GOME ELECTRICAL APPLIANCES HOLDING LIMITED

國 美 電 器 控 股 有 限 公 司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 493)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

FINANCIAL HIGHLIGHTS

	1H 2010	1H 2009
	RMBm	*RMBm*
Revenue	**24,873**	20,463
Gross profit	**2,674**	2,008
Consolidated gross profit margin*	**17.04%**	16.48%
Profit from operating activities	**1,249**	671
Profit attributable to owners of the parent	**962**	580
Earnings per share		
– Basic	**RMB6.4 fen**	RMB4.5 fen
– Diluted	**RMB5.8 fen**	RMB4.5 fen

* Consolidated gross profit margin = (gross profit + other income and gain)/revenue

The board of directors (the "Board") of GOME Electrical Appliances Holding Limited (the "Company") announces the unaudited interim financial information of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2010 together with the comparative figures for the corresponding period in 2009 as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
For the six-month period ended 30 June 2010

		For the six-month period ended 30 June	
		2010	2009
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
REVENUE	*4*	**24,873,283**	20,463,322
Cost of sales		**(22,199,502)**	(18,455,552)
Gross profit		**2,673,781**	2,007,770
Other income and gain	*4*	**1,564,031**	1,364,053
Selling and distribution costs		**(2,350,793)**	(2,164,203)
Administrative expenses		**(457,068)**	(355,292)
Other expenses		**(180,558)**	(181,047)
Profit from operating activities		**1,249,393**	671,281
Finance costs	*6*	**(271,707)**	(108,350)
Finance income	*6*	**167,871**	164,068
(Loss)/gain on the derivative component of convertible bonds	*11*	**(92,351)**	23,210
Gain on redemption of convertible bonds		**202,578**	–
PROFIT BEFORE TAX	*5*	**1,255,784**	750,209
Income tax expense	*7*	**(293,458)**	(165,273)
PROFIT FOR THE PERIOD		**962,326**	584,936
Attributable to:			
Owners of the parent		**962,326**	580,308
Non-controlling interests		**–**	4,628
		962,326	584,936
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
– Basic		**RMB6.4 fen**	RMB4.5 fen
– Diluted		**RMB5.8 fen**	RMB4.5 fen

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six-month period ended 30 June 2010

	For the six-month period ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**962,326**	584,936
OTHER COMPREHENSIVE INCOME		
Changes in fair value of available-for-sale assets	**(25,650)**	51,030
Exchange differences on translation of foreign operations	**161**	(2,917)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	**(25,489)**	48,113
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**936,837**	633,049
Attributable to:		
Owners of the parent	**936,837**	628,421
Non-controlling interests	**–**	4,628
	936,837	633,049

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Notes	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**3,383,205**	3,391,950
Investment properties		**821,043**	820,671
Goodwill		**4,014,981**	4,014,981
Other intangible assets		**120,678**	125,199
Other investments		**127,710**	153,360
Prepayments for acquisition of properties		**21,129**	21,129
Lease prepayments		**321,798**	332,407
Deferred tax assets		**29,399**	30,763
Designated loan		**3,600,000**	3,600,000
Total non-current assets		**12,439,943**	12,490,460
CURRENT ASSETS			
Hong Kong listed investments, at fair value		**–**	1,635
Inventories		**5,793,860**	6,532,453
Trade and bills receivables	*9*	**78,736**	54,199
Prepayments, deposits and other receivables		**1,806,630**	1,701,884
Due from related parties		**89,953**	157,146
Pledged deposits		**7,415,005**	8,796,344
Cash and cash equivalents		**5,989,675**	6,029,059
Total current assets		**21,173,859**	23,272,720
CURRENT LIABILITIES			
Interest-bearing bank loans		**100,000**	350,000
Trade and bills payables	*10*	**16,213,668**	15,815,261
Customers' deposits, other payables and accruals		**1,185,250**	1,829,514
Convertible bonds	*11*	**117,940**	2,180,357
Tax payable		**465,878**	507,245
Total current liabilities		**18,082,736**	20,682,377

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)
As at 30 June 2010

	Notes	**30 June 2010 (Unaudited)** *RMB'000*	31 December 2009 (Audited) *RMB'000*
NET CURRENT ASSETS		**3,091,123**	2,590,343
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,531,066**	15,080,803
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**103,429**	103,429
Convertible bonds	*11*	**3,314,069**	3,174,909
Total non-current liabilities		**3,417,498**	3,278,338
Net assets		**12,113,568**	11,802,465
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**382,408**	382,408
Reserves		**11,731,160**	11,420,057
		12,113,568	11,802,465
Non-controlling interests		**–**	–
Total equity		**12,113,568**	11,802,465

NOTES

1. CORPORATE INFORMATION

GOME Electrical Appliances Holding Limited (the "**Company**") is a limited liability company incorporated in Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

The principal activities of the Company and its subsidiaries (the "**Group**") are the operations and management of networks of electrical appliances and consumer electronic products retail stores in the People's Republic of China (the "**PRC**").

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The unaudited interim financial information for the six-month period ended 30 June 2010 (the "**Interim Financial Information**") has been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board.

The Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2009.

Significant accounting policies

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2009, except for the adoption of the new International Financial Reporting Standards ("**IFRSs**") and International Financial Reporting Interpretations Committee ("**IFRIC**") interpretations as of 1 January 2010 as noted below:

IFRS 3 (Revised) *Business Combinations*

The standard introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

IAS 27 (Revised) *Consolidated and Separate Financial Statements*

The standard requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes*, IAS 21 *The Effects of Changes in Foreign Exchange Rates*, IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of future acquisitions, loss of control and transactions with non-controlling interests. The adoption of these revised standards did not have any impact on the financial position or financial performance of the Group during the six-month period ended 30 June 2010.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

Improvements to IFRSs (issued May 2008)

In May 2008, the International Accounting Standards Board issued its first omnibus of amendments to its standards. All amendments issued are effective for the Group as at 31 December 2009, apart from the following:

The amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* clarify that all assets and liabilities of a subsidiary shall be classified as held for sale if an entity has a sale plan involving loss of control of the subsidiary, regardless of whether the entity retains a non-controlling interest. The changes are applied prospectively and affect future sale transactions or plans involving loss of control of a subsidiary. The adoption of these amendments did not have any impact on the financial position or performance of the Group during the six-month period ended 30 June 2010.

Improvements to IFRSs (issued April 2009)

In April 2009 the International Accounting Standards Board issued its second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

IFRS 8 *Operating Segment Information*

The standard clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief decision maker does review segment assets and liabilities, the Group has continued to disclose this information in note 3.

Other amendments resulting from improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

IFRS 2	*Share-based Payment*
IAS 1	*Presentation of Financial Statements*
IAS 7	*Statement of Cash Flows*
IAS 17	*Leases*
IAS 36	*Impairment of Assets*
IAS 38	*Intangible Assets*
IAS 39	*Financial Instruments: Recognition and Measurement*
IFRIC 9	*Reassessment of Embedded Derivatives*
IFRIC 16	*Hedge of a Net Investment in a Foreign Operation*

The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

3. **SEGMENT INFORMATION**

For management purposes, the Group is organised into business units based on their products and services and has one reportable operating segment which is the operations and management of networks of electrical appliances and consumer electronic products retail stores in the PRC. The corporate office in Hong Kong does not earn revenues and is not classified as an operating segment.

Management monitors the results of its operating segment for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that bank interest income, interest expenses, the fair value gain or loss on the derivative component of convertible bonds, gain on redemption of convertible bonds and other expenses incurred for the corporate office in Hong Kong are excluded from such measurement.

Segment assets exclude deferred tax assets, pledged deposits, cash and cash equivalents, equity investments at fair value through profit or loss, other investments and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank loans, convertible bonds, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

	Six-month period ended 30 June 2010 (Unaudited) *RMB'000*	Six-month period ended 30 June 2009 (Unaudited) *RMB'000*
Segment revenue		
Sales to external customers	**24,873,283**	20,463,322
Segment results	**1,430,976**	778,180
Reconciliation		
Interest income	**81,110**	72,969
Unallocated income and gains	**822**	3,163
(Loss)/gain on the derivative component of convertible bonds	**(92,351)**	23,210
Gain on redemption of convertible bonds	**202,578**	–
Finance costs	**(271,707)**	(108,350)
Corporate and other unallocated expenses	**(95,644)**	(18,963)
Profit before tax	**1,255,784**	750,209

3. SEGMENT INFORMATION (continued)

	30 June 2010 (Unaudited) *RMB'000*	31 December 2009 (Audited) *RMB'000*
Segment assets	**20,034,690**	20,752,019
Reconciliation		
Corporate and other unallocated assets	**13,579,112**	15,011,161
Total assets	**33,613,802**	35,763,180
Segment liabilities	**17,382,544**	17,644,775
Reconciliation		
Corporate and other unallocated liabilities	**4,117,690**	6,315,940
Total liabilities	**21,500,234**	23,960,715

4. REVENUE, OTHER INCOME AND GAIN

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue, other income and gain is as below:

	Notes	**For the six-month period ended 30 June** **2010 (Unaudited)** *RMB'000*	2009 (Unaudited) *RMB'000*
Revenue			
Sale of electrical appliances and consumer electronic products		**24,873,283**	20,463,322
Other income			
Income from suppliers		**1,101,565**	1,076,955
Management fees:			
– from the Non-listed GOME Group	*(i)*	**138,931**	106,333
– from Dazhong Appliances	*(ii)*	**44,968**	–
Management fees for air-conditioner installation		**60,169**	40,976
Rental income		**89,864**	77,506
Government grants	*(iii)*	**47,925**	7,660
Other service fee income		**48,643**	30,195
Others		**31,530**	24,428
		1,563,595	1,364,053
Gain			
Fair value gain on investment properties		**436**	–
		1,564,031	1,364,053

4. **REVENUE AND OTHER INCOME AND GAIN** (continued)

Notes:

(i) The Non-listed GOME Group comprises Beijing Eagle Investment Co., Ltd., Beijing Gome Electrical Appliance Co., Ltd., Gome Electrical Appliance Retail Co., Ltd. and other companies which are engaged in the retail sales and related operations of electrical appliances and consumer electronic products under the trademark of "GOME Electrical Appliances" in cities other than the designated cities of the PRC in which the Group operates. The companies comprising the Non-listed GOME Group are owned by Mr. Wong Kwong Yu ("Mr. Wong"), a substantial shareholder of the Company.

(ii) The Group entered into a management agreement (the "**Management Agreement**") with Beijing Zhansheng Investment Co., Ltd. ("**Beijing Zhansheng**") on 14 December 2007 and the Management Agreement was renewed on 15 December 2009. Pursuant to the Management Agreement, the Group manages and operates the retailing business of Beijing Dazhong Home Appliances Retail Co., Ltd. ("**Dazhong Appliances**") for management fees.

(iii) Various local government grants have been received to reward the Group's contributions to the local economy. There were no unfulfilled conditions or contingencies attaching to these government grants.

5. **PROFIT BEFORE TAX**

The Group's profit before tax is arrived at after charging/(crediting):

		For the six-month period ended 30 June	
		2010	2009
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
Cost of inventories sold		**22,199,502**	18,455,552
Depreciation		**156,380**	166,871
Amortisation of intangible assets	*(i)*	**4,521**	4,521
Loss on disposal of items of property, plant and equipment		**1,440**	2,934
Minimum lease payments under operating leases in respect of land and buildings		**982,737**	1,086,403
Gross rental income	*4*	**(89,864)**	(77,506)
Fair value gain on investment properties	*4*	**(436)**	–
Management fees from Dazhong Appliances	*4*	**(44,968)**	–
Interest income from Beijing Zhansheng	*6*	**(86,761)**	(91,099)
Staff costs:			
Wages, salaries and bonuses		**566,119**	534,435
Pension scheme contributions		**112,610**	128,888
Social welfare and other costs		**11,280**	3,025
Equity-settled share option expense		**57,607**	–
		747,616	666,348
Loss/(gain) on the derivative component of convertible bonds	*11(i)*	**92,351**	(23,210)
Gain on redemption of convertible bonds	*11(i)*	**(202,578)**	–
Fair value loss/(gain) on Hong Kong listed investments		**29**	(243)
Foreign exchange differences, net		**13,784**	(4,128)
Impairment of goodwill		**–**	2,000
Impairment of prepayments, deposits and other receivables		**–**	21,724

Note:

(i) The amortisation of intangible assets for the period is included in "Administrative expenses" on the face of the interim condensed consolidated income statement.

6. FINANCE (COSTS)/INCOME

An analysis of finance costs and finance income is as follows:

	Note	For the six-month period ended 30 June 2010 (Unaudited) *RMB'000*	2009 (Unaudited) *RMB'000*
Finance costs:			
Interest on bank loans wholly repayable within five years		**(7,451)**	(6,980)
Interest expenses on convertible bonds	*11*	**(264,256)**	(101,370)
		(271,707)	(108,350)
Finance income:			
Bank interest income		**81,110**	72,969
Other interest income		**86,761**	91,099
		167,871	164,068

7. INCOME TAX EXPENSE

An analysis of the provision for tax is as follows:

	For the six-month period ended 30 June 2010 (Unaudited) *RMB'000*	2009 (Unaudited) *RMB'000*
Current income tax – PRC	**292,094**	162,481
Deferred income tax	**1,364**	2,792
	293,458	165,273

The Group is subject to income tax on an entity basis on profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. The determination of current and deferred income taxes was based on enacted tax rates.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Under the relevant PRC income tax law, except for certain preferential treatment available to the Group, the PRC subsidiaries of the Group are subject to income tax at a rate of 25% (six-month period ended 30 June 2009: 25%) on their respective taxable income. During the current period, 30 entities (six-month period ended 30 June 2009: 22 entities) of the Group obtained approval from the relevant PRC tax authorities and were entitled to preferential corporate income tax rates or corporate income tax exemptions.

No provision for the Hong Kong profits tax has been made for the six-month periods ended 30 June 2010 and 2009, respectively, as the Group had no assessable profits arising in Hong Kong for each of the periods.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 15,055,332,000 (six-month period ended 30 June 2009: 12,758,756,000) in issue during the year.

The calculation of diluted earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible bonds, fair value loss on the derivative component of the convertible bonds and gain on redemption of the convertible bonds, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all the dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	For the six-month period ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**962,326**	580,308
Interest on convertible bonds	**49,988**	–
Fair value loss on the derivative component of the convertible bonds	**92,351**	–
Gain on redemption of the Old 2014 Convertible Bonds	**(202,578)**	–
Profit attributable to ordinary equity holders of the parent as adjusted for the effect of convertible bonds	**902,087**	580,308

		Number of shares for the six-month period ended 30 June	
		2010	2009
		(Unaudited)	(Unaudited)
	Notes	***'000***	*'000*
Shares			
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation		**15,055,332**	12,758,756
Effect of dilution – weighted average number of ordinary shares:			
Warrants	*(i)*	**34,272**	–
Share options		**33,605**	–
Convertible bonds	*(ii)*	**491,084**	–
		15,614,293	12,758,756

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

Notes:

(i) During the six-month period ended 30 June 2009, the average quoted market price of the Company's shares was less than the exercise price of the warrants. Therefore, the warrants had an anti-dilutive effect on the basic earnings per share for the six-month period ended 30 June 2009 and were not included in the calculation of diluted earnings per share.

(ii) The 2016 Convertible Bonds and the New 2014 Convertible Bonds had an anti-dilutive effect on the basic earnings per share for the six-month period ended 30 June 2010 and were therefore not included in the calculation of diluted earnings per share. Therefore, only the effect of the Old 2014 Convertible Bonds was included in the calculation of diluted earnings per share for the six-month period ended 30 June 2010.

The Old 2014 Convertible Bonds that were redeemed during the six-month period ended 30 June 2010 were included in the calculation of diluted earnings per share only for the portion of the period during which they are outstanding. As at 30 June 2010, the Old 2014 Convertible bonds with an aggregate principal amount of RMB149,400,000 remained outstanding (note 11(i)).

The Old 2014 Convertible Bonds had an anti-dilutive effect on the basic earnings per share for the six-month period ended 30 June 2009 and were therefore not included in the calculation of diluted earnings per share.

9. TRADE AND BILLS RECEIVABLES

All of the Group's sales are on a cash basis except for certain bulk sales of merchandise which are credit sales. The credit terms offered to customers are generally one month. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. Management considers that there is no significant concentration of credit risk.

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date of the trade and bills receivables, is as follows:

	30 June 2010 (Unaudited) ***RMB'000***	31 December 2009 (Audited) *RMB'000*
Outstanding balances, aged:		
Within 3 months	**78,274**	50,419
3 to 6 months	**29**	3,071
6 months to 1 year	**–**	273
Over 1 year	**433**	436
	78,736	54,199

The balance at 30 June 2010 included the trade receivables from Dazhong Appliances of RMB8,000. During six-month period ended 30 June 2010, the Group sold electrical appliances and consumer electronic products to Dazhong Appliances amounting to RMB78.5 million (six-month period ended 30 June 2009: RMB39.7 million).

10. TRADE AND BILLS PAYABLES

	30 June 2010 (Unaudited) *RMB'000*	31 December 2009 (Audited) *RMB'000*
Trade payables	**4,467,769**	4,159,579
Bills payable	**11,745,899**	11,655,682
	16,213,668	15,815,261

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the goods receipt date, is as below:

	30 June 2010 (Unaudited) *RMB'000*	31 December 2009 (Audited) *RMB'000*
Within 3 months	**10,713,584**	9,617,687
3 to 6 months	**5,139,476**	5,921,009
Over 6 months	**360,608**	276,565
	16,213,668	15,815,261

The Group's bills payable and PRC bank loans above are secured by:

(i) the pledge of the Group's time deposits amounting to RMB6,423,162,000 (31 December 2009: RMB6,189,973,000);

(ii) the bank acceptance credit in favour of the Group. The bank acceptance credit was secured by the Group's time deposits amounting to RMB991,843,000 (31 December 2009: RMB2,606,371,000);

(iii) the pledge of certain of the Group's inventories amounting to RMB500,000,000 (31 December 2009: RMB500,000,000);

(iv) the pledge of certain of the Group's buildings amounting to RMB1,676,453,000 (31 December 2009: RMB1,610,839,000);

(v) the pledge of certain of the Group's investment properties with an aggregate fair value of RMB691,837,000 (31 December 2009: RMB625,197,000); and

(vi) the corporate guarantees provided by the Non-listed GOME Group and personal guarantees provided by Mr. Wong, the substantial shareholder of the Company, Mr. Chen Xiao, the chairman of the Company, and Mr. Fang Wei, the acting chief financial officer of the Group (the personal guarantee will be expired on 7 September 2010), as at 30 June 2010.

11. CONVERTIBLE BONDS

	Notes	**30 June 2010 (Unaudited)** *RMB'000*	31 December 2009 (Audited) *RMB'000*
Liability components:			
Old 2014 Convertible Bonds	*(i)*	**126,278**	2,281,046
2016 Convertible Bonds	*(ii)*	**1,574,050**	1,502,733
New 2014 Convertible Bonds	*(iii)*	**1,740,019**	1,672,176
		3,440,347	5,455,955
Derivative components:			
Old 2014 Convertible Bonds	*(i)*	**(8,338)**	(100,689)
		3,432,009	5,355,266
Classified as current liabilities		**(117,940)**	(2,180,357)
Non-current liabilities		**3,314,069**	3,174,909

(i) RMB denominated United States dollar ("USD") settled zero coupon convertible bonds due in 2014 (the "Old 2014 Convertible Bonds")

On 11 May 2007, the Company issued RMB denominated USD settled zero coupon convertible bonds due in 2014 in an aggregate principal amount of RMB4,600 million.

Pursuant to the bond subscription agreement, the Old 2014 Convertible Bonds are:

(a) convertible at the option of the bondholders into fully paid ordinary shares at anytime from 18 May 2008 to 11 May 2014 at a conversion price of HK$19.95 (at a fixed exchange rate of RMB0.9823 to HK$1.00) per share;

(b) redeemable at the option of the bondholders on 18 May 2010, being the third anniversary of the issue date, in a USD amount equivalent to their RMB principal amount multiplied by 102.27% and on 18 May 2012, being the fifth anniversary of the issue date, in a USD amount equivalent to their RMB principal amount multiplied by 103.81%; and

(c) redeemable at the option of the Company at any time after 18 May 2010 and prior to 18 May 2014 in all or some of the bonds for the time being outstanding at the US dollar equivalent to their early redemption amount as at the date fixed for redemption, providing the prices of the Company's shares for each of 20 consecutive trading days are over 130% of the early redemption price.

The Old 2014 Convertible Bonds would be redeemed on maturity at a value equal to the aggregate of (a) its principal amount outstanding; (b) the interest accrued; and (c) a premium calculated at 5.38% of the principal amount. The settlement of the convertible bonds will be in USD using the spot rate prevailing at the date of transaction.

The conversion price of the Old 2014 Convertible Bonds was HK$4.46 per share as at 31 December 2009 and 30 June 2010. No adjustment has been made to the conversion price during the six-month period ended 30 June 2010.

11. **CONVERTIBLE BONDS** (continued)

(i) RMB denominated United States dollar ("USD") settled zero coupon convertible bonds due in 2014 (the "Old 2014 Convertible Bonds") (continued)

On 18 May 2010, the Company redeemed part of the Old 2014 Convertible Bonds with an aggregate principal amount of RMB2,625,900,000 pursuant to redemption notices received from the bondholders in accordance with the terms and conditions of the Old 2014 Convertible Bonds. The bonds redeemed were cancelled. The consideration for the redemption was allocated to the liability component, the derivative component and the equity component of the Old 2014 Convertible Bonds at the date of the redemption. The method used in allocating the consideration paid to the separate components is consistent with that used in the original allocation to the separate components of the proceeds received by the Company when the Old 2014 Convertible Bonds were issued. The Company determined the fair value of the liability component at the date of the redemption based on the valuations performed by Jones Lang LaSalle Sallmanns Limited ("Sallmanns"), an independent firm of professionally qualified valuers, using an equivalent market interest rate for a similar bond without a conversion option. The fair value of the derivative component was determined based on the valuations performed by Sallmanns using an option pricing model. The amount of redemption gains which related to the liability component amounting to RMB202,578,000 was recognised in profit or loss and the amount of consideration which related to the equity component of RMB683,330,000 was recognised in equity.

As at 30 June 2010, the Old 2014 Convertible Bonds with an aggregate principal amount of RMB149,400,000 remained outstanding.

The movements of the liability component, derivative component and equity component of the Old 2014 Convertible Bonds for the period are as follows:

	Liability component of convertible bonds *RMB'000*	**Derivative component of convertible bonds** *RMB'000*	**Equity component of convertible bonds** *RMB'000*	**Total** *RMB'000*
At 31 December 2009 and 1 January 2010 (audited)	**2,281,046**	**(100,689)**	**970,813**	**3,151,170**
Interest expenses	**49,988**	**–**	**–**	**49,988**
Fair value adjustment	**–**	**92,351**	**–**	**92,351**
Redemption of bonds	**(2,204,756)**	**–**	**(683,330)**	**(2,888,086)**
At 30 June 2010 (unaudited)	**126,278**	**(8,338)**	**287,483**	**405,423**

	Liability component of convertible bonds *RMB'000*	Derivative component of convertible bonds *RMB'000*	Equity component of convertible bonds *RMB'000*	Total *RMB'000*
At 31 December 2008 and 1 January 2009 (audited)	3,571,833	(2,280)	1,415,770	4,985,323
Interest expenses	101,370	–	–	101,370
Fair value adjustment	–	(23,210)	–	(23,210)
At 30 June 2009 (unaudited)	3,673,203	(25,490)	1,415,770	5,063,483

The fair values of the derivative component are determined based on the valuations performed by Sallmanns using the applicable option pricing model.

11. CONVERTIBLE BONDS (continued)

(ii) RMB denominated USD settled 5% coupon convertible bonds due in 2016 (the "2016 Convertible Bonds")

On 3 August 2009, the Company issued RMB denominated USD settled 5% coupon convertible bonds due 2016 in an aggregate principal amount of RMB1,590 million to Bain Capital Glory Limited.

Pursuant to the terms of the agreement, the 2016 Convertible Bonds are:

(a) convertible at the option of the bondholder, at any time during the period commencing 30 days after the issue date and ending on the close of business on 3 August 2016, both dates inclusive, in whole, or in any part, of the outstanding principal amount of the bonds into fully-paid shares (at a fixed exchange rate of RMB0.88 to HK$1.00), at a conversion price of HK$1.108 per share;

(b) redeemable at the option of the bondholders on or at any time after the fifth anniversary of the issue date and prior to the bond maturity date in a USD amount equivalent to the principal amount of the bond multiplied by 1.12^n, where "n" equals the number of days from the issue date until the early redemption date (both days inclusive) divided by 360; minus the amount of interest paid on such bond for the period from (and including) the issue date to (but excluding) the early redemption date; and

(c) redeemable at the option of the bondholders upon the occurrence of a specified event or any of the events default at the USD equivalent of the higher of: (A) the amount equal to 1.5 times the principal amount of the said bond (or, if the maximum amount permitted by applicable law is lower, then such maximum amount permitted by applicable law); and (B) the principal amount of the said bond multiplied by 1.25^n, where "n" equals the number of days from the issue date until the date of redemption (both days inclusive) divided by 360; minus the amount of interest paid on such bond for the period from (and including) the issue date to (but excluding) the date of redemption.

The Company shall on 3 August 2016, the bond maturity date, redeem in USD all the bonds then outstanding at the USD equivalent of the principal amount of each bond multiplied by 1.12^n, where "n" equals the number of days from the issue date until the bond maturity date (both days inclusive) divided by 360; minus the amount of interest paid on such bond for the period from (and including) the issue date to (but excluding) the bond maturity date.

The movements of the liability component and equity component of the 2016 Convertible Bonds during the period are as follows:

	Liability component of convertible bonds *RMB'000*	**Equity component of convertible bonds** *RMB'000*	**Total** *RMB'000*
At 31 December 2009 and 1 January 2010 (audited)	**1,502,733**	**137,411**	**1,640,144**
Interest expenses	**111,067**	**–**	**111,067**
Interest paid	**(39,750)**	**–**	**(39,750)**
At 30 June 2010 (unaudited)	**1,574,050**	**137,411**	**1,711,461**

11. CONVERTIBLE BONDS (continued)

(iii) RMB denominated USD settled 3% coupon convertible bonds due in 2014 (the "New 2014 Convertible Bonds")

On 25 September 2009, the Company issued RMB denominated USD settled 3.0% coupon convertible bonds due 2014 with an aggregate principal amount of RMB2,357.2 million.

Pursuant to the bond subscription agreement, the New 2014 Convertible Bonds are:

(a) convertible at the option of the bondholders on or after 5 November 2009 up to the 10th day prior to 25 September 2014 at a conversion price of HK$2.8380 (at the fixed rate of HK$1.1351 to RMB1.00) per share;

(b) redeemable at the option of the bondholders in all or some only of the bonds on 25 September 2012 at a USD amount equivalent of 103.634% of their RMB principal amount together with interest accrued to the date fixed for redemption; and

(c) redeemable at the option of the Company at any time after 25 September 2012 in all, but not some only, of the bonds for the time being outstanding at a USD amount equivalent of their early redemption amount as at the date fixed for redemption together with interest accrued to the date fixed for redemption, provided that the closing prices of the Company's shares for 30 consecutive trading days prior to the date upon which notice of such redemption is published are at least 130% of the early redemption amount of a bond divided by the conversion ratio.

Unless previously redeemed, converted or purchased and cancelled in the circumstances referred to in the terms and conditions of the New 2014 Convertible Bonds, each bond will be redeemed at a USD amount equivalent of 106.318% of its RMB principal amount together with unpaid accrued interest thereon on 25 September 2014, the bond maturity date.

The movements of the liability component and equity component of the New 2014 Convertible Bonds for the period are as follows:

	Liability component of convertible bonds *RMB'000*	**Equity component of convertible bonds** *RMB'000*	**Total** *RMB'000*
At 31 December 2009 and 1 January 2010 (audited)	**1,672,176**	**688,021**	**2,360,197**
Interest expenses	**103,201**	**–**	**103,201**
Interest paid	**(35,358)**	**–**	**(35,358)**
At 30 June 2010 (unaudited)	**1,740,019**	**688,021**	**2,428,040**

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the reporting period, GOME Electrical Appliances Holding Limited (the "Company") together with its subsidiaries (collectively known as the "Group" or "GOME"), in line with the macro-economic environment, market conditions and consumers' needs, has further implemented the strategy of optimization and transformation, which resulted in great achievement in respect of network coverage, individual stores' operational capability, merchandise management capability, relationships with suppliers, etc. The Group will step onto a new development stage of stable and healthy growth when its capital structure becomes reasonably strong and the operating model and business model have improved gradually.

A series of strategic plans was developed and implemented by the Group in accordance with its transformation strategy. The Group recorded revenue of approximately RMB24,873 million during the reporting period, up 21.55% from the corresponding period in 2009. The revenue recorded in the second quarter of 2010 was RMB13,092 million and it was the highest single quarter revenue recorded by the Group since its listing. Profit attributable to the owners of the parent was approximately RMB962 million, up 65.86% as compared to the corresponding period in 2009. In addition, during the period, the Group closed 25 underperforming stores and opened 39 stores in central business areas and prime regions of a few cities. At the same time, it completed the transformation of 75 existing stores (including stores that were a part of Beijing Dazhong Home Appliances Retail Co., Ltd ("Dazhong Appliances") into "new-model" stores, with the cumulative number of "new-model" stores reaching 102.

During the reporting period, the Company's management team, together with Bain Capital Glory Limited ("Bain Capital"), have developed a new 5-year blueprint for the Group designed to maximise long term value for all shareholders. The core elements of the 5-year plan includes store network expansion, supply chain management, regional logistics centers and new model stores development; operating efficiency improvement, widen product offerings, adjusting the mode of supplier contracts and production of differentiated products; ongoing customer and supplier relationship improvement; and new business development. The management has kicked off the implementation of the 5-year blueprint during the reporting period.

In accordance with the provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), on 28 June 2010, Mr. Chen Xiao, Chairman of the Board of Directors (the "Board") of the Company, resigned as President but remain to be the Chairman of the Company and at the same time, Mr. Wang Jun Zhou, an Executive Director and Executive Vice President of the Company, was appointed as President, so that the roles of the Chairman and President of the Company are separately performed by different individuals. The re-designations will raise the corporate governance standard and further strengthen the management efficiency of the Company, which are in the best interests of the Company and its shareholders as a whole.

FINANCIAL REVIEW

Revenue

During the reporting period, the Group's revenue was approximately RMB24,873 million, representing an increase of 21.55% from RMB20,463 million in the corresponding period of 2009. The Group had 651 comparable stores, recorded a revenue of RMB23,482 million, up by 24.80% as compared to RMB18,816 million in the same period of 2009.

Costs of Sales and Gross Profit

During the reporting period, costs of sales of the Group was approximately RMB22,200 million, accounting for 89.25% of sales revenue, representing a slight decline when compared to the 90.19% costs of sales margin in the corresponding period of 2009. The Group's gross profit recorded was approximately RMB2,674 million as compared with approximately RMB2,008 million in the same period of the previous year, representing an increase of approximately 33.17%, while the increment is much greater than the 21.55% increase in sales revenue. This was mainly due to the Group's focus on differentiation in products, which contributed to an increase in gross profit. Gross profit margin showed an increasing trend over the past three consecutive years, reflected the improvement of the Group's economies of scale, product category management and pricing strategy.

Other Income and Gain

During the reporting period, the Group recorded other income and gain of approximately RMB1,564 million, representing an increase of 14.66% from RMB1,364 million in the corresponding period of 2009.

Consolidated Gross Profit Margin

During the reporting period, the Group's consolidated gross profit margin reached 17.04%, representing an increase of 0.56 percentage points as compared to 16.48 % in the corresponding period of last year. (Consolidated gross profit margin = (gross profit + other income and gain)/ revenue). As mentioned in the previous section, gross profit margin and other income increased, contributing to the Group's year-on-year increase in its consolidated gross profit margin.

The increase of the Group's consolidated gross profit margin reflected the advantage of product differentiation, economies of scale and increased operating efficiency.

Selling and Distribution Costs

During the reporting period, the Group's total selling and distribution costs amounted to approximately RMB2,351 million and mainly included store rental, salaries, utility charges, advertising expenses, delivery expenses etc., the above five costs aggregately accounting for approximately 86.56% of total selling and distribution costs. The selling and distribution costs accounted for approximately 9.45% of the total sales revenue.

Administrative Expenses

During the reporting period, the Group's administrative expenses accounted for 1.84% of sales revenue, as compared to 1.74% in the corresponding period of 2009. However, when excluding the amortisation cost of RMB57.61 million in the first half of 2010 related to employee share options granted in year 2009, the administrative expenses would be 1.61% of the sales revenue.

Other Expenses

Other expenses of the Group mainly comprised business tax, bank charges, exchange loss and donation expenses, etc. Other expenses were approximately RMB181 million for the reporting period, accounting for 0.73% of sales revenue, representing a slight decrease from 0.88% in the corresponding period of 2009.

Financial Expenses, Net

During the reporting period, the Group's net finance expenses was RMB104 million, an increase when compared with net finance income of RMB56 million in the corresponding period of 2009. This was mainly due to rise in interest expenses incurred from convertible bonds issued last year.

Profit before Tax

During the reporting period, the Group's profit before tax was approximately RMB1,256 million, representing an significant increase of 67.47% as compared to the RMB750 million in the corresponding period of last year. The profit before tax accounted for approximately 5.05% of sales revenue, representing a growth of 1.38 percentage points as compared to 3.67% of profit before tax margin in the corresponding period of 2009.

Income Tax

During the reporting period, the Group's income tax was RMB293 million, up 77.58% as compared to RMB165 million in the corresponding period of 2009, which approximated to the increment of profit before tax during the period. The management considers the tax rate applied to the Group for the reporting period to be reasonable.

Profit for the Period Attributable to Owners of the Parent and Earnings per Share

During the reporting period, the Group recorded profit attributable to owners of the parent for the period of approximately RMB962 million, representing an significant increase of 65.86% as compared to RMB580 million in the corresponding period of last year. Also, the net profit margin was increased from 2.83% of last year to 3.87% by 1.04 percentage points.

During the reporting period, the basic earnings per share was RMB0.064, representing an increase of 42.22% as compared to RMB0.045 in the corresponding period of last year.

Cash and Cash Equivalents

At the end of the reporting period, the Group's cash and cash equivalents were approximately RMB5,990 million, almost the same as RMB6,029 million at the end of 2009.

Inventory

At the end of the reporting period, the Group's inventory amounted to approximately RMB5,794 million, representing a decrease of 11.30% from RMB6,532million in 2009. The inventory turnover period was approximately 50 days in the reporting period, which basically remained stable as compared with approximately 47 days for the same period in 2009.

Prepayment, Deposits and Other Receivables

At the end of the reporting period, prepayment and other receivables of the Group amounted to approximately RMB1,807 million, representing an increase of 6.17% as compared to RMB1,702 million at the end of 2009, which was mainly due to the advance payment of government subsidies for the "exchange old for new subsidy program".

Trade and Bills Payable

At the end of the reporting period, trade and bills payables of the Group amounted to approximately RMB16,214 million, representing an increase of 2.52% as compared with approximately RMB15,815 million at the end of 2009. Trade and bills payables turnover days were 130 days, which was basically the same as compared to 127 days for the same period in 2009.

Capital Expenditure

During the reporting period, capital expenditure of the Group amounted to RMB154 million, representing a slight decrease from RMB212 million in the corresponding period 2009.

Cash Flow

During the reporting period, net cash inflow from operating activities of the Group amounted to approximately RMB3,126 million, which showed a significant increase as compared to the net cash outflow of RMB297 million in the corresponding period of last year.

Net cash outflow from investing activities amounted to approximately RMB147 million, remaining stable as compared to RMB168 million in the same period in 2009.

Net cash outflow from financing activities amounted to approximately RMB3,018 million, as compared to a net cash inflow from financing activities of RMB133 million in the same period in 2009. The increase in cash outflow from financing activities was mainly attributable to the redemption of the Old 2014 Convertible Bonds.

Charge on Group Asset

As at the end of June 2010, the Group's bank acceptance credit, bills payable and PRC bank loans amounting to RMB11,846 million were mainly secured by the Group's time deposits amounting to RMB7,415 million, certain inventories with the carrying value of RMB500 million and certain buildings and self-owned properties of the Group with the carrying value of RMB2,368 million.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

As at the end of the reporting period, capital commitment of the Group was about RMB133 million.

FOREIGN CURRENCY AND TREASURY POLICY

All the Group's income and a majority of its expenses were denominated in Renminbi. However, as Renminbi has been appreciating against US dollars, the Group's short term US dollars deposit recorded an exchange loss in the period. The Group is considering various plans to reduce such risk. The Group's treasury policy is that it will only manage such exposure (if any) when it posts significant potential financial impact on the Group.

The management of the Group estimates that less than 10% of the Group's current purchases are imported products, which are sourced indirectly from distributors in the PRC and the transactions are denominated in Renminbi.

FINANCIAL RESOURCES AND GEARING RATIO

During the reporting period, the Group's working capital, capital expenditure and cash for investments were funded from cash on hand, cash generated from operations, convertible bonds and bank loans.

As at 30 June 2010, the total borrowings of the Group, being interest-bearing bank borrowings and convertible bonds, amounting to RMB3,532 million. Of the total borrowings, 6.17% will be repayable in 2010, 93.83% will be repayable beyond 2010. The Group's financing activities will continue to be supported by its bankers.

As at 30 June 2010, the debt to total equity ratio, which expressed a percentage of total borrowings amounting to RMB3,532 million over total equity amounting to RMB12,114 million, decreased to 29.16% from 48.34% as at 31 December 2009. The decrease was mainly due to the redemption of the Old 2014 Convertible Bonds by the Company during the reporting period and as a result, reduced the total borrowing.

HUMAN RESOURCES

As at the end of reporting period, the Group had 41,633 employees, down 1.73% from 42,368 at the end of period of 2009. The Group recruits and promotes individuals based on merit and their development potentials. Remuneration package offered to all employees including Directors is determined with reference to their performance and prevailing salary levels in the market. The Group has also adopted share options scheme and granted it to the core management team in 2009. These incentive plans efficiently united the interests of the management, the Company and the shareholders, facilitating the Company's steady, healthy and long term development.

OUTLOOK AND PROSPECTS

In line with our 5-year plan formulated and started in this year, the Group will focus on its store network expansion, improving productivity and operating efficiency, improving customer and supplier relationships and developing new businesses.

The Group will aim to maintain a market leading position in its store network. Network expansion will initially focus in five key regions, namely Greater Beijing, Greater Shanghai, Greater Sichuan, Guangdong and Shandong. The Group can leverage its existing scale and infrastructure in these regions to accelerate penetration of tier two markets, while strengthening its presence in tier one markets. In relation to tier two markets, the Group will introduce various strategies such as improving the supply chain management, reviewing the Group's internal organisational structure, adjusting key performance indicators and developing regional logistics centres to improve operations. In addition, the Group will seek to develop national- and regional-level strategic collaborations with suppliers to tier two markets, and will intensify marketing efforts in these markets. More importantly, new store openings, reflecting ever changing customer demands, will have different formats, such as super flagship stores, specialized stores, community stores and standard stores. The Group intends to construct regional and national distribution centres to accommodate the expanded store network.

The Group will continue to implement the transformation strategy to strengthen the Company's business operation. Including (1) remodelling of existing stores to reflect a store layout shift from traditional brand-oriented to both product- and brand-oriented; widen product offerings, particularly more small home appliances and other high margin products; (2) adjusting the mode of contracts and developing product management and pricing capabilities to facilitate a transfer from a traditional rebate model to a true retail model to lower procurement cost and develop own capabilities in pricing those products; (3) promotion of differentiated products, including products which are manufactured for the Group under outsourcing arrangements, and sold under brands licensed from third parties; (4) the Group will seek to improve operating efficiency by focusing on inventory management to reduce both excess stock and stock outs, optimise sales planning to achieve greater profitability per square metre, and enhance margin through diversified value added after sales services.

The Group will seek to improve vendor and customer relationships. The Company will seek to build a mutually beneficial structure with key suppliers by developing a joint platform for supply chain management. The management expects this to be mutually beneficial for both suppliers and the Company, who will benefit from the margin improvement. To build customer loyalty, the Company will invest and strengthen the Group's brand identity and take a more consumer segment specific approach in providing personalised services. Upgrading the membership programme will also be an important task.

Following continued growth in online retailing, e-commerce will be an investment hotspot and the Group will seek and execute to grow the business in this area. The Group will seek to leverage acquisition opportunities that arise from tier two and tier three market consolidations. The Group will aim to extend further into the value chain and explore potential partnerships with upstream suppliers in order to expand differentiated product offerings and enhance product management expertise.

To implement the Group's development blueprint, the overall management system has been highly upgraded by activating the "ERP Leader Navigator" project. The project aims to continuously strengthen our financial management system, customer service, logistics operation, after-sales service as well as administrative and personnel management. The management believes that ERP project can give great support to the implementation of GOME's 5-year plan.

INTERIM DIVIDED AND DIVIDEND POLICY

The Board does not recommend the payment of interim dividend so as to preserve for funding needs for future development. Currently, the Board anticipate that the dividend payout ratio will be maintained at not more than 30% of the Group's distributable profit of the relevant financial year. However the actual payout ratio in a financial year will be determined at the Board's full discretion, after taking into account, among other considerations, business environment and availability of investment opportunities.

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

On 18 May 2010, the Company had redeemed the Old 2014 Convertible Bonds in the principal amounts of RMB2,625,900,000. The redeemed bonds had been cancelled upon the redemption. As at 30 June 2010, the outstanding principal amount of the Old 2014 Convertible Bonds was RMB149,400,000.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the 6 months period ended 30 June 2010.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the six months ended 30 June 2010.

Directors were provided with complete, adequate and timely information to allow them to fulfill their duties properly. Code provision A.1.3 of the CG Code requires that notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. Notices of the two regular meetings of the Board during the period under review were sent to all Directors in compliance with the said requirement. Agenda accompanying the Board papers relating to the two regular Board meetings during the period under review were sent to all Directors at least 3 days prior to each such meeting in compliance with the CG Code.

Under code provision A.2.1 of the CG Code, the roles of the chairman and chief executive officer of a listed company should be separate and should not be performed by the same individual. As disclosed in the announcements of the Company dated 28 November 2008 and 18 January 2009, as a result of Mr. Wong Kwong Yu's inability to perform his duties as a Director and the Chairman of the Company, the Board appointed Mr. Chen Xiao who was an executive Director and the President of the Company at that time as the Acting Chairman of the Company with effect from 27 November 2008 and subsequently the Chairman of Company with effect from 16 January 2009. As Mr. Chen Xiao, who was the President of the Company until 28 June 2010, has been performing the role and function of the chief executive officer of the Company as well as the Chairman of the Board until 28 June 2010, when Mr. Wang Jun Zhou was appointed as the President of the Group as more particularly described below, it constituted a deviation from code provision A.2.1 of the CG Code during the period from 27 November 2008 to 28 June 2010. Given that Mr. Chen Xiao had been the President of the Group since completion of the Company's acquisition of China Paradise Electronics Retail Limited (which he founded) and has over 20 years of experience in the electrical and electronic retail sector in China, the Board believes that it was then in the best interest of the Group and its shareholders as a whole to have Mr. Chen Xiao to perform the functions and roles as the President and the Chairman of the Company during the interim period to provide stability to the Group and to oversee the operations of the Group in the circumstances.

With the crisis of the Group over, the Board reviewed the effectiveness of the Group's corporate governance structure, including separation of the roles of the Chairman and the President of the Company, and appointed Mr. Wang Jun Zhou as the President of the Company in place of Mr. Chen Xiao with effect from 28 June 2010 in order to satisfy the requirement for separation of roles of the chairman and the chief executive officer of the Company under the CG Code. Since then, the roles and functions of the chairman and the chief executive officer of the Company have been performed by Mr. Chen Xiao and Mr. Wang Jun Zhou respectively in compliance with the CG Code.

During the period under review until 28 June 2010, Mr. Chen Xiao served as the Chairman of the Company, who was primarily responsible for providing leadership to the Board, and also served as the President of the Company and an executive Director, undertaking the duties of the chief executive officer of the Company to oversee the business of the Group and executing decisions of the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules. Upon specific enquiries made by the Company, the Company confirms that all Directors for the period under review have complied with the required standard set out in the Model Code throughout the period under review.

REVIEW BY AUDIT COMMITTEE AND EXTERNAL AUDITORS

The Audit Committee of the Company has reviewed this interim report of the Company, together with the internal control and financial reporting matters of the Group, which includes the unaudited interim consolidated financial statements of the Group for the six months ended 30 June 2010 as reviewed by Ernst & Young, the external auditors.

PUBLICATION INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

This announcement will be published on the Stock Exchange's website and the Company's website (www.gome.com.hk). The 2010 Interim Report will also be published on the Stock Exchange's website and the Company's website and will be despatched to the shareholders of the Company.

APPRECIATION

On behalf of the Board, I wish to thank our shareholders and business partners for their support to the Group and to extend my appreciation to all staff members for their dedication and contribution throughout the period.

By Order of the Board
GOME Electrical Appliances Holding Limited
Chen Xiao
Chairman

Hong Kong, 23 August 2010

As at the date of this announcement, the Board comprises Mr. Chen Xiao, Mr. Ng Kin Wah, Mr. Wang Jun Zhou, Ms. Wei Qiu Li and Mr. Sun Yi Ding as executive directors; Mr. Zhu Jia, Mr. Ian Andrew Reynolds and Ms. Wang Li Hong as non-executive directors; and Mr. Sze Tsai Ping, Michael, Mr. Chan Yuk Sang and Mr. Thomas Joseph Manning as independent non-executive directors.

* *For identification purpose only*