amount of the Group's interest in Huazhang was RMB717,549 (31 December 2014: RMB618,359). Huazhang is a private company and there is no quoted market price available for its shares and there is no contingent liabilities relating to the Group's interest in the associate.

Summarised financial information for associates

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

(a) Summarised balance sheet

	As at 30 June 2015 RMB'000	As at 31 December 2014 RMB'000
Current		
Cash and cash equivalents	861	3,728
Inventories	7,127	4,157
Other current assets	3,204	4,061
Total current assets	11,192	11,946
Liabilities	(5,984)	(7,426)
Non-current		
Assets	36	45
Net assets	5,244	4,565

10 INVESTMENT IN AN ASSOCIATE AND SHARE OF PROFIT OF AN ASSOCIATE *(continued)*

Summarised financial information for associates *(continued)*

(b) Summarised statement of comprehensive income

	Six months ended 30 June 2015 RMB'000
Revenue	32,698
Cost of sales	(31,161)
Selling expenses	(758)
Administrative expenses	(480)
Finance income	441
Finance costs	(57)
Profit before income tax	683
Income tax expense	(4)
Profit for the period	679
Other comprehensive income or loss	—
Total comprehensive income for the period	679
Dividends received or receivable from associate	—

Reconciliation of summarised financial information

Summarised financial information	Six months ended 30 June 2015 RMB'000
Opening net assets	4,564
Profit for the period	679
Other Comprehensive income	—
Closing net assets	5,244
Interest in an associate (15%)	787
Unrealized profit elimination	(69)
Carrying value	718

11 DEFERRED INCOME TAX

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

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Deferred income tax assets		
– to be recovered within 12 months	7,540	6,500
– to be recovered after more than 12 months	124,333	128,424
	131,873	134,924
Deferred income tax liabilities		
– to be settled within 12 months	211	211

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

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
At beginning of the period	134,713	145,399
Recognised in the consolidated income statement (Note 28)	(3,051)	(6,149)
Deemed disposal of a subsidiary with loss of control	–	(8,680)
At end of the period	131,662	130,570

11 DEFERRED INCOME TAX *(continued)*

The movement in deferred income tax assets and liabilities during the period 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 2014	19,016	–	3,238	4,218	117,180	1,958	145,610
Recognised in the consolidated income statement	1,462	3,082	(2,594)	(581)	(7,804)	286	(6,149)
Deemed disposal of a subsidiary with loss of control	(8,602)	–	–	–	–	(78)	(8,680)
At 30 June 2014	11,876	3,082	644	3,637	109,376	2,166	130,781
At 1 January 2015	12,357	1,949	190	3,353	116,188	887	134,924
Recognised in the consolidated income statement	12,730	(1,307)	631	2,724	(16,942)	(887)	(3,051)
At 30 June 2015	25,087	642	821	6,077	99,246	–	131,873

Deferred income tax liabilities

	Withholding tax on unremitted earnings of PRC subsidiaries RMB'000
At 1 January 2014, 30 June 2014, 1 January 2015 and 30 June 2015	211

12 INVENTORIES

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Merchandise held for resale	331,902	420,094
Provision for obsolescence	(4,106)	(6,380)
	327,796	413,714
Low value consumables	113	129
Total	327,909	413,843

As at 30 June 2015, merchandise held for resale of RMB65,000,000 (31 December 2014: RMB90,000,000) had been pledged as collateral for the Group's bank borrowings of RMB65,000,000 (31 December 2014: RMB90,000,000 (Note 20).

13 TRADE AND BILLS RECEIVABLES

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Trade receivables	117,187	110,588
Less: Provision for impairment	(5,000)	(4,376)
Trade receivables, net	112,187	106,212
Bills receivable	20,048	14,261
Trade and bills receivables, net	132,235	120,473

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

13 TRADE AND BILLS RECEIVABLES *(continued)*

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

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
0 - 30 days	55,717	68,683
31 - 90 days	49,924	34,418
91 - 365 days	6,046	1,860
1 year - 2 years	1,272	2,821
2 years - 3 years	3,717	2,332
Over 3 years	511	474
Total	117,187	110,588

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 30 June 2015, no bills receivable had been pledged as collateral for the Group's bank acceptance bills. As at 31 December 2014, bills receivable with a carrying amount of RMB5,000,000 had been pledged as collateral for the Group's bank acceptance bills of RMB5,000,000 (Note 18).

14 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Advance payments to suppliers	675,944	524,051
Rebates receivable from suppliers, net of provision (Note (i))	484,779	510,576
Prepaid rentals	13,564	19,738
Deposits	4,802	5,426
Other prepayments	1,941	—
Other receivables from third parties		
– Value added tax recoverable	33,219	52,609
– Interests receivable from banks	11,551	23,932
– Receivable from a third party (Note (ii))	2,910	2,910
– Staff advances	1,404	1,128
– Amount paid on behalf of a supplier	545	670
– Others	8,927	2,594
	1,239,586	1,143,634

Note:

(i) Reversal of provision of RMB65,644,000 (Six months ended 30 June 2014: RMB32,409,000) (Note 26) for impairment of supplier rebates receivable had been recognised during the period. As at 30 June 2015, the balance of provision for impairment of supplier rebates receivable was RMB388,348,000 (31 December 2014: RMB453,992,000). The improved settlement of supplier rebates receivable had led to a better ageing and brought about the reversal of provision.

(ii) In June 2013, the Group's wholly owned PRC subsidiary Yangzhou Huiyin entered into an agreement to lend RMB2,910,000 to a third party with the duration of 2 years. Interest is charged at 8% per annum.

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.

15 RESTRICTED BANK DEPOSITS

As at 30 June 2015, restricted bank deposits of RMB459,378,000 (31 December 2014: RMB468,563,000) had been pledged as collateral for the Group's bank acceptance bills of RMB745,789,000 (31 December 2014: RMB837,053,000) (Note 18).

As at 30 June 2015, restricted bank deposits of RMB197,000,000 (31 December 2014: RMB495,000,000) had been pledged as collateral for the Group's bank borrowings of US$ 27,000,000, equivalent to RMB165,067,000 (31 December 2014: US$75,969,000, equivalent to RMB464,851,000) as well as the Group's Bank borrowings of RMB20,000,000 (Note 20).

As at 30 June 2015, restricted bank deposits of RMB60,000,000 had been pledge as collateral for the Group's interest bearing advances from third parties of RMB58,600,000 (Note 19).

As at 30 June 2015, restricted bank deposits of RMB20,000,000 (31 December 2014: RMB22,500,000) together with certain land use rights and buildings (Note 7) had been pledged as collateral for the Group's bank acceptance bills of RMB40,000,000 (31 December 2014: RMB45,000,000) (Note 18).

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 2.8% at 30 June 2015 (31 December 2014: 3.4%).

16 CASH AND CASH EQUIVALENTS

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Cash on hand		
– denominated in RMB	220	201
Cash at bank		
– denominated in RMB	120,677	24,102
– denominated in HK$	1,476	960
– denominated in US$	1,616	51
	123,769	25,113
	123,989	25,314

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

	As at	
	30 June 2015	31 December 2014
RMB	0.350%	0.350%
HK$	0.001%	0.001%
US$	0.001%	0.001%

17 SHARE CAPITAL

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

	Par value	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares
			US$	RMB'000
Six months ended 30 June 2014 and 30 June 2015				
Authorised:				
At 1 January 2014, 30 June 2014, 1 January 2015 and 30 June 2015	US$0.001	2,000,000,000	2,000,000	10,598
Issued and fully paid:				
At 1 January 2014 and 30 June 2014	US$0.001	1,048,342,290	1,048,342	7,162
At 1 January 2015	US$0.001	1,155,394,017	1,155,394	7,819
Issue of new shares (a)	US$0.001	102,616,000	102,616	628
At 30 June 2015	US$0.001	1,258,010,017	1,258,010	8,447

Notes:

(a) On 5 June 2015, an aggregate of 102,616,000 ordinary shares of the Company had been successfully issued at the price of HK$1.77 per share. The gross proceeds amounted to approximately HK$177,984,000 (equivalent to RMB140,465,000).

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

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

The significant inputs to the model are summarised as below:

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

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

As at 30 June 2015, all 50,000,000 options were not exercised by anyone of the key management and senior management members. Those options with an excise price of HK$1.52 per share upon vesting were expired on 24 March 2015.

17 SHARE CAPITAL *(continued)*

Notes: *(continued)*

(c) The Group approved and launched the Share Option Scheme on 14 May 2015. Pursuant to the Share Option Scheme, the nine directors, an associate of a director and certain management members were granted the Share Options to subscribe for up to 100,000,000 shares of the Company. 50,000,000 shares shall vest on 14 August 2015, whilst the remaining ones shall vest on 14 May, 2016. The exercise price is HK$1.69 per share.

The fair value of the options granted determined using the binomial tree model was HK$73,041,950. The options have been divided into two parts according to different employees level.

The significant inputs to the model are summarised as below:

	Nine directors and an associate of a director	**Management members**
Fair market value per share as at valuation date (HK$)	1.69	1.69
Exercise price (HK$)	1.69	1.69
Exercise multiple	2.8	2.2
Risk-free rate	1.199%	1.199%
Volatility	61.95%	61.95%
Expected dividend yield	0.00%	0.00%
Post-vesting forfeiture rate	0%	20%

As at 30 June 2015, none of the options were exercisable. These options will be expired on 13 May 2020.

18 TRADE AND BILLS PAYABLES

	As at	
	30 June 2015 RMB'000	31 Decembe 2014 RMB'000
Trade payables	**124,778**	34,816
Bills payable	**785,789**	915,053
Total	**910,567**	949,869

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

18 TRADE AND BILLS PAYABLES *(continued)*

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

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
0 - 30 days	113,621	1,493
31 - 90 days	1,382	19,605
91 - 365 days	4,925	6,453
1 year - 2 years	1,726	4,009
2 years - 3 years	2,072	1,202
Over 3 years	1,052	2,054
	124,778	34,816

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

As at 30 June 2015, restricted bank deposits (Note 15) of RMB459,378,000 (31 December 2014: RMB468,563,000) had been pledged as collateral for the Group's bank acceptance bills of RMB745,789,000 (31 December 2014: RMB837,053,000).

As at 30 June 2015, restricted bank deposits (Note 15) of RMB20,000,000 (31 December 2014: RMB22,500,000) together with certain land use rights and buildings (Note 7) with total net book amount of RMB25,467,000 and RMB31,176,000 respectively (31 December 2014: RMB25,820,000 and RMB31,537,000 respectively), had been pledged as collateral for the Group's bank acceptance bills of RMB40,000,000 (31 December 2014: RMB45,000,000).

As at 30 June 2015, no bills receivable had been pledged as collateral for the Group's bank acceptance bills. As at 31 December 2014, bills receivable with a carrying amount of RMB5,000,000 (Note 13) had been pledged as collateral for the Group's bank acceptance bills of RMB5,000,000.

19 ACCRUALS AND OTHER PAYABLES

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Advances from customers	122,031	246,227
Advance from a shareholder for subscription of ordinary shares of the Company (Note 35)	48,856	—
Salary and welfare payables	14,653	21,919
Accrued expenses	7,190	5,645
Interest payables	21,361	10,496
Payables for purchase of equipment	146	146
Value added tax and other tax payables	3,446	16,036
Accrued volume discounts to distributors	2,566	7,795
Advance from a third party, interest free	37,000	45,000
Advances from third parties, interest bearing (Note)	68,200	5,200
Deposits	3,346	4,971
Amount due to a director (Note 33(d))	—	463
Others	6,392	3,492
Total	335,187	367,390

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.

Note:

As at 30 June 2015, restricted bank deposits (Note 15) of RMB60,000,000 had been pledged as collateral for the Group's interest bearing advances from third parties of RMB58,600,000. Interest bearing advances from third parties amounting to RMB9,600,000 (31 December 2014: Nil) were unsecured.

Detailed information of interest bearing advances from third parties as at 31 December 2014 was disclosed in Note 34.

20 BORROWINGS

	As at 30 June 2015 RMB'000	As at 31 December 2014 RMB'000
Non-current		
Bond payables (a)	6,252	—
Current		
Bank borrowings (b)	365,130	661,168
Medium-term notes (c)	389,230	386,900
	754,360	1,048,068
	760,612	1,048,068

Movement in borrowings is analysed as below:

	Bank borrowings RMB'000	Medium-term notes RMB'000	Bonds payable RMB'000
Six months ended 30 June 2014			
Opening amount as at 1 January 2014	767,359	382,573	—
Proceeds from bank borrowings	178,200	—	—
Repayments of bank borrowings	(223,000)	—	—
Difference between nominal interests and effective interests on medium-term notes	—	2,098	—
Exchange differences	4,641	—	—
Closing amount as at 30 June 2014	727,200	384,671	—
Six months ended 30 June 2015			
Opening amount as at 1 January 2015	661,168	386,900	—
Proceeds from bank borrowings	113,000	—	—
Repayments of bank borrowings	(409,131)	—	—
Net Proceeds from issuance of bond	—	—	6244
Difference between nominal interests and effective interests on medium-term notes	—	2,330	—
Difference between nominal interests and effective interests on bond payables	—	—	21
Exchange differences	93	—	(13)
Closing amount as at 30 June 2015	365,130	389,230	6,252

20 BORROWINGS *(continued)*

(a) Bonds payable

On 22 January 2015, the Company entered into a bonds placing agreement with a placing agent pursuant to which the placing agent has agreed to endeavour to procure placees who are not and whose ultimate beneficial owner(s), if applicable, are not connected persons of the Company on a best effort basis to subscribe for the bonds in an aggregate principal amount of up to HK$300,000,000. The bonds were placed in denomination of HK$2,500,000, at the interest rate of 6.0% per annum, and with a term of eight years.

As at 30 June 2015, the issuances of the Bonds with amount of HK$10,000,000 were completed. The bonds were repayable more than 2 years.

The proceeds from issuances of the Bonds were designated for developing the community e-commerce business of the Group.

(b) Bank borrowings

At 30 June 2015 and 31 December 2014, the Group's bank borrowings were repayable as follows:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Within 1 year	365,130	661,168

As at 30 June 2015, land use rights and buildings (Note 7) with a total net book amount of RMB140,482,000 (31 December 2014: RMB142,681,000) had been pledged as collateral for the Group's bank borrowings of RMB48,000,000 (31 December 2014: RMB38,000,000).

As at 30 June 2015, restricted bank deposits (Note 15) of RMB197,000,000 (31 December 2014: RMB495,000,000) had been pledged as collateral for the Group's bank borrowings of US$ 27,000,000, equivalent to RMB165,067,000 (31 December 2014: US$75,969,000, equivalent to RMB464,851,000) as well as the Group's Bank borrowings of RMB20,000,000.

As at 30 June 2015, merchandise held for resale (Note 12) of RMB65,000,000 (31 December 2014: RMB90,000,000) (Note 12) had been pledged as collateral for the Group's bank borrowings of RMB65,000,000 (31 December 2014: RMB90,000,000).

As at 30 June 2015, bank borrowings amounting to RMB67,063,000 (31 December 2014: RMB68,317,000) were unsecured.

20 BORROWINGS *(continued)*

(b) Bank borrowings *(continued)*

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

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
6 months or less	**365,130**	661,168

The carrying amount of non-current bank borrowings and current bank borrowings approximates their fair value at the balance sheet date.

The carrying amounts of bank borrowings are as denominated in the following currencies:

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Current		
– RMB	**113,000**	128,000
– US dollar	**252,130**	533,168
	365,130	661,168

As at 30 June 2015, bank borrowings with the carrying amounts of RMB365,130,000 (31 December 2014: RMB533,168,000) are of floating rates and no bank borrowings (31 December 2014: RMB128,200,000) are of fixed rates.

The weighted average effective interest rates of the Group's bank borrowings are as follows:

	As at	
	30 June 2015	31 December 2014
Current	**3.38%**	3.42%

20 BORROWINGS *(continued)*

(c) Medium-term notes

On 20 August 2012, the Group's wholly owned PRC subsidiary Yangzhou Huiyin issued medium-term notes in the PRC in the aggregate principal amount of RMB390,000,000, at the interest rate of 6.3% per annum, and with a term of three years. The medium-term notes are listed and transferable on the inter-bank debenture market in the PRC.

As at 30 June 2015, the Group's medium-term notes were repayable in August 2015.

As at 30 June 2015, land use rights, buildings and investment properties with a total net book amount of RMB33,650,000 (31 December 2014: RMB34,332,000) (Note 7) together with land use rights of a land parcel owned by a joint venture (Note 9) had been pledged as collateral for the Group's medium-term notes.

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

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

21 DEFERRED GOVERNMENT GRANTS

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

22 CONTINGENT CONSIDERATION LIABILITIES

	Contingent consideration liabilities arising from business combination RMB'000
At 1 January 2014, 30 June 2014, 1 January 2015 and 30 June 2015	53,560

On 20 September 2010, a subsidiary of the Group Yangzhou Huiyin entered into a co-operation agreement with Huainan Xingfushu Electrical Appliances Company Limited ("Xingfushu") and an independent third party Mr. Jin ("JV partner"), who was the 90% owner of Xingfushu, for the formation and operation of a new entity 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.

22 CONTINGENT CONSIDERATION LIABILITIES *(continued)*

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

During the six months ended 30 June 2015, no fair value changes were recognised (Six months ended 30 June 2014: Nil) (Note 25) in the consolidated income statement for the contingent consideration arrangement. As at 30 June 2015, the fair value of the contingent consideration liabilities of RMB53,560,000 (31 December 2014: RMB53,560,000) was estimated by applying the income approach.

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

23 REVENUE

Turnover of the Group comprises revenues recognised as follows:

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Sales of goods		
– Traditional business	905,710	1,513,108
including:		
Retail	328,416	431,818
Bulk distribution	577,294	1,081,290
– E-commerce and smart community business	302,742	18,180
	1,208,452	1,531,288
Rendering of services		
– Maintenance and installation service	5,795	7,051
– Agency service for sales of lotteries	7,807	—
	13,602	7,051
Total revenue	1,222,054	1,538,339

24 OTHER INCOME

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Income from suppliers on promotion activities	3,610	4,165
Rental income	3,362	2,466
Subsidies of e-commerce	1,500	—
Government subsidies	1,184	62
	9,656	6,693

25 OTHER LOSSES - NET

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Losses on disposal of property, plant and equipment, net	6	2

26 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Cost of merchandise before deducting supplier rebates	1,389,064	1,700,790
Supplier rebates	(337,455)	(350,636)
Taxes and levies on main operations	1,922	2,302
Employee benefit expenses - including the directors' emoluments	35,021	35,687
Share Option Scheme expenses	15,844	—
Service charges	2,975	3,166
Operating lease expenses in respect of buildings and warehouses	23,166	21,674
Promotion and advertising expenses	13,350	9,705
Amortisation of land use rights (Note 7)	631	279
Depreciation of property, plant and equipment (Note 7)	11,436	10,156
Depreciation of investment properties (Note 7)	85	85
Amortisation of intangible assets (Note 8)	749	686
Utilities and telephone expenses	4,135	3,936
Transportation expenses	6,147	7,455
Entertainment fees	3,139	3,720
Travelling expenses	3,173	1,911
Office expenses	1,471	1,010
Accrual of provision for obsolescence on inventories (Note 12)	2,274	1,524
Accrual of provision for impairment on receivables (Note 13)	624	307
Reversal of provision for supplier rebates receivable (Note 14)	(65,644)	(32,409)
Property tax and other taxes	1,076	1,562
Auditor's remuneration	1,475	1,475
Bank charges	3,179	5,326
Consulting expenses	130	285
Others	6,032	10,563
Total of cost of sales, selling and marketing expenses and administrative expenses	**1,123,999**	1,440,559

27 FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Finance income		
– Interest income on bank deposits	11,525	16,498
– Interest income from loan to a joint venture	7,845	7,558
	19,370	24,056
Finance costs		
– Interest expenses on discounting of bills receivable	(12,464)	(14,798)
– Interest expenses on bank borrowings	(10,799)	(12,162)
– Interest expenses on medium-term notes	(13,027)	(14,383)
– Net foreign exchange gain/(losses) on cash and cash equivalents, bank borrowings and bond payables	200	(4,693)
	(36,090)	(46,036)
Finance costs - net	(16,720)	(21,980)

28 INCOME TAX EXPENSE

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
PRC enterprise and withholding income taxes		
– Current income tax	29,736	24,733
– Deferred income tax (Note 11)	3,051	6,149
	32,787	30,882

(a) Hong Kong profits tax

The Group is not subject to Hong Kong profits tax as it has no assessable income arising in or derived from Hong Kong during the six months ended 30 June 2015 (30 June 2014: 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.

28 INCOME TAX EXPENSE *(continued)*

(c) PRC withholding income tax

According to the new CIT law, starting from 1 January 2008, a 10% withholding tax is levied on the immediate holding companies established outside the PRC when their PRC subsidiaries declare dividends out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong according to the tax treaty arrangement between the PRC and Hong Kong. Such withholding income tax is included in deferred income tax. The Group has not accrued for any PRC withholding income tax for the six months ended 30 June 2015 as its PRC subsidiaries did not have any retained profits available for distribution outside the PRC at end of the period after setting off accumulated losses of previous years (30 June 2014: Nil).

29 EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2015	2014
Profit attributable to equity holders of the Company (RMB'000)	55,361	41,321
Weighted average number of ordinary shares in issue (thousand)	1,172,497	1,048,342
Basic earnings per share (RMB cents)	4.72	3.94

(b) Diluted

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

	Six months ended 30 June	
	2015	2014
Profit attributable to equity holders of the Company (RMB'000)	55,361	41,321
Weighted average number of ordinary shares in issue (thousand)	1,172,497	1,048,342
Adjustment for:		
– Settlement in ordinary shares for the contingent consideration arising from business combination (thousand)	43,542	226,345
Weighted average number of ordinary shares for diluted earnings per share (thousand)	1,216,039	1,274,687
Diluted earnings per share (RMB cents)	4.55	3.24

30 DIVIDENDS

The board of directors of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2015 (30 June 2014: Nil).

31 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	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Not later than 1 year	32,935	37,741
Later than 1 year and not later than 5 years	81,552	87,304
Later than 5 years	15,708	24,661
	130,195	149,706

32 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	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Not later than 1 year	5,266	5,856
Later than 1 year and not later than 5 years	4,509	5,532
	9,775	11,388

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

33 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

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

Name	Relationship with the Group
Mr. Cao Kuanping	Substantial shareholder of the Company/Director
Huiyin Real Estate (Note 9)	A joint venture of the Group
Huazhang (Note 10)	An associate of the Group

(b) Transactions with related parties

Other than the transactions with Huiyin Real Estate as disclosed in note 9 and note 27, the following transactions were undertaken by the Group with related parties during the period:

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
– Sales of goods to an associate		
Huazhang	25,109	—
– Rental expenses to a related party		
Mr. Cao Kuanping	1,825	1,825
– Directors' emoluments		
Salaries, bonuses and other welfares	10,710	3,326

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.

(c) Key management compensation

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Salaries and other allowances	2,354	1,698
Social security costs	195	144
Share Option Scheme expenses	7,061	—
Other benefits	1,100	1,404
	10,710	3,246

33 RELATED PARTY TRANSACTIONS *(continued)*

(d) Balances with related parties

Other than the balances with Huiyin Real Estate as disclosed in note 9 and the balance of advance from a shareholder for subscription of ordinary shares of the Company, the Group had the following balances with related parties:

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Trade balances due to related parties:		
Account receivables due from an associate for purchases of goods		
– Huazhang	1,741	–
Advances from an associate for purchases of goods		
– Huazhang	–	3,942
Non-trade Balances due to related parties:		
Accruals and other payables (Note 19)		
– Mr. Cao Kuanping	–	463
Salaries and welfares payable to directors		
– Mr. Cao Kuanping	–	152
– Mr. Mao Shanxin	–	19
– Mr. Mo Chihe	–	24
– Mr. Wang Zhijin	–	69
– Mr. Lu Chaolin	–	19
– Ms. Hu Yanyu	–	50
	–	333
	–	796

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.

34 CONTINGENCIES

On 11 April 2014, the Group had entered into certain facilities agreements with certain third-party customers of the Group and a bank to execute guarantees in favour of the bank for the total facility of RMB20,700,000 with the expiring date of 11 April 2016. As at 31 December 2014, such facilities were all utilised by those customers, including the amount of RMB5,200,000 were lent to the Group with a expiring date within 1 year and an effective interest rate of 8.04% (Note 19), the rest of RMB15,500,000 were obtained by those customers under the facilitie agreements. During the period, the Group and thoese customers repaid RMB5,200,000 and RMB3,900,000 to the bank respectively. As at 30 June 2015, the total amounts of facilities which the Group executed guarantees for were RMB11,600,000. No provision in relation to the guarantees has been recognised in the condensed consolidated financial statements as in the directors' opinion, it is not probable that significant liability will arise.

35 SUBSEQUENT EVENTS

On 17 July 2015, an aggregate of 35,000,000 ordinary shares of the Company had been successfully issued and allocated to a shareholder, China Ruike Investment & development Co., Ltd., at the price of HK$1.77 per share. The gross proceeds amounted to approximately HK$61,950,000 (equivalent to RMB48,866,000), which was prepaid to the Company on 3 June 2015.