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

2015
ANNUAL REPORT

CONTENTS

Corporate Information

EXECUTIVE DIRECTORS

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

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

REGISTERED OFFICE

Floor 4
Willow House
Cricket Square
P.O. Box 2804
Grand Cayman KY1-1112
Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN CHINA

Huiyin Building
No. 539 Wenchang Zhong Road
Yangzhou City
Jiangsu Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of Communications (Yangzhou Branch)
No. 2 Wenhe North Road
Yangzhou City
Jiangsu Province
PRC

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

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

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

STOCK CODE

1280

WEBSITE OF THE COMPANY

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

Financial and Operational Highlights

HIGHLIGHTS

01

Revenue for 2015 was RMB2,053.9 million, an decrease of 33.6% compared with 2014.

02

Gross profit margin for 2015 was 5.9%, while that of 2014 was 12.1%.

03

Operating loss for 2015 was approximately RMB384.1 million, while there was operating profit of approximately RMB148.9 million for 2014.

04

Loss for the year for 2015 was approximately RMB430.9 million, while there was profit of approximately RMB58.2 million for 2014.

05

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 and smart community business developed rapidly. For 2015, the Group’s sales revenue through e-commerce was approximately RMB612.9 million, representing a year-on-year growth of 663.3% from RMB80.3 million for 2014.

CHAIRMAN'S STATEMENT

During the year, with the competitive strength of the "Huiyin" and "Lehu" brand as a foundation and closely linking up with its "Huiyin Lehu platform", the Group has further improved its brand awareness and influence in the target market.

Cao Kuanping
Chairman

Dear Shareholders,

On behalf of the Board of Directors ("the Board" or "the Directors") of Huiyin Smart Community Co., Ltd. (the "Company") and its subsidiaries ("the Group"), I am pleased to present the annual report of the Group for the year ended 31 December 2015.

2015 was a year of both opportunities and challenges for the Group. China's GDP (Gross Domestic Product) growth slowed to 6.9% according to the National Bureau of Statistics. Meanwhile rural residents' income continues to grow faster than that of urban residents during the year. As the income gap between urban and rural residents gradually narrows down, the consumption potential of rural residents is huge. Meanwhile, with the increase of income of urban and rural residents, consumption of commodities in Mainland China picked up. Notably, the online retail sales reached approximately RMB3,877.3 billion, representing an increase of 33.3% over last year. Online to offline ("O2O") business has become a new source of consumption growth. The Group developed the community life service network from the end of 2014 in Jiangsu Province and began to put much more concentration on the e-commerce business. During the year, the Group's smart community e-commerce developed steadily. Due to the influence of strategy transformation, the Group recorded a net loss of approximately RMB430.9 million for the year, while there was a net profit of approximately RMB58.2 million for 2014. The gross profit margin recorded a year-on-year decrease of 6.2 percentage point to 5.9%. For the year ended 31 December 2015, the Group recorded revenue of RMB2,053.8 million, representing a decrease of 33.6% as compared to RMB3,093.0 million for 2014. The basic loss per share was RMB31.24 cents for the year of 2015.

INTEGRATED BUSINESS MODEL

During the year, facing various opportunities and challenges, the Group actively captured opportunities to realize transformation and upgrading. With development and expansion of business scope, the Group has transformed to a household appliances, internet+, and community e-commerce operator, and was striving to be a smart community service platform leader in China. By implementing the development strategy of combining online platform and offline resources, strengthening the strategic cooperation with well-known brands and carrying out a diversified customer-based marketing and promotion model, the Group maintained its competitive advantages in protecting brand image and continuously optimize and expand the sales networks in target markets, which in turn retained the relatively stable development of each business segment. During the year, with the competitive strength of the "Huiyin" and "Lehu" brand as a foundation and closely linking up with its "Huiyin Lehu platform", the Group has further improved its brand awareness and influence in the target market.

Through the business model of integrating the e-commerce and smart community segment with traditional household appliances segment, the Group developed a strategic alliance with its suppliers and was recognized by customers.

DEEPEN THE CORPORATE STRATEGY ARRANGEMENT

In 2015, while improving its corporate governance and general operational level, the Group further deepened its corporate strategy arrangement. In order to accomplish the transformation to be a household appliances, internet+ and community e-commerce operator, and a smart community service platform leader in China, the Group proactively optimized its products mix and categories and adopted diversified promotion strategies targeting at demands from different markets and new customer bases through reforms on resources consolidation, improvement of employees' skills, management over supply chain and corporate promotions. The Group developed the smart community life service platform as an important part of the Group's smart community strategy. The Group had established "Huiyin Lehu" branded smart community experience bases in Yangzhou city and Nanjing city, targeting more than 500 communities, and the customers recognized the Group's sale model under its smart community business as well as the quality and price of the products so sold by the Group. To develop the e-commerce cloud market for community integrated services, the Group has entered strategic cooperation with some famous organizations such as Huawei and Ningbo Free Trade Zone by using respective advantages in resources and providing support to each other. Meanwhile, the Group continued to develop the long-term customer membership plan with a view to implementing the long-term customer marketing model, and realized electronic management over customer resources in order to increase the marketing and promotional efforts of the Group.

On brand strategy, "Huiyin Lehu platform" achieved good progress during the year, with the brand promotion coverage extended to Jiangsu and Anhui Provinces and part of the surrounding regions. During the year, the Group improved the awareness of our brand by cross-media cooperation with television, radio and internet, and also promote through mobile devices to improve the communication and interaction with members of Huiyin. In addition, the Group differentiated its brand credibility and recognition by proactively fulfilling its social responsibility and actively participating in social welfare undertakings for making contributions to the community. Public welfare events such as community recreational and sports activities and health lectures were held to improve the perceptions of consumers toward the brand.

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

FACING CHALLENGES AND LOOKING AHEAD

With the technology development, E-commerce grew rapidly. Chinese government has released policies to vigorously promote O2O business. Rural e-commerce, community e-commerce as well as cross-boarder e-commerce was becoming new growth drivers for the market. In addition, household appliance is still an important part of our business. 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 with more and more concern from the customers, the proportion of innovative health-care household appliances will continue to increase, which will bring new development opportunities for China's household appliance market.

Looking ahead in 2016, the business of imported consumer goods is promising and the domestic consumer market are confronting changes in growth pattern and structural integration. The Group will continue to take the opportunities arising from market environment and industry consolidation, leverage on its unique business model and its sales network and client resources and adhere to its cautious and optimistic marketing and promotion strategies to consolidate and maintain the awareness of our brand in target market, optimize the business model to enhance management efficiency. The Group will also maintain and deepen its long-term and continuous cooperation relationship with suppliers and business partners, and achieve a mutual benefit and win-win situation.

In the coming year, the Group will focus on reforms in respect of store management, brand building and human resources management. We will expand sales network in the target areas by upgrading and consolidating existing stores to increase sales revenue and further expand the Group's market share. Another smart community experience base is going to be established in Nantong city. Furthermore, the Group will replicate the successful model of imported merchandise sales center on "Shanghai-Nanjing Railway"(滬寧綫) in Jiangsu Province, and then expand to other areas in Yangtze River Delta. Meanwhile we will strengthen awareness of the "Huiyin" and "Huiyin Lehu" brands through the development of e-commerce cloud platform, community life service and household appliances business.

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

Cao Kuanping
Chairman

Hong Kong, 24 March 2016

Taking advantage of its famous brandname "Huiyin" and "Huiyin Lehu platform", the Group further enhanced the recognition of the "Huiyin" and "Huiyin Lehu" brand in the target markets and reinforced its leading market position.

During the year ended 31 December 2015, taking advantage of its famous brandname "Huiyin" and "Huiyin Lehu platform", the Group further enhanced the recognition of the "Huiyin" and "Huiyin Lehu" brand in the target markets and reinforced its leading market position.

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+, and community e-commerce operator, and was striving to be a smart community service platform leader in China. During the year, 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" and "Huiyin Lehu" brand in the target markets, expanded the range of products and services available, and understood the change in consumption temperament and shopping habit of people.

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

During the year, the Chinese economy remained stable, and there are both many opportunities and challenges in the ever-changing market circumstances. Online to offline ("O2O") business grew and flourished, and rural e-commerce, cross-border e-commerce as well as community e-commerce was becoming a new source of consumption growth. For the year ended 31 December 2015, revenue of the Group was RMB2,053.9 million, representing a decrease of 33.6% as compared with RMB3,093.0 million of last year. Loss of the Group for the year was approximately RMB430.9 million, while profit for last year was approximately RMB58.2 million. Gross profit margin decreased to 5.9%, representing a year-on-year decrease of 6.2 percentage point. The decrease in the profit recorded for the year was mainly attributable to the provisions made by the Group in respect of the amounts due from suppliers because of given-up of some distribution rights to develop smart community e-commerce business, and the expenses incurred from the share options granted to eligible participants based on the demand of human resources for the rapid expansion of smart community e-commerce business.

Traditional business

Retail business

Self-operated stores

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

During the year, the Group actively optimized its product structure and flexibly adjusted product portfolio in response to market demand. Benefit from rapid development of technology, household appliances have become more functionalized, intelligent and personalized, demand for smart household appliances have been growing fast. 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, personal care products and organic food 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 year.

During the year, the Group continued to optimize its store management program. As at 31 December 2015, the Group had a total of 36 self-operated stores for traditional household appliances business, including 30 general stores, 3 shop-in-shops located in department stores mainly offering high-end household appliances and consumer electronic products and 3 stand-alone retail stores selling brand products.

Bulk distribution business

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

In response to the challenging market conditions, the Group launched flexible and diversified promotion activities such as group purchase of brand products and warehouse marketing to target customers in 2015. As the bulk distribution business occupy too much cash resource, the Group give up some distribution rights during the year to support the new business of smart community e-commerce and smooth our transition process.

E-commerce and smart community business

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 and smart community business developed rapidly. During the year, revenue through the "Huiyin Lehu platform" was approximately RMB612.9 million, representing an increase of 663.3% from RMB80.3 million for year 2014. Sales revenue through e-commerce and smart community business includes online retail sales ("business to customers" ("B2C")), online bulk distribution ("business to business" ("B2B")) and offline sales.

E-commerce

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 gone live to increase online traffic in all channels. The Group launched several kinds of fast moving consumer goods including local fresh products, imported food, daily necessities, quality house appliances and digital electronics, meanwhile provided local life services such as utilities and telephone bill payment, 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 31 December 2015, the Group had 136 community life service platforms, basically covering the large and medium-size communities in Yangzhou city and its districts or counties, and had expanded to Nanjing city.

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.

Cross-boarder business

The Group's cross-boarder business developed rapidly. During the year, an imported-goods store was opened in Yangzhou and Nanjing respectively, which is the biggest imported merchandise sales center in located city. The imported merchandise sales center opened in Nanjing city in December 2015 by partnering with Ningbo Free Trade Zone has a business area of 5000 square meters, and can provide with imported cosmetics, baby products, and fresh food etc. This sales center is an attempt of membership-based sales with member preferential price. A new brand named "Excellent Home"(優家) was created to support the cross-boarder business. In addition, clients can also order the imported goods through our online platform.

Client services: after-sales and logistics management

Offering of after-sales services is an important contributor to the continued expansion of the Group's retail and bulk distribution businesses and also the competitive advantage of the Group. The Group offers a broad range of installation and maintenance services for the products purchased from the Group or from other third party vendors and suppliers, and also provides satisfactory services and technical support for the Group's retail and bulk distribution businesses. During the year, the Group 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 31 December 2015, the Group operated and managed a total of 37 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 year, the Group enhanced information management and implemented real-time monitoring systems relating to its security system, inventory and employee performance. Meanwhile, in addition to cooperation with qualified third-party logistics suppliers, the Group also set up our own logistics team. 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.

Diversified marketing and promotion strategies

In order to meet the market demand of consumers in different regions, the Group has adopted diversified marketing and brand promotion strategies and has flexibly established strategic store locations in different areas. During the year, the Group continued to upgrade and renovate stores, optimized store distribution and product structure and made improvements in sales, management and services. Promotion activities including "Brand Special Group Purchase (品牌專場團購)", "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 attract community consumer.

In respect of brand marketing, by way of combing traditional marketing strategies and innovative media, the Group increased the awareness of "Huiyin" and "Huiyin Lehu" brand. During the year, in addition to cooperating with multi-media channels including TV, radio and internet, the Group started to promote through mobile devices to improve the communication and interaction with members of Huiyin. Public welfare events such as community recreational and sports activities and health lectures were held to improve the perceptions of consumers toward the brand.

Management information system integration and upgrade

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

Human resources management

As at 31 December 2015, the number of the Group's employees was 860. In 2015, the Group organized over 100 training sessions of different topics covering staff induction training, product knowledge, sales skills, leadership skills and corporate culture to meet the needs of employees at different levels, with total attendances reaching about 3,200.

During the year, the Group continued to fulfill its corporate social responsibility, and actively participated in community welfare undertakings to the society. In 2015, the Group was honoured with various awards, including "E-commerce Model Enterprise in Jiangsu Province (江蘇省電子商務示範企業)" by Jiangsu Provincial Commerce Department (江蘇省商務廳) and "National Advanced Group in Commerce Circulation Service Industry (全國商貿流通服務業先進集體)" by the Ministry of Human Resources and Social Security of China(中國人力資源和社會保障部), which highlighted the Group's brand creditworthiness and recognition.

FINANCIAL REVIEW

Revenue

During the year, due to the Group's strategy transformation, the macro-economic slowdown and declining demand in the household appliances consumer market, the Group's revenue was approximately RMB2,053.9 million, representing a decrease of 33.6% from approximately RMB3,093.0 million in 2014.

Turnover of the Group comprises revenues by operation as follows:

	2015 **RMB'000**		2014 RMB'000	
Sales from traditional sales				
– Retail	**547,935**	**26.7%**	849,527	27.5%
– Bulk distribution	**872,809**	**42.5%**	2,142,208	69.2%
Sales from e-commerce and smart community business	**612,896**	**29.8%**	80,273	2.6%
Rendering of services	**20,210**	**1.0%**	21,014	0.7%
Total revenue	**2,053,850**	**100.0%**	3,093,022	100.0%

The decrease in sales from traditional channels was mainly attributable to the impact of the macro-economic slowdown and the strategic change of the Group to focus on smart community e-commerce business. Sales from e-commerce and smart community business increased sharply because after several year's preparation, the Group began to put much more concentration on the e-commerce business and developed the smart community life service network from the end of 2014 in Jiangsu Province, and the new business expanded rapidly during this year.

Cost of sales

Cost of sales decreased by approximately 28.9% from RMB2,718.0 million for 2014 to RMB1,933.0 million for 2015, primarily due to the decrease in sales volume.

Gross profit

As a result of the above principal factors, the Group's gross profit decreased by approximately 67.8% from RMB375.0 million for 2014 to RMB120.8 million for 2015.

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

	2015	2014
Traditional business	4.4%	11.8%
E-commerce and smart community business	7.0%	8.6%
Overall	5.9%	12.1%

During the year, the gross profit margin of the traditional business decreased, which was primarily due to the decrease of annual rebate amount to suppliers arise from the Group's given-up of some distribution rights.

Other income

During the year, the Group's other income amounted to approximately RMB22.8 million, representing an increase from approximately RMB13.2 million for 2014.

Other losses

During the year, the Group recorded other losses of approximately RMB34.0 million, while other losses of approximately RMB0.4 million was recorded in 2014, primarily due to the impairment loss against goodwill.

The impairment loss against goodwill was due to the performance of the acquired business, which primarily sells household appliances in Anhui Province, did not meet the expectation after considering the declined demand in household appliance consumer market.

Selling and marketing expenses

During the year, the Group's total selling and marketing expenses amounted to approximately RMB159.3 million, representing an increase from approximately RMB150.4 million for 2014, which was mainly due to the increase of employee benefit expenses resulting from demand of human resources for the rapid expansion of smart community e-commerce business.

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

As a percentage of revenue	2015	2014
Employee benefit expenses	2.13%	1.19%
Service charges	0.12%	0.14%
Operating lease expenses in respect of buildings and warehouses	1.94%	1.18%
Promotion and advertising expenses	1.53%	1.00%
Depreciation of property, plant and equipment	0.88%	0.50%
Utilities and telephone expenses	0.33%	0.20%
Transportation expenses	0.54%	0.41%
Travelling expenses	0.08%	0.06%
Others	0.21%	0.18%
Total selling and marketing expenses	7.76%	4.86%

The selling and marketing expenses increased slightly, while the significant increase of percentage of selling and marketing expenses was mainly due to the decrease of revenue.

Administrative expenses

During the year, the Group's total administrative expenses amounted to approximately RMB334.4 million, representing a significant increase from RMB88.6 million for 2014, which was mainly due to the increase of provision for impairment on receivables, and share option expenses.

The following table sets out a summary for administrative expenses:

	2015 RMB'000	2014 RMB'000
Employee benefit expenses	36,436	39,434
Share option expenses	43,158	—
Operating lease expenses in respect of buildings	2,721	2,737
Amortization and depreciation	9,654	8,357
Utilities and telephone expenses	1,895	1,834
Travelling expenses	2,528	2,460
Auditors' remuneration	2,950	2,950
Consulting expenses	683	804
Accrual/(reversal) of provision for impairment on receivables	198,225	(5,449)
Others	36,162	35,459
Total administrative expenses	334,412	88,586

The provision for impairment on receivables was mainly due to making of certain provision for receivables from suppliers after taking into account of the financial position of upstream companies in the industry and collectability of the receivables. During the year, the Group gave up some traditional household appliances distribution rights, which leading to a worsen collectability and a higher provision for impairment accordingly.

The increase of share option expenses was due to the share options granted to eligible participants based on the demand of human resources for the rapid expansion of smart community e-commerce business.

Finance costs – net

During the year, the Group's net finance costs was approximately RMB39.4 million, representing a slight increase from approximately RMB38.0 million of net finance costs for 2014.

Share of loss of a joint venture

During the year, the share of loss of a joint venture amounting to RMB14.9 million (2014: RMB6.7 million) was share of loss of Yangzhou Huiyin Real Estate Co., Ltd. ("Huiyin Real Estate"), which had became a joint venture because of a co-operation agreement signed by the Group and Shanghai Coastal Weiying Equity Investment Fund Management Co., Ltd. ("Weiying") on 27 January 2014 to jointly control the legal and financial operations of Huiyin Real Estate to develop the land parcel owned by Huiyin Real Estate. The Group recognises the share of profit and loss of Huiyin Real Estate by applying equity method. The loss of Huiyin Real Estate was mainly due to the interest expense from borrowing owed to the Group, which was previously intra-group charges.

As announced by the Company on 29 January 2016, the Group and Weiying concluded an agreement on the termination of the joint venture. Huiyin Real Estate became a subsidiary of the Group upon the agreement effected.

Share of profit/(loss) of an associate

During the year, the share of profit of an associate amounting to RMB442,000 (2014: loss of RMB65,000) 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.

(Loss)/profit before income tax

During the year, the loss before income tax was approximately RMB437.9 million, while there was profit before income tax of approximately RMB104.1 million for 2014.

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

The loss attributable to equity holders of the Company for 2015 was approximately RMB398.6 million, while there was profit attributable to equity holders of approximately RMB50.0 million for 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 which became effective on 4 March 2014 in respect of the development of the land parcel acquired by Huiyin Real Estate in 2011. Under the co-operation agreement, Huiyin Real Estate, which was a 100% controlled subsidiary of the Company previously, would be the entity undertaking the project. The Group and Weiying would jointly control the legal and financial operations as well as other key relevant activities of Huiyin Real Estate. Accordingly, Huiyin Real Estate became a joint venture and its assets and financial results ceased to be consolidated in the accounts of the Group. The Group recognized its interest in Huiyin Real Estate as an investment in joint venture which includes capital contributed of RMB50.0 million (2014: RMB50.0 million) and share of loss of RMB44.3 (2014: 29.4 million) million as at 31 December 2015.

Loan to Huiyin Real Estate as at 31 December 2015 includes principal amount of RMB197.3 million (2014: RMB197.3 million) and interest receivable of RMB58.9 million (2014: RMB39.1 million). The loan carries an interest calculated at compound rate of 6.6% (2014: 6.6%) per annum which will be settled together with the principal amount upon the completion of the property project being undertaken by Huiyin Real Estate.

The Group has began the construction on the land parcel since the second half of 2014. The project is in progress and it is expected that the project will be completed in the first half of 2018.

Cash and cash equivalents

As at 31 December 2015, the Group's cash and cash equivalents were approximately RMB71.5 million, representing an increase of 182.5% from approximately RMB25.3 million as at 31 December 2014.

Inventories

As at 31 December 2015, the Group's inventories amounted to approximately RMB293.9 million, representing a decrease from RMB413.8 million at the end of 2014, which was mainly due to the given-up of some household appliances distribution rights which had occupied major resources.

Prepayments, deposits and other receivables

As at 31 December 2015, prepayments, deposits and other receivables of the Group amounted to approximately RMB934.4 million, representing a decrease of 18.3% from approximately RMB1,143.6 million as at 31 December 2014, which is mainly due to the decrease of amounts due from suppliers as a result of given-up of distribution rights.

Trade and bills receivables

As at 31 December 2015, trade and bills receivables of the Group amounted to approximately RMB83.6 million, representing a decrease from approximately RMB120.5 million as at 31 December 2014, which was mainly due to the decrease of trade receivable.

Trade and bills payables

As at 31 December 2015, trade and bills payables of the Group amounted to approximately RMB891.4 million, representing a decrease from approximately RMB949.9 million as at 31 December 2014, which was mainly due to the decrease of bills payable.

Gearing ratio and the basis of calculation

As at 31 December 2015, gearing ratio of the Group was 41.0%, 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 year, capital expenditure of the Group amounted to approximately RMB47.0 million, representing a decrease from approximately RMB85.8 million for 2014, primarily due to exclusion of capital expenditure arising from acquisition of subsidiaries through issue of shares in 2014.

Cash flows

During the year, net cash outflow from operating activities of the Group amounted to approximately RMB186.8 million, as compared to RMB58.5 million in 2014. The higher net cash outflow was mainly due to the decrease of advances from customers.

Net cash outflow from investing activities amounted to approximately RMB33,000, as compared to approximately RMB14.2 million for 2014.

Net cash inflow from financing activities amounted to approximately RMB232.7 million, while there was net cash outflow from financing activities amounted to approximately RMB54.2 million for 2014, which was mainly due to the net increase of proceeds from placing of ordinary shares.

Capital structure

As at 31 December 2015, the Group's cash and bank balances were mainly held in Renminbi, and the Group's borrowings were denominated in Renminbi, Hong Kong dollar and in US dollar with floating or fixed interest rate.

As at 31 December 2015, equity attributable to shareholders of the Company amounted to approximately RMB764.5 million, compared to approximately RMB801.7 million as at 31 December 2014.

Liquidity and financial resources

During the year, the Group's working capital and capital expenditure were funded from cash on hand, bank borrowings, medium-term notes and proceeds from placing of ordinary shares. As at 31 December 2015, the borrowings of the Group amounted to RMB539.1 million, representing a decrease from RMB1,048.1 million as at 31 December 2014.

Pledging of assets

As at 31 December 2015, the Group's pledged bank deposits amounted to RMB603.0 million, representing a decrease from RMB986.1 million as at 31 December 2014, and pledged merchandise held for resale amounted to RMB45.0 million. In addition, certain land use rights, buildings and investment properties with a total net book value of RMB471.7 million together with land use rights of a land parcel owned by a joint venture had been pledged.

Contingent liabilities

As at 31 December 2015, the Group had no contingent liabilities which have not been properly accrued for except for certain unfounded legal claims and guarantees provided to the customers which the Group does not expect that it will incur any loss.

Capital commitments

As at 31 December 2015, the Group had no significant capital commitments.

Foreign currencies and treasury policy

The majority of the Group's income and expenses were denominated in Renminbi. During the year, the Group has not entered into any forward contracts to hedge its exposure to foreign exchange risk which mainly arise from US$ bank borrowings with a total amount of US$18,900,000, bonds payable with a total amount of HK$10,000,000 and convertible bonds with a total amount of HK$80,000,000 as at 31 December 2015. The Group does not have a foreign currency hedging policy. However, the directors monitor the Group's foreign exchange exposure closely and may, depending on the circumstances and trend of foreign currencies, consider adopting appropriate foreign currency hedging policy in the future.

Final dividend

The Board of the Company does not recommend the payment of any final dividend for the year ended 31 December 2015 (2014: Nil).

USE OF FUNDS RAISED FROM INITIAL PUBLIC OFEERING

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

As stated in the prospectus of the Company dated 12 March 2010, we intended to use approximately HK$156.5 million (equivalent to approximately RMB137.9 million) for expansion of our retail network, approximately HK$203.2 million (equivalent to approximately RMB178.3 million) for potential acquisitions of household appliances and electronics retail enterprises in eastern China which target at the third and fourth-tier markets, approximately HK$55.0 million (equivalent to approximately RMB48.4 million) for expansion of our existing distribution and logistics centers in Jiangsu Province, approximately HK$5.0 million (equivalent to approximately RMB4.4 million) for improving our existing information and management systems, and approximately HK$39.2 million (equivalent to approximately RMB34.5 million) as our general working capital.

As at 31 December 2015, our use of net proceeds raised from IPO was as follows:

	Net proceeds from IPO	
	Available to utilise (RMB million)	Utilised (up to 31 December 2015) (RMB million)
Expansion of retail network	137.9	137.9
Acquisitions of household appliances and electronics retail enterprises	178.3	68.3
Expansion of distribution and logistics centers in Jiangsu Province	48.4	48.4
Improving information and management systems	4.4	4.4
General working capital	34.5	34.5
	403.5	293.5

EMPLOYMENT AND REMUNERATION POLICY

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

HUMAN RESOURCES

As at 31 December 2015, the Group had 860 employees, down 1.0% from 869 at the end of 2014.

OUTLOOK

In 2016, the global economy will continue to be challenging, retail business will 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. Rural commerce, community e-commerce as well as cross-boarder e-commerce was becoming new growth drivers for the market. The Group is constantly taking advantage of its own advantages and taking the opportunities arising from industry consolidation, leveraging on its unique business model and its sales network and client resources, and is strategically poised to realize future growth and to become a leading smart community e-commerce operator in China. In addition, 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 bring new development opportunity for domestic household appliances market.

In 2016, the Group will take innovative measures in three aspects — store management, brand building and human resources. 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. Another smart community experience base is going to be established in Nantong city. Further more, the Group will copy the successful model in the cities on "shanghai-Nanjing Railway"(滬寧綫) in Jiangsu Province, and then expand 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 and e-commerce 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 resources according to the expansion plan and to develop a strategic alliance with its suppliers, to maintain the Group's leading position in the target markets. The Group will improve the interaction with community resources and provide creative service to residents, to further reinforce the awareness of the "Huiyin" and "Huiyin Lehu" brand in target market through traditional business and e-commerce and smart community business. The integration and interplay between online and offline business will bring about more convenience to residents and promote our smart community life service strategy. Through these strategies, the Directors believe that the Group can achieve sustainable business expansion and fully improve its operational efficiency and profitability, thus creating better returns for its shareholders and investors.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

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

The Company has applied the principles as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Throughout the year ended 31 December 2015, the Company has complied with the code provisions as set out in the CG Code, except for the deviation from code provisions A.2.1 and E.1.2 which are explained in the relevant paragraphs of this corporate governance report.

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

THE BOARD

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

Board Composition

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

Executive directors:

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

Mr. Mo Chihe, member of the Nomination Committee

Mr. Mao Shanxin

Mr. Wang Zhijin, Chief Financial Officer

Mr. Lu Chaolin, Vice General Manager

Independent non-executive directors:

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

Mr. Tam Chun Chung, Chairman of the Audit Committee

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

The biographical information of the directors are set out in the section headed "Directors' and Senior Management's Profile" on pages 43 to 46 of this annual report.

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

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

During the year ended 31 December 2015, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise.

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

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

Chairman and Chief Executive Officer

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

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

Appointment, Re-election and Removal of Directors

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

Each of the executive directors entered into a service agreement with the Company for a term of three years. The term of office of Mr. Cao Kuanping, Mr. Mo Chihe, Mr. Mao Shanxin and Mr. Wang Zhijin was renewed for further three years commencing on 5 March 2016 whereas the term of office of Mr. Lu Chaolin was renewed for further three years commencing on 25 March 2014. The appointment of the executive directors can be terminated by either party by giving not less than six months' prior notice in writing to the other.

Each of the independent non-executive directors entered into an appointment letter with the Company for a term of three years. The term of office of Mr. Zhou Shuiwen and Mr. Tam Chun Chung was renewed for further three years commencing on 5 March 2016. Mr. Lo Kwong Shun Wilson was appointed as an independent non-executive director on 17 July 2013 for a specific term of three years. The appointment of the independent non-executive directors can be terminated by either party by giving not less than three months' prior notice in writing to the other.

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

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

Continuous Professional Development of Directors

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

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

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

Records of training received by each existing director in 2015 is summarized below:

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

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

Board Committees and Corporate Governance Functions

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

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

Audit Committee

The Company established the audit committee (the "Audit Committee") with written terms of reference in compliance with the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditor, and arrangements to enable employees of the Company, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee comprises three independent non-executive directors, namely Mr. Tam Chun Chung, Mr. Lo Kwong Shun Wilson and Mr. Zhou Shuiwen (including one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise). Mr. Tam Chun Chung has been appointed as the chairman of the Audit Committee.

During the year, the Audit Committee held two meetings, to review annual financial results and report for the year ended 31 December 2014 and interim financial results and report for the half year ended 30 June 2015 and to review significant issues on the financial reporting and compliance procedures, internal control and the independence, scope of work and appointment of external auditor.

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

The Audit Committee has in conjunction with management of the Company reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the audited consolidated financial statements of the Group for the year ended 31 December 2015 and the auditor's report thereon.

Remuneration Committee

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

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

During the year, the Remuneration Committee held three meetings, to review and make recommendation to the Board on the remuneration policy and structure of the Company and the remuneration packages of the executive directors and senior management.

Nomination Committee

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

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

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

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

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

Corporate Governance Functions

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

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

Attendance Records of Directors and Committee Members

The attendance record of each director at the Board and Board Committee meetings and the General Meetings of the Company held during the year ended 31 December 2015 is set out in the table below:

	Attendance/Number of Meetings					
	Board Meetings	Nomination Committee Meetings	Remuneration Committee Meetings	Audit Committee Meetings	Annual General Meeting	Extraordinary General Meeting
Executive directors						
Mr. Cao Kuanping	19/19	N/A	3/3	N/A	1/1	0/2
Mr. Mo Chihe	19/19	1/1	N/A	N/A	0/1	0/2
Mr. Mao Shanxin	19/19	N/A	N/A	N/A	0/1	0/2
Mr. Wang Zhijin	19/19	N/A	N/A	N/A	1/1	2/2
Mr. Lu Chaolin	19/19	N/A	N/A	N/A	0/1	0/2
Ms. Hu Yanyu (resigned on 25 September 2015)	15/15	N/A	N/A	N/A	1/1	0/1
Independent non-executive directors						
Mr. Zhou Shuiwen	19/19	1/1	3/3	2/2	*1/1	0/2
Mr. Tam Chun Chung	19/19	N/A	N/A	2/2	1/1	0/2
Mr. Lo Kwong Shun Wilson	19/19	1/1	3/3	2/2	*1/1	0/2

* Attendance by delegates

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

The chairman of the independent board committee was unable to attend the extraordinary general meeting of the Company held on 10 July 2015 due to his other business commitment. This constitutes a deviation from code provision E.1.2 of the CG Code.

Model Code for Securities Transactions

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

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2015.

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

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

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for Financial Reporting in respect of Financial Statements

The directors acknowledge their responsibility for preparing the financial statements of the Company and of the Group for the year ended 31 December 2015.

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

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

Internal Controls

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

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

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

External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditor's Report" on pages 47 to 48.

For 2015, the remuneration of the Company's external auditor for the review of half-yearly interim financial information of the Group for the six months ended 30 June 2015 and audit of the annual consolidated financial statements of the Group for the year ended 31 December 2015 was RMB2.95 million in aggregate. No non-audit services were provided by the external auditor in 2015.

COMPANY SECRETARY

Ms. Ngai Kit Fong of Tricor Services Limited, external service provider, has been engaged by the Company as the company secretary. Its primary contact person at the Company is Mr. Wang Zhijin, executive director and Chief Financial Officer of the Company. Ms. Ngai also confirmed that she has taken no less than 15 hours of relevant professional training during the year ended 31 December 2015.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

SHAREHOLDERS' RIGHTS

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

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

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

Address:	Huiyin Building, No. 539 Wenchang Zhong Road, Yangzhou City, Jiangsu Province, PRC For the attention of Mr. Wang Zhijin
Fax:	86-514-87370101
Email:	hysc@pordahavas.com

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

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

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

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

GOING CONCERN

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

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

The Directors have pleasure in presenting this report of the Directors and the audited financial statements of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2015.

GROUP REORGANISATION

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

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are set out in the "Chairman's Statement" and "Management Discussion and Analysis" sections of this annual report. Description of possible risks and uncertainties that the Group may be facing can be found in the "Management Discussion and Analysis" section of this annual report. The financial risk management objectives and its valuation processes of the Group are set out in note 4 to the consolidated financial statements. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2015 are set out in note 44 to the consolidated financial statements.

ENVIRONMENTAL POLICY

The Group has endeavored to protect the environment by minimizing environmental adverse impacts in daily operations, such as investing in energy-efficient lighting and equipment, enhancing paper recycling to redcue consumption and waste, and raising the environmental awareness of our people. The Group will continue to seek for better environmental practices and promote the right environmental attitudes within the organization.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Company is incorporated in the Cayman Islands with its shares listed on the Main Board of Stock Exchange. The Group mainly carries out its retail and bulk distribution sales of household appliances, internet+ and e-commerce, as well as smart community business in the PRC. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has complied in material respects with the relevant laws and regulations in the Cayman Islands, Hong Kong and the PRC during the year.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Details of the key relationships between the Company and its employees, customers and suppliers are set out in the paragraphs headed "Employment and Remuneration Policy", "Human resources management" and "Major Customers and Suppliers" in this annual report.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2015 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 49 to 54.

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

The register of members of the Company will be closed from Thursday, 26 May 2016, to Monday, 30 May 2016, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 25 May 2016.

USE OF PROCEEDS FROM THE COMPANY'S LISTING

Details of the use of proceeds from the Company's Listing are set out on page 19 of this annual report.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity on page 53 and in note 20 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company's reserves, including the share premium account, available for distribution, calculated in accordance with the Companies Law (2009 Revision) of the Cayman Islands ("Companies Law"), amounted to approximately RMB823.6 million. Under the Companies Law, a company may make distribution to its shareholders out of the share premium account under certain circumstances.

PROPERTY, PLANT AND EQUIPMENT

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

PRE-EMPTIVE RIGHTS

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

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2015 are set out in note 26 to the consolidated financial statements.

DIRECTORS

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

Executive Directors

Mr. Cao Kuanping *(Chairman and Chief Executive Officer)*
Mr. Mo Chihe
Mr. Mao Shanxin
Mr. Wang Zhijin
Mr. Lu Chaolin
Ms. Hu Yanyu (resigned on 25 September 2015)

Independent Non-executive Directors

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

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

In accordance with article 16.18 of the Articles of Association of the Company, Mr. Mao Shanxin, Mr. Lu Chaolin and Mr. Zhou Shuiwen shall retire at the forthcoming annual general meeting. All of the above retiring directors (namely Mr. Mao Shanxin, Mr. Lu Chaolin and Mr. Zhou Shuiwen), being eligible, will offer themselves for re-election at the annual general meeting.

DIRECTORS' SERVICE CONTRACTS

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

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical information of the Directors of the Company are set out in the "Directors' and Senior Management's Profile" section on pages 43 to 46.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Changes in Directors' biographical details since the date of the 2015 interim report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Name of Director	Details of changes
Mr. Tam Chun Chung	Appointed as an independent non-executive director of Lap Kei Engineering (Holdings) Limited, a company listed on the Gem Board of the Stock Exchange (stock code: 8369) on 10 September 2015.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2015 and up to the date of this report, no Directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

As set out in note 41 to the audited consolidated financial statements in this annual report, during the year ended 31 December 2015, the Group had rental expenses paid to Mr. Cao Kuanping, the Chairman and an executive Director of the Company, amounting to RMB3,650,000.

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

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

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

(ii) on normal commercial terms or better; and

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

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

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

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

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

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 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 interest and/or short positions which they are taken or deemed to have under such provisions of the SFO), or which was required, under Section 352 of the SFO, to be entered in the register referred to in that section, or under the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name	Name of corporation	Capacity and Nature of interest	Aggregate number of ordinary shares or underlying shares	Approximate percentage of interest in the corporation
Cao Kuanping	The Company	Interest of controlled corporation	339,103,625 Shares (L)	23.28%
		Beneficial owner	1,000,000 underlying Shares (L)	0.07%
		Spouse interest	1,000,000 underlying Shares (L)	0.07%
Lu Chaolin	The Company	Beneficial owner	5,000,000 underlying Shares (L)	0.34%
Mo Chihe	The Company	Beneficial owner	10,000,000 underlying Shares (L)	0.69%
Mao Shanxin	The Company	Beneficial owner	1,000,000 underlying Shares (L)	0.07%
Wang Zhijin	The Company	Beneficial owner	8,000,000 underlying Shares (L)	0.55%
Tam Chun Chung	The Company	Beneficial owner	500,000 underlying Shares (L)	0.03%
Zhou Shuiwen	The Company	Beneficial owner	500,000 underlying Shares (L)	0.03%
Lo Kwong Shun	The Company	Beneficial owner	500,000 underlying Shares (L)	0.03%

(L) denotes long position.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Directors or chief executives of the Company, as at 31 December 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	339,103,625	23.28%
Fuxin Investment Holding Co., Ltd.	The Company	Beneficial owner	131,197,727	9.00%
Mao Shanzhen	The Company	Beneficial owner	1,000,000 Underlying Shares (L) (Note 1)	0.07%
		Spouse Interest	340,103,625 (Note 1)	23.34%

(L) denote long position

Note:

(1) These underlying shares represent the 1,000,000 share options held by Ms. Mao Shanzhen granted by the Company under the Share Option Scheme. The 340,103,625 shares represent the interests held by Mr. Cao Kuanping, spouse of Ms. Mao Shanzhen, whose interests are disclosed in the above section headed “Directors’ Interests in Shares, Underlying Shares and Debentures”.

SHARE CAPITAL AND SHARE OPTION SCHEMES

Details of the movements in the share capital of the Company during the year are set out in note 19 to the consolidated financial statements.

Pre-IPO Option Scheme

On 5 March 2010, we have adopted a pre-IPO option scheme (the “Pre-IPO Option Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the growth of the Group. Eligible participants of the Pre-IPO Option Scheme include, without limitation, directors and employees of the Company, or any of its subsidiaries or associated companies.

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

	Number of Pre-IPO Options				
Name	As at 1 January 2015	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	As at 31 December 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 19(b) to the audited consolidated financial statements.

On 25 March 2015, all the share options granted under the Pre-IPO Option Scheme have lapsed without being exercised by any grantees.

Share Option Scheme

On 5 March 2010, the Company adopted a share option scheme (the "Share Option Scheme"). The following is a summary of the principal terms of the Share Option Scheme:

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Participants (as defined in paragraph (b) below) and for such other purposes as the Board may approve from time to time.

(b) Participants of the Share Option Scheme

The Board may, at its discretion, invite any executive, non-executive or independent non-executive directors or any employees (whether full-time or part-time) of the Company, or any of its subsidiaries or associated companies to take up options. In determining the basis of eligibility of each participant, the Board would take into account such factors as the Board may at its discretion consider appropriate.

(c) Total number of Shares available for issue under the Share Option Scheme

The refreshment of the Share Option Scheme mandate limit has been approved by the Shareholders at the Extraordinary General Meeting ("EGM") of the Company held on 10 December 2015.

The maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme of the Company must not exceed 10% of the total number of Shares in issue as at the EGM date.

As at the date of this annual report, there are 145,686,001 options available for grant under the Share Option Scheme, representing 10% of the issued share capital of the Company.

(d) The maximum entitlement of each Eligible Participant under the Share Option Scheme

The maximum entitlement for any one participant is that the total number of the Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.

(e) Timing for exercising option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period to be determined by the Board at its absolute discretion and notified by the Board to each grantee as being the period during which an option may be exercised and in any event, such period shall not be longer than 10 years from the date upon which any particular option is granted in accordance with the Share Option Scheme.

(f) Payment of acceptance of option

Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

(g) The basis of determining the exercise price of option

The subscription price for the Shares under the Share Option Scheme will be at least the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which an offer is made by the Company to the grantee (which date must be a business day, "Offer Date");

(ii) a price being the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the Offer Date; and

(iii) the nominal value of a Share.

(h) Duration of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on its adoption date on 5 March 2010.

On 14 May 2015 and 22 December 2015, the Board resolved to grant 100,000,000 and 145,680,000 share options respectively 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 245,680,000 Shares pursuant to the Share Option Scheme. Among the 245,680,000 share options, 35,500,000 share options were granted to directors of the Company and an associate of a Director.

Name	Number of share Options As at 1 January 2015	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	As at 31 December 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	0.07%
Mo Chihe						
Executive Director	–	10,000,000	–	–	10,000,000	0.69%
Mao Shanxin						
Executive Director	–	1,000,000	–	–	1,000,000	0.07%
Wang Zhijin						
Executive Director and Chief Financial Officer	–	8,000,000	–	–	8,000,000	0.55%
Lu Chaolin						
Executive Director and Vice General Manager	–	5,000,000	–	–	5,000,000	0.34%
Hu Yanyu						
Executive Director(Note 1)	–	8,000,000	–	8,000,000	–	0.55%
Zhou Shuiwen						
Independent Non-Executive Director	–	500,000	–	–	500,000	0.03%
Tam Chun Chung						
Independent Non-Executive Director	–	500,000	–	–	500,000	0.03%
Lo Kwong Shun Wilson						
Independent Non-Executive Director	–	500,000	–	–	500,000	0.03%
Mao Shanzhen						
(the spouse of Cao Kuanping and the sister of Mao Shanxin)	–	1,000,000	–	–	1,000,000	0.07%
Others						
Employees	–	210,180,000	–	–	210,180,000	14.43%
	–	245,680,000	–	8,000,000(Note 1)	237,680,000	

Note:

(1) The 8,000,000 share options which were granted to Ms. Hu Yanyu under the Share Option Scheme were forfeited following her resignation as an executive director of the Company with effect from 25 September 2015.

The 100,000,000 Share Options granted on 14 May 2015 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 the 100,000,000 Share Options granted on 14 May 2015 is fixed at HK$1.69. Details of the valuation of the Share Options are set out in note 19(c) to the audited consolidated financial statements of this annual report.

The 145,680,000 Share Options granted on 22 December 2015 shall be exercisable at any time during the period commencing on 22 June 2016 and ending on 21 December 2025.

The subscription price payable upon the exercise of the 145,680,000 Share Options is fixed at HK$0.95. Details of the valuation of the Share Options are set out in note 19(d) to the audited consolidated financial statements of this annual report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

MANAGEMENT CONTRACTS

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

PERMITTED INDEMNITY PROVISION

Under the articles of association of the Company, every director of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a director of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. The Company has arranged appropriate insurance cover in respect of legal action against its directors of the Company.

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

During the year ended 31 December 2015, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

BANK LOANS AND OTHER BORROWINGS

Details of the Group's bank loans and other borrowings as at 31 December 2015 are set out in note 23 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales to the five largest customers of the Group accounted for approximately 15.0% of the Group's total revenue and sales to the largest customer accounted for approximately 6.0% of the Group's total revenue for year 2015. The aggregate purchases from the five largest suppliers of the Group accounted for approximately 66.6% of the Group's total purchases and purchases from the largest supplier accounted for approximately 31.4% of the Group's total purchases for year 2015.

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

RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes of the Group are set out in note 31 to the consolidated financial statements.

PUBLIC FLOAT

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

AUDIT COMMITTEE

The Audit Committee of the Group was established in 2010. Currently, it comprises three members, all of whom are independent non-executive Directors, namely Mr. Tam Chun Chung, who possesses professional accounting qualifications, Mr. Zhou Shuiwen and Mr. Lo Kwong Shun Wilson. Mr. Tam Chun Chung is the Chairman of the Audit Committee. The Audit Committee has in conjunction with management of the Company reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the audited consolidated financial statements of the Group for the year ended 31 December 2015 and the auditor's report thereon.

AUDITOR

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

On behalf of the Board

Cao Kuanping
Chairman

Hong Kong, 24 March 2016

Directors' and Senior Management's Profile

EXECUTIVE DIRECTORS

Mr. Cao Kuanping (曹寬平先生), aged 53, founder of our Group, Chairman, executive Director and Chief Executive Officer of our Company, is responsible for our overall sales, marketing, development and strategic planning. Mr. Cao has been a Director since 5 February 2008. He is also a member of the Remuneration Committee. He is the legal representative of our various Group companies. Mr. Cao has extensive experience in the home appliances and consumer electronic products industry of more than 20 years. Prior to the establishment of 揚州滙銀家電(集團)有限公司 (Yangzhou Huiyin Household Appliance (Group) Co., Ltd.*) (formerly known as 揚州滙銀家電有限公司 (Yangzhou Huiyin Household Appliance Co., Ltd.*)) in 2002, Mr. Cao was the General Manager of both 揚州市廣陵區滙銀交家電批發站 (Yangzhou Huiyin Guangling District Jiaojiadian Wholesale Station*) and 揚州市廣陵區滙銀貿易有限公司 (Yangzhou Guangling District Huiyin Trading Co., Ltd.*), both of which were involved in the business of home appliances. Mr. Cao has been a director of China Ruika Investment & Development Co., Ltd. since April 2008, an investment holding company wholly owned by him. In 2009, Mr. Cao obtained his executive MBA under the Tsinghua Executive MBA Program which is a part-time programme launched by Tsinghua University. Mr. Cao also completed the EMBA programme and obtained the degree of executive master of business administration from Cheung Kong Graduate School of Business in September 2013.

Mr. Mo Chihe (莫持河先生), aged 44, executive Director of our Company since 3 April 2008, is responsible for treasury management, cash management, and investment project. He is also a member of the Nomination Committee. He also works together with our chief financial officer on certain accounting aspects of our Group. Mr. Mo has been with us since the establishment of 揚州滙銀家電(集團)有限公司 (Yangzhou Huiyin Household Appliance (Group) Co., Ltd.*) (formerly known as 揚州滙銀家電有限公司 (Yangzhou Huiyin Household Appliance Co., Ltd.*)) in May 2002. Mr. Mo is also a director of China Yinrui (HK) Investment Holding Company Limited and 揚州滙銀家電(集團)有限公司 (Yangzhou Huiyin Household Appliance (Group) Co., Ltd.*). He has more than 15 years of experience in home appliances and consumer electronic products industry and in financial management. Mr. Mo was employed by 揚州造紙廠 (Yangzhou Paper Production Factory*) between 1995 and 1998 during which he obtained the qualification of corporate accountant ((企業)會計師) approved by Ministry of Personnel of the PRC (中華人民共和國人事部) and conferred by Ministry of Finance of the PRC (中華人民共和國財政部) in May 1997. He joined 揚州市廣陵區滙銀交家電批發站 (Yangzhou Huiyin Guangling District Jiaojiadian Wholesale Station*) as the financial manager in April 1999. Mr. Mo obtained a high diploma in planning and statistics of economic trading (經濟貿易系計劃與統計專業專科) from 江蘇農學院 (Jiangsu Agricultural College*) (currently known as 揚州大學農學院 (Agricultural College of Yangzhou University*)) in 1992.

Mr. Mao Shanxin (茅善新先生), aged 49, executive Director of our Company since 3 April 2008, is responsible for overall supervision and management of our franchising operation. Mr. Mao joined our Group since inception. Mr. Mao was responsible for overseeing the operation of our warehouse and distribution department and after-sales services department, and was a manager of our bulk distribution business, audit manager, and the manager of our head office. Mr. Mao is also a director of China Yinrui (HK) Investment Holding Company Limited and 揚州滙銀家電(集團)有限公司 (Yangzhou Huiyin Household Appliance (Group) Co., Ltd.*) (formerly known as 揚州滙銀家電有限公司 (Yangzhou Huiyin Household Appliance Co., Ltd.*)). Prior to joining us, Mr. Mao was employed by 廣陵區百貨公司 (Guangling District Department Store*) as a salesman between 1987 and 1995. Mr. Mao completed 現代企業CEO 項目管理高級研修班 (Advanced Training Course of Project Management for CEO of Contemporary Enterprises*), a part-time course launched by 清華大學 (Tsinghua University*) in 2003. He completed the studying of 工商管理 (MBA) 核心課程班 (the Core Course of Business Administration (MBA) *) which is a part-time course launched by 南京大學 (Nanjing University*) in 2009. Mr. Mao Shanxin is the brother-in-law of Mr. Cao Kuanping, our Chairman.

Mr. Wang Zhijin (王志瑾先生), aged 39, executive Director of our Company since 5 March 2010, is responsible for the overall financial management and investors' relationship management. Mr. Wang joined our Group as the chief financial officer of our Company in July 2008. Mr. Wang was appointed as a director of 揚州滙銀家電(集團)有限公司 (Yangzhou Huiyin Household Appliance (Group) Co., Ltd.*) (formerly known as 揚州滙銀家電有限公司 (Yangzhou Huiyin Household Appliance Co., Ltd.*)) and China Yinrui (HK) Investment Holding Company Limited, both are wholly owned subsidiaries of the Company, on 6 April 2010 and 6 May 2010 respectively. He was appointed as a director of 上海靜健動康貿易有限公司 (Shanghai Jingjian Dongkang Trading Co., Ltd.*), 上海廣邗貿易有限公司 (Shanghai Guanghan Trading Co., Ltd.*) and 上海滙彩互聯網金融信息服務有限公司 (Shanghai Huicai Internet Financial Information Service Co., Ltd.*), the subsidiaries of the Group, on 24 October 2012, 12 February 2014 and 22 October 2014 respectively. He was also appointed on 9 October 2014 as an independent director of 上海飛凱光電材料股份有限公司 Shanghai Phichem Material Co., Ltd. (stock code: 300398) a company listed on the Shenzhen Stock Exchange. Mr. Wang is a member of 中國註冊會計師協會 (The Chinese Institute of Certified Public Accountants*). He has over 17 years experience in finance and accounting. Mr. Wang was employed by PricewaterhouseCoopers as a junior auditor in 1998, and was subsequently promoted to audit manager. Prior to joining us in 2008, Mr. Wang was appointed in December 2006 as chief financial officer and assistant to the chairman of directors of Kingdom Holdings Limited (stock code: 528), which is a company listed on the Main Board of the Stock Exchange. Mr. Wang obtained his bachelor degree in accounting from 上海財經大學 (Shanghai University of Finance and Economics*) in June 1998.

Mr. Lu Chaolin (路朝林先生), aged 40, has been appointed as an executive Director of our Company with effect from 25 March 2011. Mr. Lu, currently a vice general manager of our Company, is in charge of the overall management of the Group's corporate clients. He joined the Company's predecessor, 揚州市廣陵區滙銀交家電批發站 (Yangzhou Huiyin Guangling District Jiaojiadian Wholesale Station*) as deputy general manager in 1999 and 揚州滙銀家電(集團)有限公司 (Yangzhou Huiyin Household Appliance (Group) Co., Ltd.*) (formerly known as 揚州滙銀家電有限公司 (Yangzhou Huiyin Household Appliance Co., Ltd.*)) as deputy general manager since its establishment in May 2002. Mr. Lu has been the director of 無錫滙銀家電銷售有限公司 (Wuxi Huiyin Household Appliances Sales Co., Ltd.*), a subsidiary, since 24 October 2012. Mr. Lu was appointed as a director of 揚州滙銀家電(集團)有限公司 (Yangzhou Huiyin Household Appliance (Group) Co., Ltd.*) and China Yinrui (HK) Investment Holding Company Limited, both are wholly owned subsidiaries of the Company, on 6 April 2010 and 6 May 2010 respectively. Mr. Lu was previously the legal representative of 揚州恒信空調銷售有限公司 (Yangzhou Hengxin Airconditioner Sales Co., Ltd.*) and 揚州滙德電器營銷有限公司 (Yangzhou Huide Electronics Distribution Co., Ltd.*). He attended and completed a 384-hour 高級工商管理總裁研修班 (Training Course of Business Administration and Management of Chief Executives*) launched by 清華大學繼續教育學院 (the School of Continuing Education of Tsinghua University*), and comprised 160-hour physical attendance study and 224-hour long distance study. He also completed a nine-month MBA Core Course, Executive Development Programs launched by 南京大學 (Nanjing University*) in September 2009.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhou Shuiwen (周水文先生), aged 49, was appointed as an independent non-executive Director of our Company since 5 March 2010. He is also the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. He joined 上海永宣創業投資管理有限公司 (Shanghai NewMargins Growth Investment Management Co., Ltd.*, formerly known as 上海聯創投資管理有限公司 (Shanghai Lianchuang Investment Management Co., Ltd.*)) ("Shanghai NewMargins") in 1999, and is currently one of the partners of Shanghai NewMargins. Mr. Zhou was a director of 珠海歐比特控制工程股份有限公司 (Zhuhai Orbita Control Engineering Co., Ltd.*) (stock code: 300053), which is a company listed on Shenzhen Stock Exchange, between March 2008 and February 2015. He was a director of 鄭州煤礦機械集團股份有限公司 (Zhengzhou Coal Mining Machinery Group., Ltd.*) (stock code: 601717), which is a company listed on Shanghai Stock Exchange, between December 2008 and March 2012. Mr. Zhou obtained his bachelor degree of engineering in bioengineering from 上海科學技術大學 (Shanghai University of Science and Technology, currently known as 上海大學 (Shanghai University*)) in 1989.

Mr. Tam Chun Chung (譚振忠先生), aged 43, was appointed as an independent non-executive Director of our Company on 5 March 2010. He is also the chairman of the Audit Committee. Mr. Tam has more than 19 years of experience in the accounting and audit field. Mr. Tam has been an independent non-executive director of Lap Kei Engineering (Holdings) Limited (stock code: 8369), which is a company listed on the Gem Board of the Stock Exchange, since 10 September 2015. He has been a joint company secretary of 中國中鐵股份有限公司 (China Railway Group Limited*) (stock code: 390), which is a company listed on the Main Board of the Stock Exchange, since November 2007. Prior to joining 中國中鐵股份有限公司 (China Railway Group Limited*), Mr. Tam served as a qualified accountant and joint company secretary of Jilin Qifeng Chemical Fiber Co., Ltd. (stock code: 549), which is a company listed on the Main Board of the Stock Exchange, from September 2005 to November 2007. Between 2000 and 2005, he worked in the finance department in China Motion Telecom International Limited (stock code: 989), which is a company listed on the Main Board of the Stock Exchange, as an assistant manager, and was subsequently promoted to the position as a senior manager. From 1994 to 2000, Mr. Tam was employed by KPMG and was subsequently promoted to the position as an assistant manager. He has been a member of the Hong Kong Institute of Certified Public Accountants since December 1997 and a fellow of the Chartered Association of Certified Accountants since November 2002. Mr. Tam graduated from the Chinese University of Hong Kong in December 1994 with degree of bachelor of business administration. He further obtained an Executive Master of Business Administration from the Chinese University of Hong Kong in November 2015.

Mr. Lo Kwong Shun Wilson (羅廣信先生), aged 42, was appointed as an independent non-executive Director of our Company on 17 July 2013. He is also the chairman of the Nomination Committee, and a member of the Audit Committee and the Remuneration Committee. Mr. Lo has more than 14 years' experience in investment banking and advising on corporate finance and three years' experience in accounting and auditing. He has been working at Guotai Junan Capital Limited since 2002 and is currently a managing director, where he has been involved in various listing and restructuring transactions. Prior to that, from 1999 to 2002, he worked at Kingsway Capital Limited and BOCI Asia Limited, responsible for handling corporate finance assignments and assisting the analysis of various proposed listing projects while working alongside other professionals. Between 1996 and 1999, Mr. Lo worked at KPMG and was responsible for the audit of companies of various industry sectors. Mr. Lo has been independent non-executive directors of Kingdom Holdings Limited (stock code: 528) since May 2010, Raymond Industrial Limited (stock code: 229) since January 2013 and Wuzhou International Holdings Limited (stock code: 1369) since May 2013, all of which are listed on the Main Board of The Stock Exchange. Mr. Lo has been a member of the American Institute of Certified Public Accountant since December 1999 and a member of Hong Kong Institute of Certified Public Accountant since September 2005. He has also been a chartered financial analyst registered with the Association for Investment Management and Research since September 2001. Mr. Lo obtained his bachelor degree in commerce from University of British Columbia in May 1995.

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

SENIOR MANAGEMENT

Mr. Guo Guangzhong (郭廣忠先生), 38, is the assistant to the general manager of the Company, and is responsible for marketing and management of the Group's self-operated stores, and the overall management and implementation of the Group's businesses under the Rural Appliance Rebate Program and the Change of the Old for New Program. He joined the Group in December 2002. Mr. Guo obtained a high diploma in civil engineering and architecture from 南京建築工程學院 (Nanjing Institute of Architectural and Civil Engineering*, which was merged with other institutes to form 南京工業大學 (Nanjing University of Technology*)) in 2000. In 2006, he completed a 120-hour course of 零售賣場管理設計高級研修班 (the Advanced Level on Management and Design of Retail Premises*) launched by 清華大學美術學院培訓中心 (the Training Centre of the Academy of Fine Arts of Tsinghua University*).

Mr. Sun Qingxiang (孫清翔), 39, general manager of Huide Electronics, is responsible for the overall management of Yangzhou Huide. Mr. Sun joined our predecessor, Yangzhou Jiaojiadian, in 2001 and Yangzhou Huiyin since its establishment as business manager responsible for the development of and distribution in the network of towns and villages. He has close to 15 years of experience in the home appliances and consumer electronic products industry.

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

TO THE SHAREHOLDERS OF
HUIYIN Smart Community CO., LTD.
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Huiyin Smart Community Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 49 to 137, which comprise the consolidated balance sheets as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 March 2016

CONSOLIDATED BALANCE SHEET

As at 31 December 2015

	Note	As at 31 December 2015 RMB'000	2014 RMB'000
ASSETS			
Non-current assets			
Land use rights	7	46,965	48,149
Property, plant and equipment	8	238,734	223,280
Investment properties	9	5,575	5,745
Intangible assets	10	3,672	37,429
Investment in and loan to a joint venture	11	261,944	256,976
Investment in an associate	12	1,181	618
Deferred income tax assets	13	169,788	134,924
		727,859	707,121
Current assets			
Inventories	14	293,878	413,843
Trade and bills receivables	15	83,616	120,473
Prepayments, deposits and other receivables	16	934,449	1,143,634
Restricted bank deposits	17	603,040	986,063
Cash and cash equivalents	18	71,500	25,314
		1,986,483	2,689,327
Total assets		2,714,342	3,396,448
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	19	9,708	7,819
Reserves	20	754,758	793,858
		764,466	801,677
Non-controlling interests in equity		12,833	45,145
Total equity		777,299	846,822

As at 31 December 2015

	Note	As at 31 December 2015 RMB'000	2014 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	23	6,722	—
Deferred income tax liabilities	13	211	211
Deferred government grants	24	2,760	2,818
		9,693	3,029
Current liabilities			
Trade and bills payables	21	891,379	949,869
Accruals and other payables	22	301,175	367,390
Borrowings	23	532,340	1,048,068
Current income tax liabilities		148,896	127,710
Other current liabilities	25	53,560	53,560
		1,927,350	2,546,597
Total liabilities		1,937,043	2,549,626
Total equity and liabilities		2,714,342	3,396,448

The notes on pages 55 to 137 are an integral part of these financial statements.

Cao Kuanping
Director

Wang Zhijin
Director

Consolidated Income Statement

For the year ended 31 December 2015

	Note	Year ended 31 December 2015 RMB'000	2014 RMB'000
Revenue	27	**2,053,850**	3,093,022
Cost of sales	30	**(1,933,013)**	(2,717,982)
Gross profit		**120,837**	375,040
Other income	28	**22,770**	13,175
Other losses — net	29	**(33,958)**	(362)
Selling and marketing expenses	30	**(159,316)**	(150,410)
Administrative expenses	30	**(334,412)**	(88,586)
Operating (loss)/profit		**(384,079)**	148,857
Finance income	33	**40,780**	42,399
Finance costs	33	**(80,150)**	(80,412)
Finance costs — net	33	**(39,370)**	(38,013)
Share of loss of a joint venture	11	**(14,904)**	(6,681)
Share of profit/(loss) of an associate	12	**442**	(65)
(Loss)/profit before income tax		**(437,911)**	104,098
Income tax credit/(expense)	34	**7,001**	(45,893)
(Loss)/profit for the year		**(430,910)**	58,205
Attributable to:			
– Equity holders of the Company		**(398,598)**	50,004
– Non-controlling interests		**(32,312)**	8,201
		(430,910)	58,205
(Loss)/profit per share for (loss)/profit attributable to equity holders of the Company (expressed in RMB cents per share)			
– Basic	35	**(31.24)**	4.69
– Diluted	35	**(31.24)**	4.28

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
(Loss)/profit for the year	**(430,910)**	58,205
Other comprehensive income or loss	**–**	–
Total comprehensive (loss)/profit for the year	**(430,910)**	58,205
Attributable to:		
– Equity holders of the Company	**(398,598)**	50,004
– Non-controlling interests	**(32,312)**	8,201
	(430,910)	58,205

The notes on pages 55 to 137 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Note	Attributable to equity holders of the Company							
	Note	Share capital RMB'000	Share premium RMB'000	Statutory reserves RMB'000	Other reserves RMB'000	Accumulated losses 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
Comprehensive profit									
Profit/Total comprehensive incomem for the year 2014		–	–	–	–	50,004	50,004	8,201	58,205
Contributions by and distributions to owners									
Issue of ordinary shares relating to acquisition of a subsidiary	19	657	57,154	–	–	–	57,811	–	57,811
Dividend paid by a subsidiary to non-controlling interests		–	–	–	–	–	–	(100)	(100)
Total transaction with owners		657	57,154	–	–	–	57,811	(100)	57,711
Deemed disposal of a subsidiary with loss of control	40	–	–	–	2,228	–	2,228	1,192	3,420
Balance at 31 December 2014		7,819	884,938	28,007	(57,432)	(61,665)	801,677	45,145	846,822
Balance at 1 January 2015		7,819	884,938	28,007	(57,432)	(61,665)	801,677	45,145	846,822
Comprehensive profit									
Loss/Total comprehensive loss for the year 2015		–	–	–	–	(398,598)	(398,598)	(32,312)	(430,910)
Contributions by and distributions to owners									
Issue of ordinary shares	19	1,889	316,340	–	–	–	318,229	–	318,229
Share Option Scheme - value of employee services	19	–	–	–	43,158	–	43,158	–	43,158
Balance at 31 December 2015		9,708	1,201,278	28,007	(14,274)	(460,253)	764,466	12,833	777,299

The notes on pages 55 to 137 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2015

	Note	Year ended 31 December 2015 RMB'000	2014 RMB'000
Cash flows from operating activities:			
Cash (used in)/generated from operations	37	(108,244)	28,677
Interest paid		(71,855)	(73,479)
Income tax paid		(6,677)	(13,726)
Net cash used in operating activities		(186,776)	(58,528)
Cash flows from (used in) investing activities:			
Cash acquired from acquisition of a subsidiary	19	—	635
Purchase of property, plant and equipment	8	(41,015)	(27,875)
Purchase of intangible assets	10	(1,893)	(848)
Proceeds from disposal of property, plant and equipment	8	1,765	190
Investment in an associate	12	—	(750)
Cash disposal arising from deemed disposal of a subsidiary with loss of control	11	—	(7,963)
Additional loan to a joint venture	11	(4,080)	(80)
Interest received		45,190	22,530
Net cash used in investing activities		(33)	(14,161)
Cash flows from financing activities:			
Proceeds from bank borrowings	23	546,819	274,456
Proceeds from advance from third parties	22	68,200	5,200
Repayments of advance from third parties	22	(5,200)	—
Repayments of bank borrowings	23	(756,379)	(382,730)
Repayments of medium-term notes	23	(390,000)	—
Proceeds from issuance of convertible bonds	23	65,984	—
Proceeds from issuance of bonds payables	23	6,244	—
Restricted bank deposits pledged for bank borrowings	17	378,765	49,000
Proceeds from placing of ordinary shares	19	318,229	—
Dividend paid by a subsidiary to non-controlling interests		—	(100)
Net cash generated from/(used in) financing activities		232,662	(54,174)
Increase/(decrease) in cash and cash equivalents		45,853	(126,863)
Cash and cash equivalents at beginning of the year	18	25,314	152,235
Exchange differences on cash and cash equivalents		333	(58)
Cash and cash equivalents at end of the year	18	71,500	25,314

The notes on pages 55 to 137 are an integral part of these financial statements.

1 GENERAL INFORMATION

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

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

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

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

2 BASIS OF PREPARATION

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

The consolidated financial statements are presented in thousands of Renminbi (“RMB’000”), unless otherwise stated.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 below.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) New amendments and interpretation of HKFRSs mandatory for the financial year beginning on 1 January 2015 that are relevant to the Group's operations:

- Amendment to HKAS19 'Defined Benefit Plans: Employee Contributions'. This narrow scope amendment applies to contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

- Annual improvements 2012 include changes from the 2010-2012 cycle of the annual improvements project, that affect the below standards:

  — Amendment to HKFRS 8 'Operating Segments' requires disclosure of the judgements made by management in aggregating operating segments and a reconciliation of segment assets to the entity's assets when segment assets are reported.

  — Amendments to HKFRS 16 'Property, plant and equipment ', and consequential amendments to HKFRS 38 'Intangible assets ', clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

  — Amendments to HKFRS 24 'Related Party Disclosures ' clarify that the reporting entity is not required to disclose the compensation paid by the management entity (as a related party) to the management entity's employee or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.

- Annual improvements 2013 include changes from the 2011-2013 cycle of the annual improvements project, that affect the below standards:

  — Amendment to HKFRS 3 'Business combinations' clarifies that HKFRS 3 does not apply to the accounting for the formation of any joint arrangement under HKFRS 11 in the financial statements of the joint arrangement.

  — Amendment to HKFRS 13 'Fair value measurement' clarifies that the portfolio exception in HKFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of HKAS 39 or HKFRS 9.

  — Amendment to HKFRS 40 'Investment property' clarifies that the interrelationship between HKAS 40 HKFRS 3 when classifying property as investment property or owner-occupied property.

The adoption of the above new standards and amendment 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 year ended 31 December 2015.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(ii) The following are new standards and amendments of HKFRSs that have been issued and are relevant to the Group's operations but are not yet effective for the financial year beginning on 1 January 2015 and have not been early adopted by the Group:

- Amendment to HKFRS 11 'Accounting for Acquisitions of Interests in Joint Operations' (effective for annual periods beginning on or after 1 January 2016).
- Amendments to HKAS 16 and HKAS 38 'Clarification of Acceptable Methods of Depreciation and Amortisation' (effective for annual periods beginning on or after 1 January 2016).
- Amendments to HKFRS 10 and HKAS 28 'Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture' (originally intended to be effective for annual periods beginning on or after 1 January 2016 and the effective date has now been deferred/removed).
- Amendment to HKAS 27 'Equity Method in Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016).
- Amendments to HKAS 1 'Disclosure Initiative' (effective for annual periods beginning on or after 1 January 2016).
- Annual improvements 2014 – The amendments include changes from the 2012-2014 cycle of the annual improvements project that affect 4 standards: HKFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', HKFRS 7 'Financial Instruments: Disclosures', HKAS 19, 'Employee Benefits' and HKAS 34 'Interim Financial Reporting' (effective for annual periods beginning on or after 1 January 2016).
- HKFRS 15 'Revenue from contracts with Customers' (effective or annual periods beginning on or after 1 January 2018).
- HKFRS 9 'Financial Instruments' (effective or annual periods beginning on or after 1 January 2018).

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

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

In addition, the requirements of Part 9 'Accounts and Audit' of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.1 Subsidiaries

3.1.1 Consolidation

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

(a) Business combinations

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.1 Subsidiaries *(continued)*

3.1.1 Consolidation *(continued)*

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

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

(c) Disposal of subsidiaries

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

3.1.2 Separate financial statement

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

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

3.2 Associates

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Associates *(continued)*

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

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

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

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

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

3.3 Joint arrangements

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.4 Segment reporting

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

3.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

3.6 Land use rights for own use

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.7 Property, plant and equipment

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

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

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

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

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

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

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

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

3.8 Investment properties

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.9 Intangible assets

(a) Computer software

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

(b) Distribution agreement

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

(c) Non-compete agreements

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

(d) Goodwill

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.10 Impairment of investments in subsidiaries and non-financial assets

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

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

3.11 Derivative financial instruments

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

3.12 Inventories – merchandise held for resale and low value consumables

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.14 Trade, bills and other receivables

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

3.15 Cash and cash equivalents

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

3.16 Share capital

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

3.17 Trade, bills and other payables

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

3.18 Contingent consideration

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.19 Borrowings and borrowing costs

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

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

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

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

3.20 Convertible bonds

Convertible bonds issued by the Group that contain conversion option which is not closely related to the debt host contract is recognized as financial liabilities at fair value through profit or loss as a whole, which is initially and subsequently measured at fair value, with changes in fair value recognised in profit or loss. The fair value of the convertible bonds are determined at the issuance date and each subsequent balance sheet dates based on valuations performed by an independent valuer. Transactions costs (if any) directly attributable and incremental to the issue are recognised in profit or loss immediately.

3.21 Current and deferred income tax

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

(a) Current income tax

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.21 Current and deferred income tax *(continued)*

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

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

Offsetting

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.22 Employee benefits — pension obligations (defined contribution plan)

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

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

3.23 Share-based payments

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.24 Provision and contingent liability

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

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

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

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

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

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

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

3.25 Revenue recognition

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.25 Revenue recognition *(continued)*

(a) Sales of goods — bulk distribution

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

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

(b) Sales of goods — retail

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

(c) Internet revenue

Revenue from the sale of goods on the internet is recognised at the point that the risks and rewards of the inventory have passed to the customer, which is the point of dispatch. Transactions are settled by credit or payment card. Provisions are made for internet credit notes based on the expected level of returns, which in turn is based upon the historical rate of returns.

(d) Rendering of services

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

(e) Commission income

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.25 Revenue recognition *(continued)*

(f) Interest income

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

(g) Promotion income

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

(h) Rental income

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

(i) Dividend income

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.26 Government grants

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

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

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

3.27 Operating leases (as a lessee)

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

3.28 Dividend distribution

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

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

(a) Foreign exchange risk

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

Fluctuation of the exchange rates of functional currency against foreign currencies could affect the Group's result of operations. During the year, the Group has not entered into any forward contracts to hedge its exposure to foreign exchange risk which mainly arise from US$ bank borrowings with a total amount of US$18,900,000 (2014: US$87,200,000), bonds payable with a total amount of HK$10,000,000 (2014: nil) and convertible bonds with a total amount of HK$80,000,000 (2014: nil) as at 31 December 2015. The Group does not have a foreign currency hedging policy. However, the directors monitor the Group's foreign exchange exposure closely and may, depending on the circumstances and trend of foreign currencies, consider adopting appropriate foreign currency hedging policy in the future.

As at 31 December 2015, if RMB had strengthened/weakened by 5% against US$ with all other variables held constant, post-tax loss of the Group for the year would have been RMB4,602,000 lower/higher (2014: post-tax profit would have been RMB20,009,000 higher/lower), mainly as a result of net foreign exchange gains/losses on translation of US$ denominated bank borrowings; if RMB had strengthened/weakened by 5% against HK$ with all other variables held constant, post-tax loss of the Group for the year would have been RMB2,726,000 lower/higher (2014: nil), mainly as a result of net foreign exchange gains/losses on translation of HK$ denominated bonds payable and convertible bonds.

(b) Cash flow and fair value interest rate risk

Other than bank deposits with stable interest rate (Notes 17 and 18), the Group has no other significant interest-bearing assets. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank deposits are not expected to change significantly.

The Group's interest-rate risk mainly arises from borrowings. Borrowings obtained at variable rates of RMB122,729,000 (2014: RMB533,168,000) expose the Group to cash flow interest rate risk, and such borrowings are denominated in the US$. As at 31 December 2015, if interest rate on such borrowings had been 10 basis points higher/lower with all other variables held constant, the post-tax loss of the Group for the year would have been RMB9,205,000 higher/lower (2014: post-tax profit would have been RMB400,000 lower/higher) mainly as a result of lower/higher interest expense on borrowings with variable rates. Borrowings obtained at fixed rates of RMB414,706,000 (2014: RMB514,900,000) exposed the Group to fair value interest-rate risk. The Group has not hedged its cash flow and fair value interest rate risk. The interest rates and terms of repayments of borrowings are disclosed in Note 23.

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

(c) Credit risk

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

(i) Deposits with banks

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

		As at 31 December	
	Rating (Note)	2015 RMB'000	2014 RMB'000
Five largest restricted bank deposits			
— Bank of China	A-1	136,945	275,340
— Agricultural Bank of China	A-1	120,000	180,465
— Bank of Communications	A-2	103,000	134,463
— China Minsheng Bank	N/A	81,500	80,616
— Shanghai Pudong Development Bank	N/A	50,000	72,000
		491,445	742,884
Five largest cash and cash equivalents			
— Bank of Communications	A-2	20,033	4,707
— Bank of Jiangsu	N/A	18,136	3,042
— Agricultural Bank of China	A-1	10,787	2,238
— China Construction Bank	A	9,310	2,203
— Bank of China	A-1	4,459	2,048
		62,725	14,238

Note:

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

(c) Credit risk *(continued)*

(ii) Receivables

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

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

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

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

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

(d) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents, the availability of fund through adequate amounts of committed credit facilities from commercial banks and the ability to close out market positions. Management of the Group will manage the Group's 2016 working capital and capital expenditure by taking below fators in consider: i) due to gradual change of business model starting from these years, less distribution of brand air-conditioning products significantly reduced cash flow requirement in prepayment of inventory; ii) management has plan to renew the existing borrowings facilities; and iii) it does not expect to have significant capital expenditure including construction payment in 2016.

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

(d) Liquidity risk *(continued)*

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

	Within 3 months RMB'000	Between 3 to 6 months RMB'000	Between 6 to 12 months RMB'000	Between 1 to 2 years RMB'000	Between 2 to 3 years RMB'000
As at 31 December 2015					
Borrowings (Note 23)	195,910	10,000	326,430	–	6,722
Interest payments on borrowings (note)	4,558	3,447	8,330	503	3,016
Trade and bills payables (Note 21)	587,155	304,224	–	–	–
Accruals and other payables, excluding the advances from customers, value added tax and other tax payables and salary and welfare payables (Note 22)	73,399	58,600	–	–	–
	861,022	376,271	334,760	503	9,738
As at 31 December 2014					
Borrowings (Note 23)	88,317	311,570	651,281	–	–
Interest payments on borrowings (note)	6,152	4,112	26,550	–	–
Trade and bills payables (Note 21)	561,650	388,219	–	–	–
Accruals and other payables, excluding the advances from customers, value added tax and other tax payables and salary and welfare payables (Note 22)	78,008	5,200	–	–	–
	734,127	709,101	677,831	–	–

Note:

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.2 Capital risk management

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

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

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

The gearing ratios at 31 December 2015 and 2014 were as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Total borrowings (Note 23)	**539,062**	1,048,068
Total equity	**777,299**	846,822
Total capital	**1,316,361**	1,894,890
Gearing ratio	**40.95%**	55.31%

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

4.3 Fair value estimation

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

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

The fair values of issued convertible bonds (Note 23) and contingent consideration arising from the business combination (Note 25) were measured at fair value by level 3.

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.3 Fair value estimation *(continued)*

Financial instruments in level 3

The following table presents the changes in level 3 instruments for the year ended 31 December 2015:

	Convertible bonds at fair value through profit or loss RMB'000	Contingent consideration liabilities arising from business combination RMB'000	Total RMB'000
Opening balance	–	53,560	53,560
Issuance of convertible bonds	65,984	–	65,984
Losses recognised in profit or loss	1,627	–	1,627
Closing balance	67,611	53,560	121,171
Change in unrealised losses for the year included in profit or loss for liabilities held at the end of the year	1,627	–	1,627

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

	Contingent consideration liabilities arising from business combination RMB'000
Opening balance and closing balance	53,560

See Note 23 for disclosures of the measurement of the convertible bonds and Note 25 for disclosures of the measurement of the contingent consideration.

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.4 Group's valuation processes

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

The main level 3 input used by the Group for financial assets and liabilities pertains to the discount rate for contingent consideration. It is estimated based on the market conditions. The main level 3 inputs used by the Group for the Group's convertible bonds are set as note 23.

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

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

4.6 Offsetting of financial assets and liabilities

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

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Estimated impairment of goodwill

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

An impairment charge of RMB34,060,000 against goodwill arose in the CGU of Anhui Four Seas Huiyin Household Appliances Sales Co., Ltd. ("Anhui Four Seas", formerly known as "Huainan City Four Seas Huiyin Household Appliances Co., Ltd.") during the course of year 2015, resulting in the carrying amount of the CGU being written down and the goodwill fully impaired.

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

(b) Income taxes

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

As at 31 December 2015, the Group had deferred income tax assets in the amount of approximately RMB169,788,000 (2014: RMB134,924,000); and deferred income tax liabilities of approximately RMB211,000 (2014: RMB211,000).To the extent it is probable that taxable profit will be available against which the deductible temporary differences will be utilised, deferred income tax assets are recognised for temporary differences arising from impairment provision of inventories and receivables, temporary differences arising from depreciation, certain accrual items and unused tax losses. However the outcome of their actual utilisation may be different.

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

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(c) Net realisable value of inventories

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

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

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

No impairment charge arose during the course of year 2015 (2014: Nil) for non-financial assets other than goodwill.

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

(e) Fair value of derivatives and other financial instruments

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

When using valuation techniques to determine the fair value of the Group's convertible bonds, the management of the Group uses to the extent all practicable market parameters that market participants would consider in pricing, including risk-free rate, credit risk, foreign exchange rate, share price and index, future volatility of financial instrument prices and etc. In addition, the management of the Group also estimates credit risk and market volatility for both parties of the transaction when references are lacking.

The contingent consideration liabilities arising from Bonus Consideration with a carrying amount of RMB10,099,000 as at 31 December 2014 and 2015 (Note 25) is subject to the final adjustment, resulting from commercial negotiation with the joint venture partner.

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

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

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

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

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

Provision for impairment of supplier rebates receivable is made if necessary taking into consideration of the credit quality of the suppliers, their financial position, past experience and other factors. Accrual of provision of RMB198,225,000 (2014: Reversal of provision of RMB5,449,000) for impairment of supplier rebates receivable had been recognised in 'administrative expenses' during the year (Note 16). The weaken relationship with mojar suppliers and the slow settlement of supplier rebates receivable had led to a worsen ageing and a large provision for impairment accordingly since the second half year of 2015.

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

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.

6 SEGMENT INFORMATION *(continued)*

The segment results for the year ended 31 December 2015 are as follows:

Segment results	Traditional business RMB'000	E-commerce and smart communtiy business RMB'000	All other segments RMB'000	Unallocated RMB'000	Group RMB'000
Segment revenue	2,688,447	612,896	20,210	—	3,321,553
Inter-segment revenue	(1,267,703)	—	—	—	(1,267,703)
Revenue from external customers	1,420,744	612,896	20,210	—	2,053,850
Operating profit/(loss)	(200,452)	(136,480)	1,273	(48,420)	(384,079)
Finance costs - net					(39,370)
Share of loss of a joint venture					(14,904)
Share of loss of an associate					442
Profit before income tax					(437,911)
Income tax expense					7,001
Loss for the year					(430,910)
Other segment items are as follows:					
Capital expenditure	25,527	17,381	—	4,080	46,988
Depreciation charge	12,588	11,187	293	—	24,068
Amortisation charge	1,651	1,123	—	—	2,774

6 SEGMENT INFORMATION *(continued)*

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

Segment results	Traditional business RMB'000	E-commerce and smart communtiy business RMB'000	All other segments RMB'000	Unallocated RMB'000	Group RMB'000
Segment revenue	4,051,682	80,273	21,014	—	4,152,969
Inter-segment revenue	(1,059,947)	—	—	—	(1,059,947)
Revenue from external customers	2,991,735	80,273	21,014	—	3,093,022
Operating profit/(loss)	150,322	2,936	2,714	(7,115)	148,857
Finance costs - net					(38,013)
Share of loss of a joint venture					(6,681)
Share of loss of an associate					(65)
Profit before income tax					104,098
Income tax expense					(45,893)
Profit for the year					58,205
Other segment items are as follows:					
Capital expenditure	84,138	1,643	—	—	85,781
Depreciation charge	20,826	407	627	—	21,860
Amortisation charge	2,019	39	—	—	2,058

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 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.

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

6 SEGMENT INFORMATION *(continued)*

Segment assets and liabilities as at 31 December 2015 are as follows:

Segment assets and liabilities	**Traditional business RMB'000**	**E-commerce and smart communtiy business RMB'000**	**All other segments RMB'000**	**Group RMB'000**
Segment assets	867,722	784,787	25,878	1,678,387
Unallocated assets				1,035,955
Total assets				2,714,342
Segment liabilities	867,869	375,348	12,377	1,255,594
Unallocated liabilities				681,449
Total liabilities				1,937,043

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

Segment assets and liabilities	Traditional business RMB'000	E-commerce and smart communtiy business RMB'000	All other segments RMB'000	Group RMB'000
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 and corporate liabilities.

7 LAND USE RIGHTS

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

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Opening net book amount	**48,149**	22,887
Acquisitions of a subsidiary (Note 19)	**—**	25,900
Amortisation (Note 30)	**(1,184)**	(638)
Closing net book amount	**46,965**	48,149
Cost	**51,539**	51,539
Accumulated amortisation	**(4,574)**	(3,390)
Closing net book amount	**46,965**	48,149

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

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

As at 31 December 2015, land use rights with a net book amount of RMB11,471,000 (2014: RMB11,748,000) together with certain buildings (Note 8) had been pledged as collateral for the Group's bank borrowings of RMB48,000,000 (2014: RMB38,000,000) (Note 23).

As at 31 December 2015, land use rights with a net book amount of RMB25,192,000 (2014: RMB25,820,000) together with certain buildings (Note 8) and restricted bank deposits (Note 17) had been pledged as collateral for the Group's bank borrowings of RMB15,000,000 (2014: nil) (Note 23) as well as the Group's bank acceptance bills of RMB40,000,000 (2014: RMB45,000,000) (Note 21).

As at 31 December 2015, land use rights with a net book amount of RMB4,453,000 (2014: RMB4,734,000) together with certain buildings (Note 8) and investment properties (Note 9) had been pledged as collateral for the Group's bank borrowings of RMB54,000,000 (2014: nil) (Note 23). Such pledges were made for a mid-term notes of RMB386,900,000 (Notes 23) as at 31 December 2014 together with the land use rights of a land parcel owned by a joint venture (Note 11).

As at 31 December 2015, land use rights of a land parcel owned by a joint venture (Note 11) with a net book amount of RMB244,558,000 (2014: RMB244,558,000) had been pledged as collateral for the Group's bank borrowings of RMB100,000,000 (Note 23). Such pledges were made for a mid-term notes of RMB386,900,000 (Note 23) as at 31 December 2014 together with certain land use rights (Note 7), buildings (Note 8) and investment properties (Note 9).

8 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Electronics and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2014						
Cost	174,598	23,518	12,432	57,425	718	268,691
Accumulated depreciation	(27,062)	(8,589)	(6,807)	(39,430)	–	(81,888)
Net book amount	147,536	14,929	5,625	17,995	718	186,803
Year ended 31 December 2014						
Opening net book amount	147,536	14,929	5,625	17,995	718	186,803
Additions	–	1,982	868	–	24,907	27,757
Disposals	–	(384)	(168)	–	–	(552)
Acquisition of a subsidiary (Note 19)	31,276	–	–	–	–	31,276
Transfer upon completion of construction	12,848	–	–	12,777	(25,625)	–
Deemed disposal of a subsidiary with loss of control (Note 40)	–	(314)	–	–	–	(314)
Depreciation (Note 30)	(5,337)	(2,212)	(1,136)	(13,005)	–	(21,690)
Net book amount	186,323	14,001	5,189	17,767	–	223,280
At 31 December 2014						
Cost	218,722	24,302	12,888	36,440	–	292,352
Accumulated depreciation	(32,399)	(10,301)	(7,699)	(18,673)	–	(69,072)
Net book amount	186,323	14,001	5,189	17,767	–	223,280
Year ended 31 December 2015						
Opening net book amount	186,323	14,001	5,189	17,767	–	223,280
Additions	36	7,010	183	–	33,786	41,015
Disposals		(1,603)	(60)	–	–	(1,663)
Transfer upon completion of construction	–	–	–	33,786	(33,786)	–
Depreciation (Note 30)	(5,950)	(2,893)	(1,002)	(14,053)	–	(23,898)
Net book amount	180,409	16,515	4,310	37,500	–	238,734
At 31 December 2015						
Cost	218,758	28,426	12,790	66,132	–	326,106
Accumulated depreciation	(38,349)	(11,911)	(8,480)	(28,632)	–	(87,372)
Net book amount	180,409	16,515	4,310	37,500	–	238,734

8 PROPERTY, PLANT AND EQUIPMENT *(continued)*

Notes:

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

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Selling and marketing expenses	**17,975**	15,561
Administrative expenses	**5,923**	6,129
	23,898	21,690

(b) As at 31 December 2015, buildings with a net book amount of RMB126,569,000 (2014: RMB130,933,000) together with certain land use rights (Note 7) had been pledged as collateral for the Group's bank borrowings of RMB48,000,000 (2014: RMB38,000,000) (Note 23).

As at 31 December 2015, buildings with a net book amount of RMB30,780,000 (2014: RMB31,537,000) together with certain land use rights (Note 7) and restricted bank deposits (Note 17) had been pledged as collateral for the Group's bank borrowings of RMB15,000,000 (2014: nil) (Note 23) as well as the Group's bank acceptance bills of RMB40,000,000 (2014: RMB45,000,000) (Note 21).

As at 31 December 2015, buildings with a net book amount of RMB23,060,000 (2014: RMB23,853,000) together with certain land use rights (Note 7) and investment properties (Note 9) had been pledged as collateral for the Group's bank borrowings of RMB54,000,000 (2014: nil) (Note 23). Such pledges were made for the mid-term notes of RMB386,900,000 (Notes 23) as at 31 December 2014 together with the land use rights of a land parcel owned by a joint venture (Note 11).

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

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Net book amount disposed	**1,663**	552
Gains/(losses) on disposal of property, plant and equipment (Note 29)	**102**	(362)
Proceeds from disposal of property, plant and equipment	**1,765**	190

9 INVESTMENT PROPERTIES

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
At 1 January	**5,745**	5,915
Depreciation (Note 30)	**(170)**	(170)
Closing net book amount	**5,575**	5,745
Cost	**7,146**	7,146
Accumulated depreciation	**(1,571)**	(1,401)
Closing net book amount	**5,575**	5,745

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

The Group chooses the cost model to account for its investment properties and therefore the difference between the fair value and carrying amount of the investment properties and any changes in fair value are not accounted for in these financial statements. The carrying amount of the investment properties would have been RMB6,262,000 had they been stated at fair values as of 31 December 2015 (2014: RMB6,619,000). The fair values of the investment properties as at 31 December 2015 and 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.

As at 31 December 2015, investment properties with a net book amount of RMB5,575,000 (2014: RMB5,745,000) together with certain land use rights (Note 7) and buildings (Note 8) had been pledged as collateral for the Group's bank borrowings of RMB54,000,000 (2014: nil) (Note 23). Such pledges were made for the mid-term notes of RMB386,900,000 (Notes 23) as at 31 December 2014 together with the land use rights of a land parcel owned by a joint venture (Note 11).

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

10 INTANGIBLE ASSETS

	Goodwill	Distribution agreement	Non-compete agreements	Computer software	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014					
Cost	48,223	22,927	4,970	5,896	82,016
Accumulated amortisation	—	(4,585)	(2,970)	(3,955)	(11,510)
Impairment	(14,163)	(18,342)	—	—	(32,505)
Net book amount	34,060	—	2,000	1,941	38,001
Year ended 31 December 2014					
Opening net book amount	34,060	—	2,000	1,941	38,001
Additions	—	—	—	848	848
Amortisation (Note 30)	—	—	(950)	(470)	(1,420)
Closing net book amount	34,060	—	1,050	2,319	37,429
At 31 December 2014					
Cost	48,223	22,927	4,970	6,744	82,864
Accumulated amortisation	—	(4,585)	(3,920)	(4,425)	(12,930)
Impairment	(14,163)	(18,342)	—	—	(32,505)
Net book amount	34,060	—	1,050	2,319	37,429
Year ended 31 December 2015					
Opening net book amount	34,060	—	1,050	2,319	37,429
Additions	—	—	—	1,893	1,893
Amortisation (Note 30)	—	—	(828)	(762)	(1,590)
Impairement charge (Note 30)	(34,060)	—	—	—	(34,060)
Closing net book amount	—	—	222	3,450	3,672
At 31 December 2015					
Cost	48,223	22,927	4,970	8,637	84,757
Accumulated amortisation	—	(4,585)	(4,748)	(5,187)	(14,520)
Impairment	(48,223)	(18,342)	—	—	(66,565)
Net book amount	—	—	222	3,450	3,672

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

10 INTANGIBLE ASSETS *(continued)*

Impairment tests for goodwill

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

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

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

No further impairment charge arose during the course of year 2015 (2014: Nil) as impairment on the goodwill had been fully provided for as at 31 December 2012.

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

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

Impairment charge of RMB34,060,000 (2014: Nil) on goodwill arose during the course of year 2015.

In year 2015, considering the actual business performance of Anhui Four Seas since the acquisition and severe market environment, the management of the Group believes that Anhui Four Seas's future performance under existing strategy will no longer meet management's expectation, either the value-in-use or fair value less costs of disposal can not recover the carrying amount of the goodwill as at 31 December 2015, therefore full impairment was provided.

The key assumptions used for fair value less costs of disposal calculations of Anhui Four Seas as at 31 December 2015 are as follows:

	After 2015
Terminal growth rate	—
Discount rate	14%

10 INTANGIBLE ASSETS *(continued)*

Impairment tests for goodwill *(continued)*

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

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

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

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

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

11 INVESTMENT IN AND LOAN TO A JOINT VENTURE

In January 2014, Yangzhou Huiyin and its wholly-owned subsidiary, Yangzhou Huiyin Real Estate Co., Ltd. ("Huiyin Real Estate") 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 use rights of a plot of land with an approximate total site area of 26,071 square meters located in Yangzhou City ("Land Parcel") owned by Huiyin Real Estate (the "Project").

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

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

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

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

The Land Parcel is subject to a charge in favour of Jiangsu Province Credit Re-assurance Co. Ltd. (江蘇省信用再擔保有限公司) registered on 5 February 2013. As at 31 December 2015, land use rights of the Land Parcel with a net book amount of RMB244,558,000 had been pledged as collateral for the Group's bank borrowings of RMB100,000,000 (Note 23). As at 31 December 2014, land use rights of the Land Parcel together with a net book amount of RMB244,588,000 togther with the Group's certain land use rights (Note 7), buildings (Note 8) and investment properties (Note 9) had been pledged as collateral for the Group's medium-term notes of RMB386,900,000 (Note 23).

	Investment in a joint venture RMB'000	Loan to a joint venture RMB'000	Total RMB'000
Year ended 31 December 2014			
At 4 March 2014 (date of loss of control)	27,281	227,468	254,749
Additions	—	8,908	8,908
Share of loss	(6,681)	—	(6,681)
At 31 December 2014	20,600	236,376	256,976
Year ended 31 December 2015			
At 1 Jauary 2015	20,600	236,376	256,976
Additions	—	19,872	19,872
Share of loss	(14,904)	—	(14,904)
At 31 December 2015	5,696	256,248	261,944

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

As at 31 December 2015, investment in a joint venture included capital contributed of RMB50,000,000 (2014: RMB50,000,000) and share of loss of RMB44,304,000 (2014: RMB29,400,000), whereas loan to a joint venture included principal amount of RMB201,386,000 (2014: RMB197,306,000) and interest receivable of RMB54,862,000 (2014: RMB39,070,000). The loan carried an interest calculated at compound rate of 6.6% per annum which will be settled together with the principal amount upon the completion of the Project undertaken by Huiyin Real Estate.

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

Note:

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

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

Commitments and contingent liabilities in respect of the joint venture

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

	As at 31 December 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.

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

Summarised financial information for the joint venture

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

(a) Summarised balance sheet

	As at 31 December 2015 RMB'000	As at 31 December 2014 RMB'000
Current		
Cash and cash equivalents	301	10,389
Inventories	297,984	248,696
Other current assets	2,992	1,999
Total current assets	301,277	261,084
Liabilities	(41,097)	(513)
Non-current		
Assets	17,158	12,182
Net assets	277,338	272,753

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

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

(b) Summarised statement of comprehensive income

	Year ended 31 December 2015 RMB'000	From 4 March 2014 (date of loss of control) to 31 Decmber 2014 RMB'000
Revenue	—	—
Administrative expenses	(4,827)	(4,041)
Finance income	241	224
Finance costs	(15,796)	(8,828)
Loss before income tax	(20,382)	(12,645)
Income tax credit	5,095	3,161
Loss for the year/period	(15,287)	(9,484)
Other comprehensive income or loss	—	—
Total comprehensive loss for the period	(15,287)	(9,484)
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.

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

Reconciliation of summarised financial information

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

	Year ended 31 December 2015 RMB'000	From 4 March 2014 (date of loss of control) to 31 Decmber 2014 RMB'000
Opening net assets	272,753	261,329
Contribution from venturers	19,872	20,908
Loss for the year/period	(15,287)	(9,484)
Closing net assets	277,338	272,753
Add/(less): Contribution from Weiying	(22,000)	(22,000)
Accumulated loss derived from expenses related to the Project and required to be borne by Weiying (i)	4,378	3,995
Excess of consideration paid in transaction with non-controlling interests in 2013 (Note 40)	2,228	2,228
Carrying amount	261,944	256,976

Note:

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

12 INVESTMENT IN AN ASSOCIATE

On 29 September 2014, Yangzhou Shengshi Xinxing Electronics Sales Co., Ltd (揚州盛世欣興電器銷售有限公司) ("Yangzhou Shengshi"), an indirectly owned subsidiary of the Company, together with 2 third- 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 RMB5,000,000 of which Yangzhou Shengshi contributed RMB750,000 in cash, and the principal activities of Huazhang is trading of household appliances.

Nature of investment in an associate as at 31 December 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	15	Note (i)	Equity

Note:

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

As at 31 December 2015, the carrying amount of the Group's interest in Huazhang was RMB1,180,811 (2014: RMB618,359). Huazhang is a private company and there is no quoted market price available for its equity interests. There is no contingent liabilities relating to the Group's interest in the associate.

Summarised financial information for associates

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

(a) Summarised balance sheet

	As at 31 December 2015 RMB'000	As at 31 December 2014 RMB'000
Current		
Cash and cash equivalents	158	3,728
Inventories	5,545	4,157
Other current assets	2,290	4,061
Total current assets	7,993	11,946
Liabilities	(960)	(7,426)
Non-current		
Assets	32	45
Net assets	7,065	4,565

12 INVESTMENT IN AN ASSOCIATE *(continued)*

Summarised financial information for associates *(continued)*

(b) Summarised statement of comprehensive income

	Year ended 31 December 2015 RMB'000	From 29 September 2014 (date of incorporation) to 31 December 2014 RMB'000
Revenue	42,142	5,950
Cost of sales	(38,240)	(6,128)
Selling expenses	(950)	(137)
Administrative expenses	(717)	(124)
Finance income	294	12
Finance costs	(23)	(8)
Profit/(loss) before income tax	2,506	(435)
Income tax expense	(6)	—
Profit/(loss) for the period	2,500	(435)
Other comprehensive income or loss	—	—
Total comprehensive income/(loss) for the period	2,500	(435)
Dividends received or receivable from associate	—	—

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

12 INVESTMENT IN AN ASSOCIATE *(continued)*

Reconciliation of summarised financial information

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

Summarised financial information	Year ended 31 December 2015 RMB'000	From 29 September 2014 (date of incorporation) to 31 December 2014 RMB'000
Opening net assets	4,565	5,000
Profit/(loss) for the year/period	2,500	(435)
Closing net assets	7,065	4,565
Group's interest in the associate (15%)	1,060	685
Unrealized loss/(profit) elimination	121	(67)
Carrying value	1,181	618

13 DEFERRED INCOME TAX

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

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Deferred income tax assets:		
– to be recovered within 12 months	7,437	6,500
– to be recovered after more than 12 months	162,351	128,424
	169,788	134,924
Deferred income tax liabilities:		
– to be settled within 12 months	211	211
– to be settled after more than 12 months	—	—
	211	211

13 DEFERRED INCOME TAX *(continued)*

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

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
At beginning of the year	134,713	145,399
Recognised in the consolidated income statement (Note 34)	34,864	(2,006)
Deemed disposal of a subsidiary with loss of control (Note 40)	—	(8,680)
At end of the year	169,577	134,713

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

	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
Deemed disposal of a subsidiary with loss of control	(8,602)	—	—	—	—	(78)	(8,680)
Recognised in the consolidated income statement	1,943	1,949	(3,048)	(865)	(992)	(993)	(2,006)
At 31 December 2014	12,357	1,949	190	3,353	116,188	887	134,924
At 1 January 2015	12,357	1,949	190	3,353	116,188	887	134,924
Recognised in the consolidated income statement	18,814	642	937	366	14,992	(887)	34,864
At 31 December 2015	31,171	2,591	1,127	3,719	131,180	—	169,788

13 DEFERRED INCOME TAX *(continued)*

	Withholding tax on unremitted earnings of PRC subsidiaries RMB'000
At 1 January 2014, 31 December 2014 and 31 December 2015	211

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB76,150,000 (2014: RMB38,605,000) in respect of losses amounting to RMB304,600,000 (2014: RMB15,420,000) that can be carried forward to set off against future taxable income due to uncertainty in realisation. Losses amounting to RMB35,673,000, RMB66,704,000 and RMB265,519,000 (2014: RMB130,761,000, RMB66,704,000 and Nil) expire in 2018, 2019 and 2020 respectively.

14 INVENTORIES

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Merchandise held for resale	**302,418**	420,094
Provision for obsolescence	**(8,653)**	(6,380)
	293,765	413,714
Low value consumables	**113**	129
Total	**293,878**	413,843

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

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Included in cost of sales		
– Carrying amount of merchandise sold	**1,920,159**	2,706,596
– Accrual of provision for obsolete inventories (Note 30)	**2,273**	1,055
	1,922,432	2,707,651

As at 31 December 2015, merchandise held for sale of RMB45,000,000 (2014: RMB90,000,000) had been pledged as collateral for the Group's bank borrowings of RMB45,000,000 (2014: RMB90,000,000) (Note 23).

15 TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Trade receivables	**74,586**	110,588
Less: Provision for impairment	**(6,778)**	(4,376)
Trade receivables, net	**67,808**	106,212
Bills receivable	**15,808**	14,261
Trade and bills receivables, net	**83,616**	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.

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
0 — 30 days	**4,822**	68,683
31 — 90 days	**56,946**	34,418
91 — 365 days	**6,214**	1,860
1 year — 2 years	**2,494**	2,821
2 years — 3 years	**2,806**	2,332
Over 3 years	**1,304**	474
Total	**74,586**	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.

15 TRADE AND BILLS RECEIVABLES *(continued)*

As at 31 December 2015, trade receivables of RMB6,778,000 (2014: RMB4,376,000) were past due, impaired and provided for. The ageing analysis of these trade receivables is as follows:

	As at 31 December	
	2015 RMB'000	2014 RMB'000
less than 1 year	304	—
1 year — 2 years	2,378	1,594
2 years — 3 years	2,802	2,310
Over 3 years	1,294	472
Total	6,778	4,376

As at 31 December 2015, trade receivables of RMB6,196,000 (2014: RMB5,952,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 31 December	
	2015 RMB'000	2014 RMB'000
31 — 90 days	5,725	4,206
91 — 365 days	341	495
1 year — 2 years	116	1,227
2 years — 3 years	4	22
Over 3 years	10	2
Total	6,196	5,952

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

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
At beginning of the year	4,376	3,951
Accrual of provision for receivable impairment (Note 30)	2,402	425
At end of the year	6,778	4,376

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

15 TRADE AND BILLS RECEIVABLES *(continued)*

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 December 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 21).

As at 31 December 2014 and 2015, no bills receivable were discounted to the bank with recourse.

16 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Advance payments to suppliers	**453,915**	524,051
Rebates receivable from suppliers, net of provision	**401,411**	510,576
Prepaid rentals	**16,319**	19,738
Deposits	**4,482**	5,426
Other prepayments	**856**	—
Other receivables from third parties		
– Value added tax recoverable	**41,469**	52,609
– Receivable from a third party (Note)	**2,910**	2,910
– Interests receivable from banks	**3,730**	23,932
– Amount paid on behalf of a supplier	**164**	670
– Staff advances	**774**	1,128
– Others	**8,419**	2,594
	934,449	1,143,634

Note:

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. As at 31 December 2015, the receivable is overdue within one year. No provision is accrued by the Group.

Accrual of provision of RMB198,225,000 (2014: Reversal of provision of RMB5,449,000) (Note 30) for impairment of supplier rebates receivable had been recognised during the year. The slow settlement of supplier rebates receivable had led to a worsen ageing and the decrement of the traditional business segment during the year had led to a weaken relationship with main suppliers. As at 31 December 2015, the Group accrued provision of rebates receivable according to the difference between the balance on book and the balance that the suppliers was willing to pay. As at 31 December 2015, the balance of provision for supplier rebates receivable was RMB652,217,000 (2014: RMB453,992,000).

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

17 RESTRICTED BANK DEPOSITS

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Restricted bank deposits	603,040	986,063

As at 31 December 2015, restricted bank deposits of RMB466,805,000 (2014: RMB468,563,000) had been pledged as collateral for the Group's bank acceptance bills of RMB755,195,000 (2014: RMB837,053,000) (Note 21).

As at 31 December 2015, restricted bank deposits of RMB55,275,000 (2014: RMB495,000,000) had been pledged as collateral for the Group's bank borrowings of US$18,900,000, equivalent to RMB122,729,000 (2014: US$ 75,969,000, equivalent to RMB464,851,000) (Note 23).

As at 31 December 2015, restricted bank deposits of RMB20,000,000 (2014: RMB22,500,000) together with certain land use rights (Note 7) and buildings (Note 8) had been pledged as collateral for the Group's bank borrowings of RMB15,000,000 (2014: nil) (Note 23) as well as the Group's bank acceptance bills of RMB40,000,000 (2014: RMB45,000,000) (Note 21).

As at 31 December 2015, restricted bank deposits of RMB60,960,000 had been pledged as collateral for the Group's interest bearing advances from third parties of RMB68,200,000 (Note 43).

All restricted bank deposits are denominated in RMB and their carrying amounts approximate their fair value as at the balance sheet date. The weighted average interest rate per annum on restricted bank deposits was 3.1% as at 31 December 2015 (2014: 3.4%).

18 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Cash on hand		
– denominated in RMB	285	201
Cash at bank		
– denominated in RMB	59,954	24,102
– denominated in HK$	546	960
– denominated in US$	10,715	51
	71,215	25,113
	71,500	25,314

18 CASH AND CASH EQUIVALENTS *(continued)*

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

	As at 31 December	
	2015	2014
RMB	**0.35%**	0.35%
HK$	**0.001%**	0.001%
US$	**0.001%**	0.001%

19 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
Authorised:				
At 1 January 2014, 31 December 2014 and 31 December 2015	US$0.001	2,000,000,000	2,000,000	10,598
Issued and fully paid:				
At 1 January 2014	US$0.001	1,048,342,290	1,048,342	7,162
Issue of new shares (e)	US$0.001	107,051,727	107,052	657
At 31 December 2014	US$0.001	1,155,394,017	1,155,394	7,819
Issued and fully paid:				
At 1 January 2015	US$0.001	1,155,394,017	1,155,394	7,819
Issue of new shares (a)	US$0.001	301,466,000	301,466	1,889
At 31 December 2015	US$0.001	1,456,860,017	1,456,860	9,708

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).

On 17 July 2015, an aggregate of 35,000,000 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$61,950,000 (equivalent to RMB48,910,000).

On 20 August 2015, an aggregate of 163,850,000 ordinary shares of the Company had been successfully issued at the price of HK$1.00 per share. The gross proceeds amounted to approximately HK$162,035,000 (equivalent to RMB133,582,000).

19 SHARE CAPITAL *(continued)*

Notes: *(continued)*

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

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

The significant inputs to the model are summarised as below:

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

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

As at 31 December 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.

(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%

During the year, 100,000,000 shares were granted and 8,000,000 shares were forfeited. As at 31 December 2015, 92,000,000 shares were outstanding and 46,000,000 shares of the options were exercisable. All outstanging options have the exrcise price of HK$1.69 and will be expired on 13 May 2020.

19 SHARE CAPITAL *(continued)*

Notes: *(continued)*

(d) The Group approved and launched the Share Option Scheme on 22 December 2015. Pursuant to the Share Option Scheme, certain ordinary employees were granted the Share Options to subscribe for up to 145,680,000 shares of the Company and no director, associate of a director or key management member was granted the Share Options. All shares shall vest on 22 June 2016. The exercise price is HK$0.95 per share.

The fair value of the options granted determined using the binomial tree model was HK$59,728,800. The options have been divided into two parts according to different employees level.

The significant inputs to the model are summarised as below:

	Ordinary employees
Fair market value per share as at valuation date (HK$)	0.41
Exercise price (HK$)	0.95
Exercise multiple	2.2
Risk-free rate	1.46%
Volatility	67%
Expected dividend yield	0.00%
Post-vesting forfeiture rate	20%

As at 31 Decmeber 2015, none of the options were exercisable. These options will be expired on 21 December 2025.

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

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

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

The directors consider this acquisition is an asset acquisition in substance rather than a business combination and therefore is accounted for as an asset acquisition. The assets relating the transaction were recognized as below:

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

20 RESERVES

	Share premium RMB'000 Note (a)	Statutory reserves RMB'000 Note (b)	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2014	827,784	28,007	(59,660)	(111,659)	684,472
Profit for the year 2014	—	—	—	50,004	50,004
Issue of ordinary shares relating to acquisition of a subsidiary (Note 19)	57,154	—	—	—	57,154
Deemed disposal of a subsidiary with loss of control (Note 40)	—	—	2,228	—	2,228
Balance at 31 December 2014	884,938	28,007	(57,432)	(61,655)	793,858
Loss for the year 2015	—	—	—	(398,598)	(398,598)
Place of ordinary shares to financing(Note 19)	316,340	—	—	—	316,340
Issuance of shares award scheme (Note 19)	—	—	43,158	—	43,158
Balance at 31 December 2015	1,201,278	28,007	(14,274)	(460,253)	754,758

Notes:

(a) Share premium

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

(b) Statutory reserves

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

21 TRADE AND BILLS PAYABLES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Trade payables	**96,184**	34,816
Bills payable	**795,195**	915,053
	891,379	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.

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
0 — 30 days	**62,560**	1,493
31 — 90 days	**18,600**	19,605
91 — 365 days	**9,893**	6,453
1 year — 2 years	**2,677**	4,009
2 years —3 years	**1,270**	1,202
Over 3 years	**1,184**	2,054
	96,184	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 31 December 2015, restricted bank deposits of RMB466,805,000 (2014: RMB468,563,000) (Note 17) had been pledged as collateral for the Group's bank acceptance bills of RMB755,195,000 (2014: RMB837, 053,000).

As at 31 December 2015, restricted bank deposits of RMB20,000,000 (2014: RMB22,500,000) (Note 17) together with certain land use rights (Note 7) and buildings (Note 8) with a net book amount of RMB25,192,000 (2014: RMB25,820,000) and RMB30,780,000 (2014: RMB31,537,000) separately had been pledged as collateral for the Group's bank borrowings of RMB15,000,000 (2014: nil) (Note 23) as well as the Group's bank acceptance bills of RMB40,000,000 (2014: RMB45,000,000).

As at 31 December 2014, bills receivable with a carrying amount of RMB5,000,000 (Note 15) had been pledged as collateral for the Group's bank acceptance bills of RMB5,000,000.

22 ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Advances from customers	143,784	246,227
Salary and welfare payables	23,650	21,919
Accrued expenses	9,380	5,645
Interest payables	798	10,496
Payables for purchase of equipment	146	146
Value added tax and other tax payables	1,742	16,036
Accrued volume discounts to distributors	10,363	7,795
Advance from a third party, interest free	33,000	45,000
Advance from third parties, interest bearing (Note 43)	68,200	5,200
Deposits	2,828	4,971
Amount due to a director (Note 41(d))	—	463
Others	7,284	3,492
Total	301,175	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.

23 BORROWINGS

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Non-current		
Bonds payables (b)	6,722	—
	6,722	—
Current		
Bank borrowings (a)	464,729	661,168
Convertible bonds (c)	67,611	—
Medium-term notes (d)	—	386,900
	532,340	1,048,068
	539,062	1,048,068

23 BORROWINGS *(continued)*

(a) Bank borrowings

As at 31 December 2015, the Group's bank borrowings were repayable as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Within 1 year	**464,729**	661,168

As at 31 December 2015, land use rights (Note 7), buildings (Note 8) and investment properties (Note 9) with a total net book amount of RMB227,104,000 (31 December 2014: RMB142,681,000) had been pledged as collateral for the Group's bank borrowings of RMB117,000,000 (31 December 2014: RMB38,000,000).

As at 31 December 2015, restricted bank deposits of RMB55,275,000 (2014: RMB495,000,000) (Note 17) had been pledged as collateral for the Group's bank borrowings of US$18,900,000, equivalent to RMB122,729,000 (2014: US$75,969,000, equivalent to RMB464,851,000).

As at 31 December 2015, land use rights of a land parcel owned by a joint venture (Note 11) with a net book amount of RMB244,558,000 (2014: RMB244,558,000) (Note 7) had been pledged as collateral for the Group's bank borrowings of RMB100,000,000. Such pledges were made for a mid-term notes of RMB386,900,000 (Note 23(d)) as at 31 December 2014 together with certain land use rights (Note 7), buildings (Note 8) and investment properties (Note 9).

As at 31 December 2015, merchandise held for sale of RMB45,000,000 (2014: RMB90,000,000) (Note 14) had been pledged as collateral for the Group's bank borrowings of RMB45,000,000 (2014: RMB90,000,000).

As at 31 December 2015, bank borrowings amounting to RMB80,000,000 (31 December 2014: RMB68,317,000) were unsecured.

23 BORROWINGS *(continued)*

(a) Bank borrowings *(continued)*

The exposure of the Group's bank borrowings to interest rate change and the contractual repricing dates at the end of the reporting period are as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
6 months or less	**205,910**	661,168
6-12 months	**258,819**	—
	464,729	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 the Group's bank borrowings as at the balance sheet date are as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Current		
– RMB	**342,000**	128,000
– US dollar	**122,729**	533,168
	464,729	661,168

As at 31 December 2015, the Group's bank borrowings with the carrying amounts of RMB122,729,000 (2014: RMB533,168,000) are of floating rates and bank borrowings with the carrying amounts of RMB342,000,000 (2014: RMB128,000,000) are of fixed rates.

23 BORROWINGS *(continued)*

(a) Bank borrowings *(continued)*

The weighted average effective interest rate of the Group's bank borrowings as at the balancesheet date are as follows:

	As at 31 December	
	2015	2014
Current	**4.15%**	3.42%

(b) Bonds payables

On 22 January 2015, the Company entered into a bonds placing agreement with the 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 will be 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 31 December 2015, the issuances of the bonds at their nominal value of HK$10,000,000 (equivalent to RMB8,378,000) were completed and were repayable more than 3 years.

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

(c) Convertible bonds

On 14 August 2015, the Group issued convertible bonds of HK$ 80,000,000 (equivalent to RMB 65,984,000) at the interest rate of 4.0%. The bonds mature one year from issue date at their nominal value of HKD 80,000,000 or can be converted into shares at the holder's option at the maturity date at the rate of one share per HKD 1.19. The number of shares to be issued does not vary with changes in their fair value, but the the amount of cash to be exchanged is not fixed. The Group designated the instrument as financial liabilities at fair value through profit or loss as a whole.

The convertible bonds recognised in the balance sheet is calculated as follows:

	2015 **RMB'000**
Face value of convertible bonds issued as at issurance date	**65,984**
Fair value losses (Note 33)	**1,627**
Fair value as at 31 December 2015	**67,611**

23 BORROWINGS *(continued)*

(c) Convertible bonds *(continued)*

The fair value of the convertible bonds determined using the binomial tree model was HK$80,702,000 (equivalent to RMB67,611,000).

The significant inputs to the model are summarised as below:

	As at balance sheet date	As at Issue Date
Fair value of Underlying Shares (HK$)	0.97	1.15
Convertion Price of Underlying Shares (HK$)	1.19	1.19
Time to maturity (Year)	0.62	1
Risk-free rate	0.110%	0.075%
Risky Discount rate	8.50%	8.50%
Dividend Yield	0.00%	0.00%
Volatility	91.50%	60.00%

(d) 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. On 20 August 2015, the Group's medium-term notes were fully repaid.

As at 31 December 2014, land use rights, buildings and investment properties with a total net book amount of RMB34,332,000 together with land use rights of a land parcel owned by a joint venture (Note 11) 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%.

24 DEFERRED GOVERNMENT GRANTS

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

25 CONTINGENT CONSIDERATION LIABILITIES

	Contingent consideration liabilities arising from business combination
	RMB'000
As at 31 December 2015 and 2014	53,560

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

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

During the year ended 31 December 2015, no fair value changes (2014: Nil) were recognised in the consolidated income statement for the contingent consideration arrangement. As at 31 December 2015, the fair value of the contingent consideration liabilities of RMB53,560,000 (2014: RMB53,560,000) was estimated by applying the income approach. Further information on such level 3 financial liabilities is set out in Note 4.3.

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.

26 PARTICULARS OF SUBSIDIARIES

As at 31 December 2015, the Company had direct or indirect interests in the following subsidiaries:

Company name	Place and date of incorporation	Legal status	Issued or registered and paid-up capital	Effective interest hold As at 31 December 2015	2014	Principal activities	Note
Directly owned							
China Yinrui HK (Note 2)	Hong Kong 4 March 2008	Limited liability company	HK$1	100%	100%	Investment	
Fuhua (Note 19(e))	BVI 28 August 2004	Limited liability company	US$1	100%	100%	Investment	(i)
Indirectly owned							
Yangzhou Huiyin (Note 1) 揚州滙銀家電(集團)有限公司 (formerly known as "揚州滙銀家電有限公司")	Yangzhou Jiangsu, PRC 27 May 2002	Foreign investment enterprise	US$ 200,000,000 and US$196,427,968.34	100%	100%	Bulk distribution sales and provision of after-sales services of household appliances	(iv)
Jiangsu Huiyin Electronics Chain-Stores Co., Ltd. 江蘇滙銀電器連鎖有限公司	Yangzhou Jiangsu, PRC 15 May 2006	Domestic enterprise	RMB62,500,000	100%	100%	Retail sales and provision of after-sales services of household appliances	(iv)
Changzhou Keyi Air-Conditioner Sales Co., Ltd. ("Changzhou Keyi") 常州可意空調銷售有限公司	Changzhou Jiangsu, PRC 26 August 2003	Domestic enterprise	RMB5,000,000	90%	90%	Bulk distribution sales of Gree air-conditioners	
Yangzhou Huihou Electronics Sales Co., Ltd. 揚州滙厚電器銷售有限公司	Yangzhou Jiangsu, PRC 23 August 2004	Domestic enterprise	RMB50,000,000	100%	100%	Bulk distribution sales of household appliances	
Yangzhou Hengjin Air-conditioner Sales Co., Ltd. (formerly known as "Yangzhou Hengxin Air-conditioner Sales Co., Ltd." 揚州恒金空調銷售有限公司 (formerly known as "揚州恒信空調銷售有限公司")	Yangzhou Jiangsu, PRC 27 August 2004	Domestic enterprise	RMB50,000,000	100%	100%	Bulk distribution sales of Daikin air conditioners	
Yangzhou Huide Electronics Distribution Co., Ltd. 揚州滙德電器營銷有限公司	Yangzhou Jiangsu, PRC 23 October 2006	Domestic enterprise	RMB50,000,000	100%	100%	Bulk distribution sales of Midea air-conditioners	
Yangzhou Huiyin Logistic Co., Ltd 揚州滙銀物流有限公司	Yangzhou Jiangsu, PRC 25 May 2010	Foreign investment enterprise	US$5,000,000	100%	100%	Bulk distribution sales of Midea air-conditioners	(ii)
Yangzhou Huiyin Household Appliances Sales Co., Ltd. 揚州滙銀電器銷售有限公司	Yangzhou Jiangsu, PRC 25 May 2010	Foreign investment enterprise	US$4,100,000	100%	100%	Retail sales of household appliances	
Anhui Four Seas(Note 5(a)) 安徽四海匯銀家電銷售有限公司 (formerly known as "淮南市四海匯銀家電有限公司")	Huainan Anhui, PRC 16 September 2010	Domestic enterprise	RMB50,000,000	65%	65%	Retail sales of household appliances	(i)

26 PARTICULARS OF SUBSIDIARIES *(continued)*

Company name	Place and date of incorporation	Legal status	Issued or registered and paid-up capital	Effective interest hold As at 31 December 2015	2014	Principal activities	Note
Indirectly owned (continued)							
Wuhu Huiyin Household Appliances Sales Co., Ltd. 蕪湖匯銀家電銷售有限公司	Wuhu Anhui, PRC 29 September 2010	Domestic enterprise	RMB10,000,000	100%	100%	Bulk distribution and retail sales of household appliances	(iii)
Wuxi Huiyin Household Appliances Sales Co., Ltd. (formerly known as "Wuxi Runpu Household Appliances Co., Ltd.") 無錫匯銀家電銷售有限公司 (formerly known as" 無錫潤普家電有限公司")	Wuxi Jiangsu, PRC 9 December 2010	Domestic enterprise	RMB1,800,000	100%	100%	Bulk distribution sales of household appliances	
Nanjing Chaoming(Note 5(a)) 南京潮明科技發展有限公司	Nanjing Jiangsu, PRC 20 June 2002	Domestic enterprise	RMB10,000,000	100%	100%	Retail and bulk distribution sales of household appliances	(i)
Yangzhou Huiyin Real Estate Co., Ltd. ("Huiyin Real Estate") 揚州匯銀置業有限公司	Yangzhou Jiangsu, PRC 17 February 2011	Domestic enterprise	RMB50,000,000	(Note 11)	(Note 11)	Development of real estate	
Jiangsu Huiyin Electronics (Anhui) Co., Ltd. 江蘇匯銀電器(安徽)有限公司	Hefei Anhui, PRC 31 March 2011	Domestic enterprise	RMB2,000,000	100%	100%	Bulk distribution sales of household appliances	
Hefei Jingmei Household Appliances Co., Ltd. 合肥精美家電有限公司	Hefei Anhui, PRC 25 May 2011	Domestic enterprise	RMB1,000,000	100%	100%	Bulk distribution sales of household appliances	
Xuancheng Xinxing Electronics Sales Co., Ltd. 宣城欣興電器銷售有限公司	Xuancheng Anhui, PRC 18 August 2011	Domestic enterprise	RMB20,000,000	100%	100%	Bulk distribution sales of household appliances	
Jiangsu Huiyin Electronic Commerce Co., Ltd. 江蘇匯銀電子商務有限公司	Yangzhou Jiangsu, PRC 13 June 2012	Domestic enterprise	RMB15,600,000 and RMB10,000,000	100%	100%	Online sales of household appliances and other merchandise	(ii)
Shanghai Jingjiandongkang Trading Co., Ltd. 上海靜健動康貿易有限公司	Shanghai, PRC 24 October 2012	Domestic enterprise	RMB2,000,000	100%	100%	Trading of food and other merchandise	
Yangzhou Shengshi Xinxing Electronics Sales Co., Ltd. 揚州盛世欣興電器銷售有限公司	Yangzhou, PRC 21 August 2013	Domestic enterprise	RMB10,000,000	80%	80%	Bulk distribution sales of household appliances	
Shanghai Guanghan Trading Co.,Ltd. 上海廣邗貿易有限公司	Shanghai, PRC 12 February 2014	Foreign Investment Enterprise	RMB500,000	100%	100%	Bulk distribution sales of general merchandise	
Jiangsu Jingjian Dongkang Trading Co.,Ltd. 江蘇靜健動康貿易有限公司	Yangzhou, PRC 11 March, 2014	Domestic enterprise	RMB10,000,000 and RMB360,000	100%	100%	Bulk distribution sales of food	(ii)
Jiangsu Huiyin Lottery Network Technology Co.,Ltd. 江蘇匯銀彩票網路科技有限公司	Yangzhou, PRC 17 June 2014	Domestic enterprise	RMB60,000,000 and RMB3,300,000	100%	100%	Lottery sales and development of lottery sale system	(ii)

26 PARTICULARS OF SUBSIDIARIES *(continued)*

Company name	Place and date of incorporation	Legal status	Issued or registered and paid-up capital	Effective interest hold As at 31 December 2015	2014	Principal activities	Note
Indirectly owned (continued)							
Shanghai Huicai Financial Information Service Co.,Ltd. 上海匯彩互聯網金融信息服務有限公司	Shanghai, PRC 22 August 2014	Domestic Enterprise	RMB3,000,000	100%	100%	Internet Financial information service	
Jiangsu Kuanrui Trade Logistics Development Co.,Ltd. 江蘇寬瑞物流貿易發展有限公司	Yangzhou, PRC 30 January 2008	Foreign Investment Enterprise	EUR2,000,000	100%	100%	Logistic and warehouse services	(i)
Yangzhou Yinlinghui Recreation Center for Aged 揚州銀齡匯老年服務中心	Yangzhou PRC 27 April 2015	Domestic Enterprise	RMB100,000	100%	–	Community Services	
Nanjing Lehu Electronic Commerce Co., Ltd 南京匯銀樂虎電子商務有限公司	Nanjing PRC 01 October 2015	Domestic Enterprise	RMB6,300,000	100%	–	Online sales of household appliances and other merchandise	
Ningbo Bonded area Lehu Electronic Commerce Co., Ltd 寧波保稅區樂虎電子商務有限公司	Ningbo PRC 30 October 2015	Domestic Enterprise	RMB10,000,000 And RMB0	100%	–	Online sales of household appliances and other merchandise	
Nanjing Activity Center for Aged 南京老年活動中心	Nanjing PRC	Domestic Enterprise	RMB50,000	100%	–	Community Services	

Notes:

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

(ii) Jiangsu Huiyin Lottery Network Technology Co.,Ltd. (江蘇匯銀彩票網絡科技有限公司) increased its paid-up capital from RMB2,500,000 to RMB3,300,000. Jiangsu Jingjian Dongkang Trading Co.,Ltd. (江蘇靜健動康貿易有限公司) increased its paid-up capital from RMB300,000 to RMB360,000. Yangzhou Huiyin Logistic Co.,Ltd. (揚州匯銀物流有限公司) increased its registered capital and paid-up capital from USD4,000,000 to USD5,000,000. Jiangsu Huiyin Electronic Commerce Co., Ltd. (江蘇匯銀電子商務有限公司) increased its registered capital from RMB10,000,000 to RMB15,600,000.

(iii) Wuhu Huiyin Household Appliances sals Co.,Ltd. (蕪湖匯銀家電銷售有限公司) was liquidated in April 2015.

(iv) On 11 January 2016, Jiangsu Huiyin Electronics Chain-Stores Co., Ltd. (江蘇滙銀電器連鎖有限公司) changed its name to Jiangsu Huiyin Lehu Commercial Chain-Stores Co., Ltd. (江蘇匯銀樂虎商業連鎖有限公司). On 5 February 2016, Yangzhou Huiyin changed its name to Yangzhou Huiyin High Technology Group Co., Ltd. (揚州匯銀科技集團有限公司).

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

27 REVENUE

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

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Sales of goods		
– Traditional business	**1,420,744**	2,991,735
including:		
Retail	**547,935**	849,527
Bulk distribution	**872,809**	2,142,208
– Online distribution channels	**612,896**	80,273
	2,033,640	3,072,008
Rendering of services		
– Maintenance and installation service	**12,381**	15,944
– Agency service for sales of lotteries	**7,829**	5,070
	20,210	21,014
Total revenue	**2,053,850**	3,093,022

28 OTHER INCOME

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Income from suppliers on promotion activities	**7,850**	7,934
Rental income	**9,538**	4,164
Government subsidies (note)	**5,382**	1,077
	22,770	13,175

Note:

All of the government subsidies for the years ended 31 December 2015 and 2014 represent amounts received during the respective years and are not subject to any conditions nor intended to compensate future costs.

29 OTHER LOSSES — NET

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Gains/(losses) on disposal of property, plant and equipment, net	**102**	(362)
Impairment loss against goodwill	**(34,060)**	—
	(33,958)	(362)

30 EXPENSES BY NATURE

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

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Cost of merchandise before deducting supplier rebates	2,442,859	3,350,723
Supplier rebates	(513,240)	(637,615)
Taxes and levies on main operations	3,394	4,874
Employee benefit expenses (excluding Share Option Scheme expenses) (Note 31)	80,228	76,205
Share Option Scheme expenses (Note 20)	43,158	—
Service charges	2,384	4,305
Operating lease expenses in respect of buildings and warehouses	50,654	39,371
Promotion and advertising expenses	31,124	30,936
Amortisation of land use rights (Note 7)	1,184	638
Depreciation of property, plant and equipment (Note 8)	23,898	21,690
Depreciation of investment properties (Note 9)	170	170
Amortisation of intangible assets (Note 10)	1,590	1,420
Utilities and telephone expenses	8,608	8,158
Transportation expenses	14,944	15,029
Entertainment expenses	4,858	6,650
Travelling expenses	4,186	4,452
Office expenses	2,704	2,881
Accrual of provision for obsolescence of inventories (Note 14)	2,273	1,055
Provision for impairment of trade receivable (Note 15)	2,402	425
Accrual/(reversal) of provision for impairment of supplier rebates receivable (Note 16)	198,225	(5,449)
Property tax and other taxes	2,582	3,378
Auditor's remuneration	2,980	2,950
Bank charges	7,063	8,055
Consulting expenses	683	804
Others	7,830	15,873
Total of cost of sales, selling and marketing expenses and administrative expenses	2,426,741	2,956,978

31 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Salaries and other allowances	59,823	58,436
Social security costs	19,737	16,243
Share Option Scheme expenses	43,158	—
Other benefits	668	1,526
	123,386	76,205

(a) The employees of the subsidiaries of the Group in the PRC participate in defined contribution retirement benefit plans organised by the relevant local governments. For the year ended 31 December 2015, these subsidiaries were required to make monthly defined contributions to these plans at rates ranging from 28.9% to 43.0% of their total salaries subject to certain ceilings (2014: 31.0% to 43.0%).

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

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include three (2014: three) directors, whose emoluments were reflected in the analysis presented above. The emoluments paid/payable to the remaining two (2014: two) individual were as follows:

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Salaries and other allowances	730	524
Bonuses	—	200
Share Option Scheme expenses	532	—
Social security costs	108	62
	1,370	786

31 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) *(continued)*

(c) Five highest paid individuals *(continued)*

The emoluments of the remaining two (2014: two) highest paid individuals of the Group fall within the following bands:

	Year ended 31 December	
	2015	2014
Emoluments bands		
– Nil to HK$1,000,000	**1**	2
– HK$1,000,001 to HK$1,500,000	**1**	—
	2	2

32 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES)

(a) Directors' and chief executive's emoluments

For the years ended 31 December 2015 and 2014, the remuneration of directors of the Company paid/payable by the Group were as follows:

	For the year ended 31 December 2015					
Name of directors	Salaries and other allowances RMB'000	Bonuses RMB'000	Social security costs RMB'000	Share Option Scheme expenses RMB'000	Other benefits RMB'000	Total RMB'000
Chairman and executive director						
– Mr. Cao Kuanping	1,827	–	98	532	2,200	4,657
Other executive directors						
– Mr. Wang Zhijin	827	67	112	4,257	318	5,581
– Mr. Mao Shanxin	232	39	39	532	–	842
– Mr. Mo Chihe	283	29	39	5,322	318	5,991
– Mr. Lu Chaolin	224	100	26	2,661	–	3,011
– Ms. Hu Yanyu (i)	450	20	57	–	–	527
Independent non-executive directors						
– Mr. Tam Chun Chung	100	–	–	266	–	366
– Mr. Zhou Shui Wen	50	–	–	266	–	316
– Mr. Lo Kwong Shun Wilson	50	–	–	266	–	316
	4,043	255	371	14,102	2,836	21,607

32 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) *(continued)*

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

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

Notes:

Appointed on 15 October 2014 and resigned 25 September 2015

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

During the years ended 31 December 2015 and 2014, none of the directors of the Company (i) received any emolument from the Group as an inducement to join or upon joining the Group; or (ii) received any compensation for loss of office as a director or management of any member of the Group; or (iii) waived or has agreed to waive any emoluments.

32 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) *(continued)*

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the year (2014: Nil).

(c) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2015, the Group did not pay consideration to any third parties for making available directors' services (2014: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

As at 31 December 2015, there was no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors (2014: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2014: Nil).

33 FINANCE COSTS — NET

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Finance income		
– Interest income on bank deposits	**24,988**	33,571
– Interest income from borrowing to a joint venture (Note 11)	**15,792**	8,828
	40,780	42,399
Finance costs		
– Interest expenses on discounting of bills receivable	**(23,771)**	(25,132)
– Interest expenses on bank borrowings	**(23,365)**	(24,218)
– Interest expenses on medium-term notes	**(18,225)**	(28,921)
– Fair value losses on convertible bonds (Note 23)	**(1,627)**	—
– Net foreign exchange losses on cash and cash equivalents and bank borrowings	**(13,162)**	(2,141)
	(80,150)	(80,412)
Net finance costs — net	**(39,370)**	(38,013)

34 INCOME TAX CREDIT/(EXPENSE)

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
PRC enterprise and withholding income taxes		
– Current income tax	**(27,863)**	(43,887)
– Deferred income tax (Note 13)	**34,864**	(2,006)
	7,001	(45,893)

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

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

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
(Loss)/profit before income tax	(437,911)	104,098
Tax calculated at domestic tax rates applicable to losses/(profits) in the respective regions	(99,530)	30,190
Tax effects of:		
Expenses not deductible for tax purpose	19,251	4,355
Tax losses for which no deferred income tax asset was recognised	37,545	11,348
Deductable temporary differences for which no deferred tax asset was recognised	35,733	—
Income tax (credit)/expenses	(7,001)	45,893

The weighted average applicable tax rate was 23% (2014: 29%).

(a) Hong Kong profits tax

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

(c) PRC withholding income tax

According to the new CIT law, starting from 1 January 2008, a 10% withholding tax is levied on the immediate holding companies established outside the PRC when their PRC subsidiaries declare dividends out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong according to the tax treaty arrangement between the PRC and Hong Kong. Such withholding income tax is included in deferred income tax. The Group has not accrued for any PRC withholding income tax for the year ended 31 December 2015 as its PRC subsidiaries did not have any retained profits available for distribution outside the PRC at end of the year after setting off accumulated losses of previous years (2014: Nil).

35 (LOSS)/EARNINGS PER SHARE

(a) Basic

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

	Year ended 31 December	
	2015	2014
(Loss)/profit attributable to equity holders of the Company (RMB'000)	(398,598)	50,004
Weighted average number of ordinary shares in issue (thousand)	1,275,902	1,066,184
Basic (loss)/earnings per share (RMB cents)	(31.24)	4.69

(b) Diluted

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

	Year ended 31 December	
	2015	2014
(Loss)/earnings attributable to equity holders of the Company (RMB'000)	(398,598)	50,004
Weighted average number of ordinary shares in issue (thousand)	1,275,902	1,066,184
Adjustment for:		
– Settlement in ordinary shares for the contingent consideration arising from business combination (thousand)	–	103,022
Weighted average number of ordinary shares for diluted loss/earnings per share (thousand)	1,275,902	1,169,206
Diluted (loss)/earnings per share (RMB cents)	(31.24)	4.28

For the years ended 31 December 2015, the impact of settlement in ordinary shares for the contingent consideration arising from business combination, exercise of the share options granted under the Share Option Scheme and exercise of the conversion right of the convertible bonds was anti-dilutive.

For the years ended 31 December 2014, the impact of exercise of the share options granted under the Share Option Scheme was anti-dilutive.

36 DIVIDENDS

No interim dividend was declared during the year (2014: Nil) and the board of directors of the Company does not recommend the payment of any final dividend for the year ended 31 December 2015 (2014: Nil).

37 CASH (USED IN)/GENERATED FROM OPERATIONS

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
(Losses)/profits before income tax	**(437,911)**	104,098
Adjustments for:		
– Net foreign exchange losses on cash and cash equivalents and bank borrowings (Note 33)	**13,162**	2,141
– Amortisation of land use rights (Note 7)	**1,184**	638
– Depreciation of property, plant and equipment (Note 8)	**23,898**	21,690
– Depreciation of investment properties (Note 9)	**170**	170
– Amortisation of intangible assets (Note 10)	**1,590**	1,420
– Impairment loss against goodwill	**34,060**	—
– (Gains)/losses on disposal of property, plant and equipment (Note 29)	**(102)**	362
– Finance income (Note 33)	**(40,780)**	(42,399)
– Interest expenses and borrowing costs (Note 33)	**65,361**	78,271
– Share of loss of investment in a joint venture (Note 11)	**14,904**	6,681
– Share of loss of investment in an associate (Note 12)	**(442)**	65
– Amortisation of deferred government grants	**(58)**	(58)
– Fair value losses on convertible bonds (Note 33)	**1,627**	—
– Accrual of provision for obsolescence of inventories (Note 14)	**2,273**	1,055
– Provision for impairment of trade receivables (Note 15)	**2,402**	425
– Accrual/(reversal) of provision for impairment of supplier rebates receivable (Note 16)	**198,225**	(5,449)
– Share Option Scheme expenses (Note 20)	**43,158**	—
Operating (loss)/profit before working capital changes	**(77,279)**	169,110
Changes in working capital:		
– Decrease in inventories	**117,692**	18,889
– Decrease in trade and bills receivables	**34,455**	10,911
– Increase in prepayments, deposits and other receivables	**(9,242)**	(166,317)
– Decrease/(increase) in restricted bank deposits pledged for bank acceptance bills	**4,258**	(69,798)
– (Decrease)/Increase in trade and bills payables	**(58,490)**	13,335
– (Decrease)/Increase in accruals and other payables	**(119,638)**	52,547
Cash (used in)/generated from operations	**(108,244)**	28,677

37 CASH GENERATED (USED IN)/FROM/OPERATIONS *(continued)*

Non-cash transactions

The principal non-cash transaction for the year ended 31 December 2014 is the issue of ordinary shares as consideration for the acquisition of a subsidiary as described in Note 19 (e).

38 OPERATING LEASE COMMITMENTS

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

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Not later than 1 year	**40,812**	37,741
Later than 1 year and not later than 5 years	**84,300**	87,304
Later than 5 years	**9,333**	24,661
	134,445	149,706

39 FUTURE OPERATING LEASE RENTALS RECEIVABLE

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Not later than 1 year	**5,065**	5,856
Later than 1 year and not later than 5 years	**2,560**	5,532
	7,625	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.

40 DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY

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

41 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

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

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

(b) Transactions with related parties

Other than the transactions with Huiyin Real Estate as disclosed in Notes 11 and 33, the following transactions were undertaken by the Group with related parties during the year:

	Year ended 31 December	
	2015 **RMB'000**	2014 RMB'000
– Sales of goods to an associate		
Huazhang	**29,225**	10,890
– Rental expenses to a related party		
Mr. Cao Kuanping	**3,650**	3,650
– Directors' emoluments		
Salaries, bonuses and other welfares	**21,607**	7,111

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

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

41 RELATED PARTY TRANSACTIONS *(continued)*

(c) Key management compensation

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Salaries and other allowances	**3,843**	3,534
Bonuses	**255**	255
Social security costs	**371**	335
Share Option Scheme expenses	**13,304**	—
Other benifits	**2,836**	2,827
	20,609	6,951

(d) Balances with related parties

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Balances due to related parties:		
Advances from an associate for purchases of goods		
– Huazhang	**300**	3,942
Accruals and other payables (Note 22)		
– Mr. Cao Kuanping	**—**	463
Salaries, bonuses and welfares payable to directors		
– Mr. Cao Kuanping	**152**	152
– Mr. Mao Shanxin	**19**	19
– Mr. Mo Chihe	**24**	24
– Mr. Wang Zhijin	**69**	69
– Mr. Lu Chaolin	**19**	19
– Ms. Hu Yanyu	**50**	50
	333	333
	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.

42 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	As at 31 December	
	2015 RMB'000	2014 RMB'000
ASSETS		
Non-current assets		
Investments in and amounts due from subsidiaries	1,572,129	1,432,793
Current assets		
Prepayments, deposits and other receivables	31,819	—
Dividends receivable	13,164	12,396
Cash and cash equivalents	11,066	607
	56,049	13,003
Total assets	1,628,178	1,445,796
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital: nominal value	9,708	7,819
Share premium (note)	1,201,278	884,938
Other reserves (note)	74,643	31,485
Accumulated losses (note)	(452,281)	(121,126)
Total equity	833,348	803,116
LIABILITIES		
Non-current liabilities		
Borrowings	6,722	—
Current liabilities		
Accruals and other payables	688,679	197,829
Borrowings	99,429	444,851
	788,108	642,680
Total liabilities	794,830	642,680
Total equity and liabilities	1,628,178	1,445,796

Cao Kuanping
Director

Wang Zhijin
Director

42 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

Note: Reserve movement of the Company

	Share premium RMB'000 Note (a)	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2014	827,784	31,485	(102,453)	756,816
Loss for the year 2014	—	—	(18,673)	(18,673)
Issue of ordinary shares related to asset acquisitions	57,154	—	—	57,154
Balance at 31 December 2014	884,938	31,485	(121,126)	795,297
Loss for the year 2015	—	—	(331,155)	(331,155)
Issue of ordinary shares	316,340	—	—	316,340
Share Option Scheme - value of employee services	—	43,158	—	43,158
Balance at 31 December 2015	1,201,278	74,643	(452,281)	823,640

43 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 an expiring date within 1 year and an effective interest rate of 8.04% (Note 22), the rest of RMB15,500,000 were obtained by those customers under the facility agreements.During the period, the Group repaid RMB5,200,000 to the bank and renewed RMB9,600,000; those customers repaid RMB5,800,000 to the bank and renewed RMB1,900,000. As at 31 December 2015, the total amounts of facilities used which the Group executed guarantees for were RMB20,700,000. As at 31 December 2015, restricted bank deposits of RMB9,600,000 (2014: nil) (Note 17) had been pledged as collateral for it. 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.

As at 31 December 2015, the Group had been defending several legal actions brought by third parties in the PRC, with the total claim amount of RMB8,300,000 (2014: RMB8,300,000). After seeking advices from PRC lawyers, the Group considered these legal claims unfounded. No provision in relation to those claims has been recognised in these consolidated financial statements as in the directors' opinion, it is not probable that significant liability will arise.

44 EVENTS AFTER THE BALANCE SHEET DATE

On 29 January 2016, The Group and Weiying concluded an agreement on the termination of the joint venture disclosed in note 11. Huiyin Real Estate became a subsidiary of the Group upon the agreement effected.

45 APPROVAL AND AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The consolidated financial statements set out on pages 49 to 137 were approved and authorised for issue by the board of directors of the Company on 24 March 2016.

Financial Summary

	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Revenue	2,053,850	3,093,022	2,849,142	2,457,541	2,835,129
Profit/(loss) attributable to equity holders of the Company	(398,598)	50,004	(149,755)	(226,687)	15,509
Total assets	2,714,342	3,396,448	3,287,913	3,089,332	2,515,235
Total liabilities	1,937,043	2,549,626	2,560,427	2,205,991	1,409,085
Total equity	777,299	846,822	727,486	883,341	1,106,150
Non-controlling interests in equity	12,833	45,145	35,852	40,326	40,938