GOME ELECTRICAL APPLIANCES HOLDING LIMITED

國 美 電 器 控 股 有 限 公 司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 493)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2013

2013 FINANCIAL HIGHLIGHTS

- During the reporting period, sales revenue was approximately RMB56,401 million, increased by 10.38% as compared to the previous year
- Consolidated gross profit margin increased from 16.66% for the previous year to 18.36%
- Profit attributable to owners of the parent company was approximately RMB892 million, increased significantly by 222.53%
- Basic earnings per share were RMB5.3 fen
- The Board proposed a final dividend of HK$1.3 cents and a special dividend (in the form of cash and/or shares at the choice of shareholders) of HK$2.0 cents per ordinary share

The board of directors (the "Board") of GOME Electrical Appliances Holding Limited (the "Company") announces the audited results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2013

	Notes	**2013** ***RMB'000***	2012 *RMB'000* (Restated)
REVENUE	*5*	**56,400,662**	51,097,100
Cost of sales	*6*	**(47,898,540)**	(44,276,489)
Gross profit		**8,502,122**	6,820,611
Other income and gains	*5*	**1,851,971**	1,692,140
Selling and distribution expenses		**(7,152,640)**	(7,381,270)
Administrative expenses		**(1,564,270)**	(1,490,108)
Other expenses		**(622,664)**	(453,173)
Profit/(loss) from operating activities		**1,014,519**	(811,800)
Finance costs	*7*	**(60,569)**	(227,708)
Finance income	*7*	**240,725**	246,054
Share of profit of an associate		**–**	428
Gains on redemption of convertible bonds		**–**	34,011
PROFIT/(LOSS) BEFORE TAX	*6*	**1,194,675**	(759,015)
Income tax expense	*8*	**(517,230)**	(182,860)
PROFIT/(LOSS) FOR THE YEAR		**677,445**	(941,875)
Attributable to:			
Owners of the parent company		**892,475**	(728,498)
Non-controlling interests		**(215,030)**	(213,377)
		677,445	(941,875)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT COMPANY	*9*		
– Basic		**RMB5.3 fen**	(RMB4.3 fen)
– Diluted		**RMB5.3 fen**	(RMB4.4 fen)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000 (Restated)
PROFIT/(LOSS) FOR THE YEAR		**677,445**	(941,875)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of other investments	*11*	**10,800**	(21,600)
Exchange differences on translation of foreign operations		**60,487**	9,746
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		**71,287**	(11,854)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**71,287**	(11,854)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**748,732**	(953,729)
Attributable to:			
Owners of the parent company		**963,762**	(740,352)
Non-controlling interests		**(215,030)**	(213,377)
		748,732	(953,729)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2013

	Notes	**31 December 2013** *RMB'000*	31 December 2012 *RMB'000* (Restated)	1 January 2012 *RMB'000* (Restated)
NON-CURRENT ASSETS				
Property and equipment		**4,094,770**	4,379,447	3,932,476
Investment properties		**948,805**	918,472	915,226
Goodwill		**7,145,117**	7,160,907	7,160,907
Other intangible assets		**289,239**	312,677	336,115
Investment in an associate		**–**	–	39,973
Other investments	*11*	**135,000**	124,200	145,800
Lease prepayments and deposits		**314,977**	356,618	561,883
Deferred tax assets		**50,588**	136,852	66,663
Total non-current assets		**12,978,496**	13,389,173	13,159,043
CURRENT ASSETS				
Inventories		**8,220,734**	7,779,164	10,168,905
Trade and bills receivables	*12*	**245,492**	203,070	291,750
Prepayments, deposits and other receivables		**2,333,481**	2,842,781	3,788,976
Due from related companies		**123,174**	190,942	169,390
Pledged deposits		**6,406,795**	6,240,244	4,753,589
Cash and cash equivalents		**9,015,813**	7,067,349	6,413,839
Total current assets		**26,345,489**	24,323,550	25,586,449
CURRENT LIABILITIES				
Interest-bearing bank loans		**2,683,171**	2,434,374	–
Trade and bills payables	*13*	**18,077,489**	18,016,746	18,330,524
Customers' deposits, other payables and accruals		**2,046,809**	1,722,010	1,628,698
Due to related companies		**464,142**	234,695	–
Convertible bonds		**–**	–	2,111,610
Tax payable		**562,620**	459,760	552,188
Total current liabilities		**23,834,231**	22,867,585	22,623,020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
31 December 2013

	Note	**31 December 2013** *RMB'000*	31 December 2012 *RMB'000* (Restated)	1 January 2012 *RMB'000* (Restated)
NET CURRENT ASSETS		**2,511,258**	1,455,965	2,963,429
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,489,754**	14,845,138	16,122,472
NON-CURRENT LIABILITIES				
Deferred tax liabilities		**172,296**	170,603	157,025
Derivative liability related to a cross currency swap		**–**	4,953	–
Total non-current liabilities		**172,296**	175,556	157,025
Net assets		**15,317,458**	14,669,582	15,965,447
EQUITY				
Equity attributable to owners of the parent company				
Issued capital		**421,551**	421,551	421,521
Reserves		**15,064,311**	14,642,797	15,574,395
Proposed dividends	*10*	**441,392**	–	–
		15,927,254	15,064,348	15,995,916
Non-controlling interests		**(609,796)**	(394,766)	(30,469)
Total equity		**15,317,458**	14,669,582	15,965,447

Notes:

1. CORPORATE INFORMATION

GOME Electrical Appliances Holding Limited 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 Group are the operation 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

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, other investments which are classified as available-for-sale financial assets and a derivative liability related to a cross currency swap, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Government loans*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of interests in other Entities*
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 – *Transition Guidance*
IFRS 13	*Fair Value Measurement*
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statement – Presentation of Items of Other Comprehensive income*
IAS 19 (2011)	*Employee Benefits*
IAS 27 (2011)	*Separate Financial Statements*
IAS 28 (2011)	*Investments in Associates and Joint Ventures*
IFRIC-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of IFRSs Issued in June 2012

Other than as further explained below regarding the impact of IFRS 10, IFRS 11, IFRS 12, IFRS 13, IAS 19 (2011), amendments to IAS 1 and certain amendments included in Annual Improvements 2009-2011 Cycle the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The principal effects of adopting these new and revised IFRSs are as follows:

(a) IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in SIC – Int 12 *Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in IFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by IFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

As a result of the application of IFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

The application of IFRS 10 has affected the accounting for the Group's contractual arrangement with Beijing Zhansheng Investment Co., Ltd. ("Beijing Zhansheng", the legal owner of Dazhong Appliances). Having considered the power of the Group over Beijing Dazhong Home Appliances Retail Co., Ltd. ("Dazhong Appliances") and the Group's exposure to the variability of returns of Dazhong Appliances through a management agreement, a loan agreement and an option agreement, entered into between the Group and Beijing Zhansheng, the Group has determined that the contractual rights held by the Group via the foregoing agreements would be sufficient to give the Group control over Dazhong Appliances under IFRS 10 since the date of initial contractual arrangement.

Upon the adoption of IFRS 10 on 1 January 2013, retrospective adjustments have been made to the previous accounting and Dazhong Appliances has been accounted for as a 100%-owned subsidiary of the Group and consolidated since 18 December 2007, which include the adjustments to the recognition and measurement of the identifiable assets acquired and the liabilities assumed in Dazhong Appliances at the date when the initial contractual arrangement became effective, and subsequently Dazhong Appliances were treated as a subsidiary of the Group and consolidated as if IFRS 10 had always been effective. The opening balances as at 1 January 2012 and comparative information for the year ended 31 December 2012 have been restated in the consolidated financial statements. The quantitative impact on the financial statements is summarised below:

3. **CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)**

(a) (Continued)

Restated consolidated statement of profit or loss for the year ended 31 December 2012

	As previously reported *RMB'000*	**Effect of prior year adjustments** *RMB'000*	**As restated** *RMB'000*
REVENUE	47,867,260	3,229,840	51,097,100
Cost of sales	(41,664,469)	(2,612,020)	(44,276,489)
Gross profit	6,202,791	617,820	6,820,611
Other income and gains	1,541,381	150,759	1,692,140
Selling and distribution expenses	(6,803,916)	(577,354)	(7,381,270)
Administrative expenses	(1,423,057)	(67,051)	(1,490,108)
Other expenses	(418,717)	(34,456)	(453,173)
Loss from operating activities	(901,518)	89,718	(811,800)
Finance costs	(227,708)	–	(227,708)
Finance income	441,221	(195,167)	246,054
Share of profit of an associate	–	428	428
Gains on redemption of convertible bonds	34,011	–	34,011
LOSS BEFORE TAX	(653,994)	(105,021)	(759,015)
Income tax expense	(155,997)	(26,863)	(182,860)
LOSS FOR THE YEAR	(809,991)	(131,884)	(941,875)
Attributable to:			
Owners of the parent company	(596,614)	(131,884)	(728,498)
Non-controlling interests	(213,377)	–	(213,377)
	(809,991)	(131,884)	(941,875)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT COMPANY			
– Basic	(RMB3.5 fen)		(RMB4.3 fen)
– Diluted	(RMB3.6 fen)		(RMB4.4 fen)

3. **CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)**

(a) (Continued)

Restated consolidated statement of comprehensive income for the year ended 31 December 2012

	As previously reported *RMB'000*	**Effect of prior year adjustments** *RMB'000*	**As restated** *RMB'000*
LOSS FOR THE YEAR	(809,991)	(131,884)	(941,875)
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of other investments	(21,600)	–	(21,600)
Exchange differences on translation of foreign operations	9,746	–	9,746
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	(11,854)	–	(11,854)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	(11,854)	–	(11,854)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	(821,845)	(131,884)	(953,729)
Attributable to:			
Owners of the parent company	(608,468)	(131,884)	(740,352)
Non-controlling interests	(213,377)	–	(213,377)
	(821,845)	(131,884)	(953,729)

3. **CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)**

(a) (Continued)

Restated consolidated statement of financial position as at 31 December 2012

	As previously reported *RMB'000*	**Effect of prior year adjustments** *RMB'000*	**As restated** *RMB'000*
NON-CURRENT ASSETS			
Property and equipment	4,163,569	215,878	4,379,447
Investment properties	918,472	–	918,472
Goodwill	4,030,771	3,130,136	7,160,907
Other intangible assets	99,438	213,239	312,677
Other investments	124,200	–	124,200
Lease prepayments and deposits	330,953	25,665	356,618
Deferred tax assets	136,852	–	136,852
Designated loan	3,600,000	(3,600,000)	–
Total non-current assets	13,404,255	(15,082)	13,389,173
CURRENT ASSETS			
Inventories	7,385,352	393,812	7,779,164
Trade and bills receivables	194,746	8,324	203,070
Prepayments, deposits and other receivables	2,542,750	300,031	2,842,781
Due from related companies	101,539	89,403	190,942
Pledged deposits	6,019,027	221,217	6,240,244
Cash and cash equivalents	6,730,960	336,389	7,067,349
Total current assets	22,974,374	1,349,176	24,323,550
CURRENT LIABILITIES			
Interest-bearing bank loans	2,434,374	–	2,434,374
Trade and bills payables	16,971,671	1,045,075	18,016,746
Customers' deposits, other payables and accruals	1,631,309	90,701	1,722,010
Due to related companies	112,480	122,215	234,695
Tax payable	374,266	85,494	459,760
Total current liabilities	21,524,100	1,343,485	22,867,585

3. **CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)**

(a) (Continued)

Restated consolidated statement of financial position as at 31 December 2012 (Continued)

	As previously reported *RMB'000*	**Effect of prior year adjustments** *RMB'000*	**As restated** *RMB'000*
NET CURRENT ASSETS	1,450,274	5,691	1,455,965
TOTAL ASSETS LESS CURRENT LIABILITIES	14,854,529	(9,391)	14,845,138
NON-CURRENT LIABILITIES			
Deferred tax liabilities	95,263	75,340	170,603
Derivative liability related to a cross currency swap	4,953	–	4,953
Total non-current liabilities	100,216	75,340	175,556
Net assets	14,754,313	(84,731)	14,669,582
EQUITY			
Equity attributable to owners of the parent company			
Issued capital	421,551	–	421,551
Reserves	14,727,528	(84,731)	14,642,797
	15,149,079	(84,731)	15,064,348
Non-controlling interests	(394,766)	–	(394,766)
Total equity	14,754,313	(84,731)	14,669,582

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (Continued)

Restated consolidated statement of financial position as at 1 January 2012

	As previously reported *RMB'000*	Effect of prior year adjustments *RMB'000*	As restated *RMB'000*
NON-CURRENT ASSETS			
Property and equipment	3,874,370	58,106	3,932,476
Investment properties	915,226	–	915,226
Goodwill	4,030,771	3,130,136	7,160,907
Other intangible assets	108,660	227,455	336,115
Investment in an associate	–	39,973	39,973
Other investments	145,800	–	145,800
Lease prepayments and deposits	401,994	159,889	561,883
Deferred tax assets	66,663	–	66,663
Designated loan	3,600,000	(3,600,000)	–
Total non-current assets	13,143,484	15,559	13,159,043
CURRENT ASSETS			
Inventories	9,625,044	543,861	10,168,905
Trade and bills receivables	199,598	92,152	291,750
Prepayments, deposits and other receivables	3,729,456	59,520	3,788,976
Due from related companies	169,390	–	169,390
Pledged deposits	4,388,998	364,591	4,753,589
Cash and cash equivalents	5,971,498	442,341	6,413,839
Total current assets	24,083,984	1,502,465	25,586,449

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (Continued)

Restated consolidated statement of financial position as at 1 January 2012 (Continued)

	As previously reported *RMB'000*	**Effect of prior year adjustments** *RMB'000*	**As restated** *RMB'000*
CURRENT LIABILITIES			
Trade and bills payables	17,140,383	1,190,141	18,330,524
Customers' deposits, other payables and accruals	1,523,315	105,383	1,628,698
Convertible bonds	2,111,610	–	2,111,610
Tax payable	440,905	111,283	552,188
Total current liabilities	21,216,213	1,406,807	22,623,020
NET CURRENT ASSETS	2,867,771	95,658	2,963,429
TOTAL ASSETS LESS CURRENT LIABILITIES	16,011,255	111,217	16,122,472
NON-CURRENT LIABILITIES			
Deferred tax liabilities	92,961	64,064	157,025
Total non-current liabilities	92,961	64,064	157,025
Net assets	15,918,294	47,153	15,965,447
EQUITY			
Equity attributable to owners of the parent company			
Issued capital	421,521	–	421,521
Reserves	15,527,242	47,153	15,574,395
	15,948,763	47,153	15,995,916
Non-controlling interests	(30,469)	–	(30,469)
Total equity	15,918,294	47,153	15,965,447

3. **CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)**

(b) IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

(c) IFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in IAS 27 *Consolidated and Separate Financial Statements*, IAS 31 *Interests in Joint Ventures* and IAS 28 *Investments in Associates.* It also introduces a number of new disclosure requirements for these entities.

(d) IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs. IFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in IFRS 13, the policies for measuring fair value have been amended.

(e) The IAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

(f) IAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. As the Group does not have any defined benefit plan or employee termination plan and the Group does not have any significant employee benefits that are expected to be settled for more than twelve months after the reporting period, the adoption of the revised standard has had no effect on the financial position or performance of the Group.

(g) Annual Improvements 2009-2011 Cycle issued in June 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- IAS 1 *Presentation of Financial Statements:* Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

3. **CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)**

(g) (Continued)

- IAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirement in IAS 12 to any income tax arising from distributions to equity holders.

4. **OPERATING 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 operation 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 the Group's operating segment for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that bank interest income, unallocated income, gains on redemption of convertible bonds, gain on settlement of/fair value loss on a cross currency swap, finance costs and corporate and other unallocated expenses are excluded from this measurement.

Segment assets exclude other investments, deferred tax assets, pledged deposits and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank loans, tax payable, deferred tax liabilities and a derivative liability related to a cross currency swap as these liabilities are managed on a group basis.

	2013 ***RMB'000***	2012 *RMB'000* (Restated)
Segment revenue		
Sales to external customers	**56,400,662**	51,097,100
Segment results	**1,014,292**	(791,400)
Reconciliation:		
Bank interest income	**240,725**	245,068
Unallocated income	**37,906**	32,984
Gains on redemption of convertible bonds	**–**	34,011
Gain on settlement of/(fair value loss on) a cross currency swap	**11,002**	(4,953)
Finance costs	**(60,569)**	(227,708)
Corporate and other unallocated expenses	**(48,681)**	(47,017)
Profit/(loss) before tax	**1,194,675**	(759,015)

4. OPERATING SEGMENT INFORMATION (Continued)

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Segment assets	**23,715,789**	24,144,078
Reconciliation:		
Corporate and other unallocated assets	**15,608,196**	13,568,645
Total assets	**39,323,985**	37,712,723
Segment liabilities	**20,588,440**	19,973,451
Reconciliation:		
Corporate and other unallocated liabilities	**3,418,087**	3,069,690
Total liabilities	**24,006,527**	23,043,141
Other segment information		
Depreciation and amortization	**576,141**	493,982
Capital expenditure*	**429,827**	811,617

* Capital expenditure consists of additions to property and equipment.

Geographical information

(a) Revenue from external customers

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Mainland China	**56,400,662**	51,097,100

The revenue information above is based on the location of the customers.

(b) Non-current assets

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Mainland China	**12,768,409**	13,102,558
Hong Kong	**24,499**	25,563
	12,792,908	13,128,121

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets and other investments.

5. REVENUE, OTHER INCOME AND GAINS

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 gains is as follows:

	Notes	**2013** **RMB'000**	2012 RMB'000 (Restated)
Revenue			
Sale of electrical appliances and consumer electronic products		**56,400,662**	51,097,100
Other income			
Income from suppliers, net		**496,695**	552,182
Management and purchasing service fees from the Non-listed GOME Group	*(i)*	**250,000**	250,000
Income from air-conditioner installation		**107,279**	95,564
Gross rental income		**282,691**	236,623
Government grants	*(ii)*	**143,744**	221,227
Other service fee income		**137,701**	85,939
Income from compensation		**48,892**	14,316
Other income from telecommunication service providers		**193,169**	86,818
Others		**112,559**	53,977
		1,772,730	1,596,646
Gains			
Fair value gain on investment properties		**30,333**	29,739
Foreign exchange difference, net		**37,906**	21,051
Gain on bargain purchase of an associate upon step acquisition		**–**	31,139
Gain on settlement of a cross currency swap		**11,002**	–
Fair value gain on revaluation of equity interest in an associate upon step acquisition		**–**	13,565
		79,241	95,494
		1,851,971	1,692,140

Notes:

(i) 北京鵬潤投資有限公司, 北京鵬潤地產控股有限公司, 北京國美電器有限公司, 國美電器零售有限公司 and their respective subsidiaries of the forgoing companies and 北京國美投資有限公司 are collectively referred to as the "Non-listed GOME Group". 國美電器零售有限公司 and its subsidiaries are engaged in the retail sale 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 and the former chairman of the Company.

(ii) Various local government grants were received to reward the Group's contributions to the local economy. There was no unfulfilled condition or contingency attaching to these government grants.

6. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2013 RMB'000	2012 RMB'000 (Restated)
Cost of inventories sold		**47,898,540**	44,276,489
Depreciation		**552,703**	470,544
Amortisation of intangible assets	*(i)*	**23,438**	23,438
Loss on disposal of items of property and equipment		**53,785**	6,683
Minimum lease payments under operating leases in respect of land and buildings		**3,171,486**	3,369,346
Impairment of goodwill		**15,790**	–
Gross rental income	*5*	**(282,691)**	(236,623)
Fair value gain on investment properties	*5*	**(30,333)**	(29,739)
Gains on redemption of convertible bonds		**–**	(34,011)
(Gain on settlement of)/fair value loss on a cross currency swap		**(11,002)**	4,953
Foreign exchange differences, net		**(37,906)**	(21,051)
Auditors' remuneration			
– audit services		**7,437**	6,387
– non-audit services		**611**	1,014
Staff costs excluding directors' and chief executive's remuneration:			
Wages, salaries and bonuses		**1,990,954**	1,948,843
Pension scheme contributions*		**418,136**	448,801
Social welfare and other costs		**38,186**	38,712
Equity-settled share option expense		**(5,867)**	(515)
		2,441,409	2,435,841

Note:

(i) The amortisation of intangible assets for the year is included in "Administrative expenses" in the consolidated statement of profit or loss.

* At 31 December 2013, the Group had no forfeited contribution available to reduce its contributions to the pension schemes in future years (2012: Nil).

7. FINANCE (COSTS)/INCOME

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

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Finance costs:		
Interest on bank loans wholly repayable within five years	**(60,569)**	(43,131)
Interest expenses on convertible bonds	**–**	(184,577)
	(60,569)	(227,708)
Finance income:		
Bank interest income	**240,725**	245,068
Other interest income	**–**	986
	240,725	246,054

8. INCOME TAX EXPENSE

An analysis of the provision for tax in the financial statements is as follows:

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Current income tax – PRC	**429,273**	254,393
Deferred income tax	**87,957**	(71,533)
Total tax charge for the year	**517,230**	182,860

The Group is subject to income tax on an entity basis on the 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 the 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 treatments available to the Group, the PRC subsidiaries of the Group are subject to income tax at a rate of 25% (2012: 25%) on their respective taxable income. During the year, 22 entities (2012: 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.

The Group realised tax benefits during the year through applying the preferential corporate income tax rates and the corporate income tax exemptions. These preferential tax treatments were available to the Group pursuant to the enacted PRC tax rules and regulations and are subject to assessment by the relevant PRC tax authorities.

No provision for Hong Kong profits tax has been made for the years ended 31 December 2013 and 2012, as the Group had no assessable profits arising in Hong Kong for the respective years.

8. INCOME TAX EXPENSE (Continued)

A reconciliation of the tax expense applicable to profit or loss before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the Group's effective tax rate, is as follows:

			2013		
	Hong Kong		**PRC**		**Total**
	RMB'000	*%*	***RMB'000***	*%*	***RMB'000***
(Loss)/profit before tax	**(54,056)**		**1,248,731**		**1,194,675**
Income tax at the statutory tax rate	**(8,919)**	**16.5**	**312,183**	**25.0**	**303,264**
Tax effect of preferential tax rates	**–**		**(54,387)**		**(54,387)**
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**–**		**100,968**		**100,968**
Income not subject to tax	**(6,809)**		**(28,479)**		**(35,288)**
Expense not deductible for tax	**13,537**		**82,083**		**95,620**
Tax losses utilised from previous years	**–**		**(111,320)**		**(111,320)**
Tax losses not recognized	**2,191**		**216,182**		**218,373**
Tax charge at the Group's effective rate	**–**		**517,230**		**517,230**

			2012		
	Hong Kong		PRC		Total
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*
			(Restated)		(Restated)
Loss before tax	(202,769)		(556,246)		(759,015)
Income tax at the statutory tax rate	(33,457)	16.5	(139,061)	25.0	(172,518)
Tax effect of preferential tax rates	–		(33,304)		(33,304)
Income not subject to tax	(12,550)		(6,932)		(19,482)
Expense not deductible for tax	42,411		56,956		99,367
Tax losses utilised from previous years	–		(20,988)		(20,988)
Tax losses not recognised	3,596		326,189		329,785
Tax charge at the Group's effective rate	–		182,860		182,860

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. At 31 December 2013, no deferred tax liabilities have been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC (2012: Nil). In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT COMPANY

The calculation of the basic earnings or loss per share is based on the profit or loss for the year attributable to ordinary equity holders of the parent company, and the weighted average number of ordinary shares of 16,875,056,000 (2012: 16,874,829,000) in issue during the year.

The calculation of the diluted earnings or loss per share is based on the profit or loss for the year attributable to ordinary equity holders of the parent company. The weighted average number of ordinary shares used in the calculation of diluted earnings or loss per share is the weighted average number of ordinary shares in issue during the year, as used in the basic earnings or loss 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 dilutive potential ordinary shares into ordinary shares.

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

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Earnings or loss		
Profit/(loss) attributable to ordinary equity holders of the parent company used in the basic earnings/(loss) per share calculation	**892,475**	(728,498)
Interest on convertible bonds	**–**	3,417
Gain on redemption of convertible bonds	**–**	(15,998)
Profit/(loss) attributable to ordinary equity holders of the parent company as adjusted for the effect of dilution	**892,475**	(741,079)

	Number of shares	
	2013	2012
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings or loss per share calculation	**16,875,056**	16,874,829
Effect of dilution – weighted average number of ordinary shares:		
Convertible bonds	**–**	14,822
	16,875,056	16,889,651

10. DIVIDENDS

	2013 *RMB'000*	2012 *RMB'000*
Interim: Cash dividend of HK$0.7 cents (equivalent to RMB0.56 fen) per ordinary share (2012: Nil) per ordinary share	**94,093**	–
Proposed final: Cash dividend of HK$1.3 cents (equivalent to RMB1.0 fen) (2012: Nil) per ordinary share	**173,649**	–
Proposed special: Scrip dividend of HK$337,501,000 (equivalent to RMB267,743,000) (*Note*)	**267,743**	
	535,485	–

The proposed final dividend is subject to the approval from the Company's shareholders at the forthcoming annual general meeting.

Note:

On 20 March 2014, the board of director recommended the payment of a dividend which is payable in cash with a scrip dividend option.

The Company's shareholders may elect to receive the dividend in one of the following ways:

(i) a cash dividend of HK$2.0 cents per share; or

(ii) an allotment of such number of new shares of the Company of HK$0.025 each credited as fully paid and having an aggregate market value equal to, save for adjustment for fractions, the total amount of dividend which the shareholders could elect to receive in cash (the "Maximum Entitlement"); or

(iii) partly new shares not exceeding the Maximum Entitlement and the remainder in cash.

11. OTHER INVESTMENTS

	2013 *RMB'000*	2012 *RMB'000*
PRC equity investments, at fair value	**135,000**	124,200

The balance as at 31 December 2013 represented the fair value of the Group's investments in 27,000,000 shares, representing approximately 10.7% of the outstanding issued shares of 三聯商社股份有限公司 ("Sanlian Commercial Co., Ltd." or "Sanlian"). Sanlian is a company established in the PRC and listed on the Shanghai Stock Exchange. The Group classified these investments as available-for-sale financial assets at 31 December 2013 and 2012. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of profit or loss.

Of the seven directors of Sanlian, three were nominated by the Group. With reference to Sanlian's memorandum and articles of association and by taking into account the current shareholding structure of Sanlian, the directors of the Company consider that the Group has no absolute right to determine the composition of the board of directors of Sanlian or appoint directors to it and thus the Group does not have control or significant influence over Sanlian.

11. OTHER INVESTMENTS (Continued)

As at 31 December 2013, the fair value of these investments was based on the quoted market price of the listed shares, which was RMB5.0 per share (31 December 2012: RMB4.6 per share).

During the year, the gain in respect of the Group's other investments recognised in other comprehensive income amounted to RMB10,800,000 (2012: loss of RMB21,600,000). The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

During the year ended 31 December 2013, the Group sold electrical appliances and consumer electronic products to Sanlian amounting to RMB nil (2012: RMB1,164,000).

12. 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 term offered to customers is 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:

Group

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Outstanding balances, aged:		
Within 3 months	**208,500**	148,355
3 to 6 months	**25,099**	51,790
6 months to 1 year	**11,893**	2,925
	245,492	203,070

The aged analysis of trade and bills receivables that are not considered to be impaired is as follows:

Group

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Neither past due nor impaired	**104,250**	172,166
Less than 3 months past due	**116,800**	23,484
Over 3 months past due	**24,442**	7,420
	245,492	203,070

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to mainly corporate customers which have long business relationship with the Group. The directors are of the opinion that no provision for impairment is necessary at this stage because there has not been a significant change in credit quality of the individual debtors and the balances are considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The balances are unsecured and non-interest-bearing.

13. TRADE AND BILLS PAYABLES

Group

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Trade payables	**5,992,325**	6,629,959
Bills payable	**12,085,164**	11,386,787
	18,077,489	18,016,746

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:

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Within 3 months	**11,908,864**	11,676,810
3 to 6 months	**5,565,819**	6,130,024
Over 6 months	**602,806**	209,912
	18,077,489	18,016,746

The Group's bills payable is secured by:

(i) the pledge of the Group's time deposits;

(ii) the pledge of certain of the Group's inventories;

(iii) the pledge of certain of the Group's buildings; and

(iv) the pledge of certain of the Group's investment properties.

The trade and bills payables are non-interest-bearing and are normally settled on terms of one to six months.

14. EVENTS AFTER THE REPORTING PERIOD

On 20 March 2014, the board of director recommended a final dividend and a special dividend (of which shareholders being given an option to elect to receive such special dividend all in new shares or partly in new shares and partly in cash). The final dividend is subject to the approval from the Company's shareholders at the forthcoming annual general meeting.

Reference is made to the Company's announcement dated 11 March 2014. On 17 March 2014, the Board received a requisition letter from Shinning Crown Holdings Inc., and Shine Group Limited (being the shareholders of the Company holding more than 10% of the issued share capital of the Company) requesting the Board to convene a special general meeting of the shareholders for the purposes of considering and voting on the proposed resolution that (1) certain share repurchases conducted by the Company between 22 January 2008 and 5 February 2008 ("Share Repurchases") and (2) certain breaches of directors' duties by Mr. Wong Kwong Yu and Ms. Du Juan in connection with the Share Repurchases be approved, confirmed and ratified and (3) the payment of HK$420,608,765.75 in aggregate by Mr. Wong Kwong Yu and Ms. Du Juan to the Company as compensation in order for Mr. Wong Kwong Yu, Ms. Du Juan, Shinning Crown Holdings Inc. and Shine Group Limited and any other persons to be released from all liability and claims arising from the Share Repurchases be approved and confirmed.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the 2013 reporting period, GOME Electrical Appliances Holding Limited (the "Company") and its subsidiaries (collectively known as the "Group" or "GOME") spared no effort in implementing its corporate strategic plan for 2013 to 2015. The Company followed its core strategy aimed at satisfying consumer needs and meeting customer demands, with a focus on an all-win principle, to promote the integration of its online and offline businesses. Various performance indicators of the Group showed continuous improvement by following the strategic plan throughout the year.

In 2013, adhered to the consumer-oriented multi-channel retailer development strategy, the Group continuing to evolve from the operational model which focused on the management of different outlets, suppliers and physical stores, to a new model focused on management by products, customers and multi sales channels.

As for its physical stores, the Group focused on customer experience and upgraded a number of super flagship stores. Several stores have started providing Wi-Fi service to allow customers to make price comparisons through the internet in the stores, thereby encouraging them to make the purchase on site. As for procurement, the Group fully utilized the scale advantage of its strong procurement capability to provide high-quality support to its online and offline sales platforms. Meanwhile, in response to the market trend, the Group raised the proportion of differentiated items in its product mix, in particular raising the proportion of high and low-end products procured. For logistics, the Group has developed regional distribution centers gradually to expand the geographical coverage of its delivery services and boost customer satisfaction.

The above measures are also reflected in the Company's financial data. During the reporting period, the Group recorded sales revenue of approximately RMB56,401 million, up 10.38% compared with RMB51,097 million in the corresponding period last year. The performance of physical stores has further improved with the sales revenue from comparable stores growing at 13.69%. The Group's consolidated gross profit margin remained at a relative high level of 18.36%.

Meanwhile, the Group also tightened its control over operating expenses, in particular rental and staff costs which were maintained at a level below the industry average. Operating expenses as a percentage of sales revenue fell from 18.25% in the corresponding period last year to 16.56% this year. Due to the increase in sales revenue and consolidated gross profit margin and effective control in its operating expenses, the Group's profit attributable to the owners of the parent company surged, and has improved significantly from a loss of RMB728 million in the previous year to a profit of approximately RMB892 million for 2013.

With the improvements in its performance and decrease in inventory turnover days, the Group's cash generated from operating activities was approximately RMB1,995 million. Cash and cash equivalents were approximately RMB9,016 million as at 31 December 2013, up by 27.58% compared with RMB7,067 million in the previous year. In view of this, the board of directors of the Company (the "Board") recommended that (1) to declare a 2013 special dividend of HK$2.0 cents (equivalent to RMB1.6 fen per ordinary share); (2) to declare a final dividend of HK$1.3 cents (equivalent to RMB1.0 fen per ordinary share) in accordance with existing dividend policy of the Company ; (3) to increase the dividend payout ratio from not more than 30% to 40% of the Group's distributable profit starting from 2014, in order to share the Group's operational achievements with the shareholders.

FINANCIAL REVIEW

The Group has adopted International Financial Reporting Standards 10 Consolidated Financial Statements with effect from 1 January 2013 to consolidate the financial statements of Beijing Dazhong Home Appliances Retail Co., Ltd ("Dazhong Appliances"). The comparative figures for the corresponding period of last year have been restated as if the consolidation was done since the date of initial contractual arrangement with Dazhong Appliances.

Revenue

During the reporting period, the Group's revenue was approximately RMB56,401 million, up 10.38% from RMB51,097 million in 2012. The Group's weighted average sales area was approximately 3,626,000 sq.m. and the revenue per sq.m. was approximately RMB15,555, up 20.64% as compared to RMB12,894 in the corresponding period of 2012.

During the reporting period, aggregate sales of 897 comparable stores recorded a revenue of approximately RMB47,780 million, up 13.69% from RMB42,027 million in the corresponding period of 2012. Sales revenue from the four regions of Beijing, Shanghai, Guangzhou and Shenzhen accounted for approximately 44% of the total revenue, down 3 percentage points from 47% in the corresponding period last year, while proportion of revenue from the second-tier cities increased.

Cost of sales and gross profit

Cost of sales of the Group was approximately RMB47,899 million in the reporting period, accounted for 84.93% of the total revenue, lower than the proportion of 86.65% in the corresponding period of 2012. Gross profit was approximately RMB8,502 million, up 24.64% from RMB6,821 million in the previous year. The gross profit margin was 15.07%, increased by 1.72 percentage points as compared to 13.35% in the previous year. The overall increase in the gross profit margin was driven by the optimization of the product mix and increase in the sales of high-margin products by the Group during the year.

Other income and gains

During the reporting period, the Group recorded other income and gains of approximately RMB1,852 million, representing an increase of 9.46% over that of RMB1,692 million in 2012. The percentage of income from suppliers over sales revenue was 0.88%, lower by 1.08% from the previous year, which was mainly due to income directly recorded in the sales revenue as a result of changing contract terms between the Group and the suppliers.

Summary of other income and gains:

	2013	2012 Restated
As a percentage of sales revenue:		
Income from suppliers, net	**0.88%**	1.08%
Management and purchasing service fees from the Non-listed GOME Group	**0.44%**	0.49%
Income from air-conditioner installation	**0.19%**	0.19%
Gross rental income	**0.50%**	0.46%
Government grants	**0.26%**	0.43%
Others	**1.01%**	0.66%
Total	**3.28%**	3.31%

Consolidated gross profit margin

During the reporting period, benefited from the differentiated product operation and increase in sales of high-margin products, the Group's consolidated gross profit margin was 18.36%, improved by 1.70 percentage points as compared to 16.66% for the corresponding period last year.

Operating expenses

During the reporting period, the Group's total operating expenses (including selling and distribution expenses, administrative expenses and other expenses) were approximately RMB9,340 million, accounted for 16.56% of total sales revenue, down 1.69 percentage points as compared to 18.25% in the corresponding period of 2012, which was mainly due to tightening control in the Group's expenses, in particular the rental expenses and the staff costs.

Summary of operating expenses:

	2013	2012 Restated
As a percentage of sales revenue:		
Selling and distribution expenses	**12.68%**	14.45%
Administrative expenses	**2.77%**	2.92%
Other expenses	**1.11%**	0.88%
Total	**16.56%**	18.25%

Selling and distribution expenses

During the reporting period, the Group's total selling and distribution expenses decreased from RMB7,381 million to approximately RMB7,153 million, down 3.09%. The percentage over revenue was 12.68%, down 1.77 percentage points as compared to 14.45% in the corresponding period of 2012. To control the rental expenses and the staff cost effectively, the Group has been putting more focuses on optimizing the floor area of the stores and applying optimized workforce to the stores.

Administrative expenses

With the continuous expansion of the Group's scale of operations and the need to support its enhanced management, administrative expenses increased. During the reporting period, the Group's administrative expenses were approximately RMB1,564 million, more than that of RMB1,490 million in the corresponding period of 2012 by 4.97%. The percentage over revenue was 2.77%, decreased by 0.15 percentage points as compared to 2.92% in the corresponding period of 2012. The Group has always been strengthening its control over administrative expenses in order to maintain its administrative expenses to revenue ratio at a relatively low level in the industry.

Other expenses

Other expenses of the Group mainly comprised, among others, business tax and bank charges, which increased from RMB453 million in 2012 to approximately RMB623 million during the reporting period. The percentage over sales revenue was 1.11%, a slight increase as compared to 0.88% in 2012.

Profit/loss from operating activities

During the reporting period, as a result of the increase in revenue and gross profit, while maintaining operating expenses at a reasonable level where the percentage of expenses over revenue reduced, the Group's profit from operating activities increased significantly by 225% from a loss of RMB812 million in 2012 to a profit of approximately RMB1,015 million.

Net finance income

During the reporting period, finance costs were reduced as a result of a decrease in the interest expenses on the convertible bonds. Therefore, the Group's net finance income increased from RMB18 million in the corresponding period of last year to approximately RMB180 million.

Profit/loss before tax

During the reporting period, the Group's profit before tax was approximately RMB1,195 million, substantially increased as compared with a loss of RMB759 million in 2012.

Income tax expense

During the reporting period, the Group's income tax expense increased from RMB183 million in 2012 to approximately RMB517 million, of which approximately RMB101 million was the 10% withholding tax accrued to the dividend distribution from the PRC subsidiaries to their overseas holding companies. The management considers the tax rate applied to the Group for the reporting period is reasonable.

Net profit/loss and earnings/loss per share

During the reporting period, the profit attributable to the parent of the Company substantially increased by 222.53% from a loss of RMB728 million last year to a profit of approximately RMB892 million. Basic earnings per share were RMB5.3 fen, as compared with basic loss per share of RMB4.3 fen for the corresponding period last year.

Cash and cash equivalents

As at the end of the reporting period, cash and cash equivalents held by the Group were approximately RMB9,016 million, increased by 27.58% as compared with RMB7,067 million as at the end of 2012.

Inventories

As at the end of the reporting period, the Group's inventories amounted to approximately RMB8,221 million, up 5.68% as compared to RMB7,779 million in 2012. Benefited from the optimized inventory management system backed by the ERP system in the supply chain, the inventory turnover period decreased by 13 days from 74 days in 2012 to 61 days in 2013.

Prepayments, deposits and other receivables

As at the end of the reporting period, prepayments, deposits and other receivables of the Group amounted to approximately RMB2,333 million, down 17.94% from RMB2,843 million as at the end of 2012. Mainly due to the receivable balances created from the energy-saving subsidies program as at the end of year 2012 have been settled during the year.

Trade and bills payables

As at the end of the reporting period, trade and bills payables of the Group amounted to approximately RMB18,077 million, up 0.33% from RMB18,017 million as at the end of 2012. Trade and bills payables turnover days were approximately 138 days, decreased by 12 days as compared to 150 days for the previous year.

Capital expenditure

During the reporting period, the capital expenditure incurred by the Group amounted to approximately RMB436 million, representing a 46.31% decrease as compared with approximately RMB812 million in 2012. The capital expenditure during the year was mainly for the expenses of opening new stores, remodelling of stores and purchase of hardware equipment relating to ERP project by the Group.

Cash flows

During the reporting period, the Group's net cash flows generated from operating activities amounted to approximately RMB1,995 million, a decrease as compared with net cash flows of RMB4,140 million in 2012. Higher cash flows from operating activities in 2012 was the result of a significant decline in the inventory level while in 2013 the inventory level was relatively stable as compared with 2012.

Net cash flows used in investing activities amounted to approximately RMB328 million, showing a decrease as compared with RMB829 million used in 2012.

Net cash flows generated from financing activities amounted to approximately RMB294 million, while net cash used for the corresponding period last year was RMB2,666 million. The amount used in 2012 mainly represented the cash paid for redemption of the convertible bonds issued by the Company.

Contingent liabilities and capital commitment

At the end of the reporting period, the Group has no material contingent liabilities, but there were capital commitments of approximately RMB107 million.

Foreign currencies 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 HK dollars and US dollars, the Group has adopted effective measures to reduce such risks. The Group's treasury policy is that it will only manage such exposure (if any) when it poses a significant potential financial impact on the Group.

The management 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 and bank loans.

As at 31 December 2013, the total borrowings of the Group, being the interest-bearing bank loans, amounted to approximately RMB2,683 million. The interest-bearing bank loans will be repayable within one year. The Group's financing activities have been continuingly supported by its bankers.

As at 31 December 2013, the debt to total equity ratio, which was expressed as a percentage of total borrowings amounting to approximately RMB2,683 million over total equity amounting to approximately RMB15,317 million, slightly increased to 17.52% from 16.59% as at 31 December 2012.

Charge on group assets

As at the end of 2013, the Group's bank acceptance credit, bills payable and interest-bearing bank loans were secured by the Group's time deposits amounting to approximately RMB6,407 million, certain inventories with a carrying value of approximately RMB573 million and certain buildings and self-owned properties of the Group with a carrying value of approximately RMB389 million. The Group's bills payable amounted to approximately RMB12,085 million.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2013, the Group employed a total of 41,177 employees. 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 the prevailing salary levels in the market.

OUTLOOK AND PROSPECTS

The Group unveiled the "Open Omni-Channel Retailer" strategy in 2014 to upgrade the original supply chain platform, from a close-ended, self-used basis, into a supply chain platform that is open to the public. This platform not only meets the self-operation demands of the online and offline businesses, but can also meet the demand from other social channels. In terms of sales platforms, the Group will integrate the offline businesses such as department stores, supermarkets and local home appliance chain stores and other internet channels, with its self-operated online and offline businesses. The result is to develop an open and collaborative model premised on mutual success, forming an omni-channel sharing platform for "online + offline + mobile terminals + other social channels" through joint operations and inventory supply. The Group will focus on the following aspects to promote this strategy: opening up a supply chain platform to the public, store network development and e-commerce development.

Open Supply Chain Platform

The Group will continue to build its open supply chain platform, which includes: (1) the construction of an integrated procurement platform shared by both internal and external parties, (2) the development of regional based modern logistic and warehouse system in core cities to cover a wider range of servicing areas, (3) the development of an integrated IT platform with standardized data collection process, offering flexibility on modules designed for different business segments, as well as establishing a grand database to support data mining and analysis to improve the decision making process.

Procurement platform is the core of the supply chain of the Group. However, the Group realized that under the current business model, it has little control over retail prices. Therefore, the Group has to build up its own capability in product management to increase its control over prices. The Group will gradually increase the percentage of products with price setting rights in the future, based on customer's demand, increase its high-margin products to boost profit while selling more low-price fast moving products to increase market shares. The Group will also enjoy competitive advantages from its differentiated and customized products by leveraging on its procurement volume. Building on its strong procurement platform, the Group will then share this platform to other public channels to further enhance the advantages of scale.

Currently, all e-commerce players are pursuing logistic networks and striving to attract customers by enhancing their shopping experiences. The Group has a nation-wide logistic system to support both online and offline businesses, in particular for traditional home appliances. Moving forward, the Group will be transforming from a multi-channel operation model, which supports GOME's offline, online and external businesses, to an omni-channel logistic model which supports self-operated or jointly-operated "offline + online + mobile terminals" businesses, in order to strengthen the competitive advantage. The Group will continue to enhance transparency of its logistic operation to strengthen control and optimize logistic cost.

The Development of the Group's information system will be guided under the "Open Omni-Channel Retailer" strategy to assist in opening up the supply chain, on the one hand to ensure the standardization and consistency of the raw data, on the other hand to achieve flexibility and expendability on modules for various business terminals. In 2011, the Group has successfully migrated to the SAP system. Leveraging on this advanced system, the Group will be able to generate more traffics to its physical stores, GOME-on-line and mobile terminals by offering better customer services, products as well as electronic payment services. The Group's suppliers will also be benefited from the customer information shared by this powerful information system.

Store Network Development

Despite the rapid development of e-commerce, the Group's store network continues to offer its customers a shopping experience that cannot be achieved by e-commerce. To improve the competitiveness and same store growth, the Group will continue to strengthen its services, product mix, customer experience and shopping environment in its stores by leveraging on its price and service advantages.

In 2014, the Group will continue to increase its sales by stepping up its effort in network development and product enrichment. It will also focus on improving the supply chain, enhancing the store management as well as the operational capabilities of the stores in the second-tier markets in order to provide stronger momentum for the Group's stable and rapid network expansion plan. The Group will rely on its strength in the nation-wide store network to outperform its competitors, and will continue to focus on the same-store growth on the one hand and lower its rental cost by optimizing store areas on the other hand through sub-letting, lease termination, as well as closing down underperforming stores, in order to maintain its overall competitiveness.

In recent years, sales of home appliances in the department stores, supermarkets and local home appliance chain stores continued to be affected by the rise of e-commerce. While losing their competitive edge, many retail channels merely made a profit or even a loss. This provides the Group the best opportunity to promote channel integration. The Group will promote its channel integration strategy in a more open-ended approach that emphasizes mutual success, and will pursue flexible models of collaboration such as self-owned operation, joint operation and inventory supply. This is a new growth driver and breakthrough for the Group, signifying another step towards becoming an omni-channel retailer.

E-Commerce

In 2013, the Group continued to facilitate the integration of the procurement and logistics between GOME-on-line and offline stores. GOME-on-line has been evolving from a self-run business to become part of the Group's operation, sharing the high-efficient, low-cost supply chain and logistics network. In the future, GOME-on-line will focus more on the user experience throughout the shopping process, establishing a sound structure of data flow and achieving sustainable growth in customer visits. At the same time, it will leverage on the strengths of the Group's supply chain, fully tap on the advantages of the sales of communication products in the stores to enlarge its customer base from mobile terminals rapidly, optimize and fulfill online operation by all the means, to become a leading home appliances and consumer electronic products B2C platform.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to upholding good corporate governance practices. For the year ended 31 December 2013, the Company was in compliance with the code provisions as set out in the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 as the code of conduct regarding securities transactions by the Directors of the Company. Having made due and careful enquiry, the Company confirms that all Directors have complied with the Model Code during the year ended 31 December 2013.

AUDIT COMMITTEE

The Audit Committee of the Company comprises Messrs. LEE Kong Wai, Conway, SZE Tsai Ping, Michael, CHAN Yuk Sang and NG Wai Hung all of whom are independent non-executive directors. The Audit Committee assists the Board in providing an independent review on the completeness, accuracy and fairness of the financial statements of the Group, as well as the efficiency and effectiveness of the Group's operations and internal controls. The Audit Committee had reviewed the annual results of the Group for the year ended 31 December 2013 and the auditors' report thereon and submitted its reports to the Board.

PURCHASE, SALE AND REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2013.

SPECIAL DIVIDEND

The Board recommended the payment of a special dividend for the year ended 31 December 2013 of HK$2.0 cents (equivalent to RMB1.6 fen per ordinary share) (the "Special Dividend") to the shareholders of the Company ("Shareholders") whose names appear on the register of members of the Company on 4 April 2014 ("Record Date"), with the shareholders being given an option to elect to receive such Special Dividend all in new shares or partly in new shares and partly in cash (the "Scrip Dividend Scheme"). The total Special Dividend amount is approximately HK$337,501,000 (equivalent to RMB267,743,000).

The Scrip Dividend Scheme is subject to The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") granting the listing of, and permission to deal in, the new shares to be issued pursuant thereto.

A circular giving full details of the Scrip Dividend Scheme together with the relevant form of election will be sent to the Shareholders on or around 22 April 2014. It is expected that the Special Dividend and certificates for the new shares of the Company will be dispatched to Shareholders on or around 23 May 2014.

FINAL DIVIDEND

In addition to the Special Dividend, the Board also recommended a final dividend for the year ended 31 December 2013 of HK$1.3 cents (equivalent to RMB1.0 fen) per ordinary share (the "Final Dividend"), the Final Dividend will amount to approximately HK$219,376,000 (equivalent to RMB173,649,000).

Together with the interim dividend of HK0.7 cents (equivalent to RMB0.56 fen) per ordinary share paid in October 2013 (the "Interim Dividend") and the Special Dividend mentioned above, the total dividend for the year would amount to HK$4.0 cents (equivalent to RMB3.16 fen) per ordinary share. The total Interim Dividend, Special Dividend and Final Dividend would amount to approximately HK$675,002,000 (equivalent to RMB535,485,000) in aggregate.

The payment of the Final Dividend is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting. The Company will announce the record date for the Final Dividend, the book closure dates for determining the entitlement for the Final Dividend and the proposed payment date for the Final Dividend in due course in accordance with the Listing Rules and applicable laws.

DIVIDEND POLICY

The Board recommended that, starting from 2014, the dividend payout ratio of the Company will be increased from not more than 30% to 40% of the Group's distributable profit generated during 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, the working capital requirement of the Group, business environment and availability of investment opportunities.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Friday, 4 April 2014 for the purpose of determining the entitlements of the Shareholders to the Special Dividend, during which period no transfer of shares of the Company will be effected. In order to qualify for the proposed Special Dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong on or before 30 March 2014 or 22nd Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014.

ANNUAL GENERAL MEETING

A notice convening the annual general meeting of the Company will be published and dispatched to the shareholders of the Company in the manner required by the Listing Rules in due course.

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

This announcement will be published on the websites of the Hong Kong Stock Exchange and the Company (www.gome.com.hk). The 2013 Annual Report will also be published on the Hong Kong 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
Zhang Da Zhong
Chairman

Hong Kong, 20 March 2014

As at the date of this announcement, the Board comprises Mr. Zou Xiao Chun as executive director; Mr. Zhang Da Zhong, Mr. Zhu Jia, Ms. Wang Li Hong and Mr. Cheung Leong as non-executive directors; and Mr. Sze Tsai Ping, Michael, Mr. Chan Yuk Sang, Mr. Lee Kong Wai, Conway, Mr. Ng Wai Hung and Ms. Liu Hong Yu as independent non-executive directors.

* *For identification purpose only*