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-MONTH PERIOD ENDED 30 JUNE 2014

FINANCIAL HIGHLIGHTS

	First half of 2014 *RMBm*	First half of 2013 *RMBm*
Revenue	**29,124**	27,114
Gross profit	**4,430**	4,150
Consolidated gross profit margin*	**18.83%**	18.34%
Profit from operating activities	**738**	349
Profit attributable to owners of the parent company	**693**	322
Earnings per share – Basic and diluted	**RMB4.1 fen**	RMB1.9 fen
Interim dividend per share	**RMB1.63 fen**	RMB0.56 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-month period ended 30 June 2014 together with the comparative figures for the corresponding period in 2013 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six-month period ended 30 June 2014

		For the six-month period ended 30 June	
		2014	2013
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
REVENUE	*5*	**29,124,153**	27,114,476
Cost of sales		**(24,693,808)**	(22,964,807)
Gross profit		**4,430,345**	4,149,669
Other income and gain	*5*	**1,053,366**	823,738
Selling and distribution expenses		**(3,569,970)**	(3,595,050)
Administrative expenses		**(840,187)**	(762,085)
Other expenses		**(335,358)**	(267,155)
Profit from operating activities		**738,196**	349,117
Finance costs	*7*	**(21,470)**	(35,341)
Finance income	*7*	**129,386**	118,231
PROFIT BEFORE TAX	*6*	**846,112**	432,007
Income tax expense	*8*	**(247,598)**	(212,098)
PROFIT FOR THE PERIOD		**598,514**	219,909
Attributable to:			
Owners of the parent company		**692,611**	322,322
Non-controlling interests		**(94,097)**	(102,413)
		598,514	219,909
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT COMPANY	*9*		
– Basic and diluted		**RMB4.1 fen**	RMB1.9 fen

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2014

	For the six-month period ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**598,514**	219,909
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	**14,040**	(17,820)
Exchange differences on translation of foreign operations	**9,900**	72,728
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**23,940**	54,908
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**23,940**	54,908
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**622,454**	274,817
Attributable to:		
Owners of the parent company	**716,551**	377,230
Non-controlling interests	**(94,097)**	(102,413)
	622,454	274,817

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

	Notes	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
NON-CURRENT ASSETS			
Property and equipment		**4,336,147**	4,094,770
Investment properties		**708,631**	948,805
Goodwill		**7,145,117**	7,145,117
Other intangible assets		**277,520**	289,239
Other investments		**149,040**	135,000
Lease prepayments and deposits		**352,687**	314,977
Deferred tax assets		**33,881**	50,588
Total non-current assets		**13,003,023**	12,978,496
CURRENT ASSETS			
Inventories		**9,235,047**	8,220,734
Trade and bills receivables	*10*	**293,747**	245,492
Prepayments, deposits and other receivables		**2,186,663**	2,333,481
Due from related companies		**171,282**	123,174
Pledged deposits		**4,408,970**	6,406,795
Cash and cash equivalents		**13,073,513**	9,015,813
Total current assets		**29,369,222**	26,345,489
CURRENT LIABILITIES			
Interest-bearing bank loans		**1,721,613**	2,683,171
Trade and bills payables	*11*	**21,474,959**	18,077,489
Customers' deposits, other payables and accruals		**2,082,694**	2,046,809
Due to related companies		**517,718**	464,142
Tax payable		**586,051**	562,620
Total current liabilities		**26,383,035**	23,834,231

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2014

	Note	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
NET CURRENT ASSETS		**2,986,187**	2,511,258
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,989,210**	15,489,754
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**168,699**	172,296
Total non-current liabilities		**168,699**	172,296
Net assets		**15,820,511**	15,317,458
EQUITY			
Equity attributable to owners of the parent company			
Issued capital		**423,221**	421,551
Proposed dividends	*12*	**–**	441,392
Reserves		**16,101,183**	15,064,311
		16,524,404	15,927,254
Non-controlling interests		**(703,893)**	(609,796)
Total equity		**15,820,511**	15,317,458

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 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

The unaudited interim financial information for the six-month period ended 30 June 2014 (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 ("IASB").

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 2013.

3. CHANGES TO THE GROUP'S 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 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014.

The Group applied the following new interpretation and amendments for the first time in 2014. However, they do not impact the interim condensed consolidated financial statements of the Group.

The nature and the impact of each new standard/amendment are described below:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 *Consolidated Financial Statements*. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Group.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact on the Group as the Group has not novated its derivatives during the current or prior periods.

3. CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36

These amendments remove the unintended consequences of IFRS 13 *Fair Value Measurement* on the disclosures required under IAS 36 *Impairment of Assets*. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. These amendments have no significant impact on the Group.

IFRIC 21 *Levies*

IFRIC 21 is effective for annual periods beginning on or after 1 January 2014 and is applied retrospectively. It is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., IAS 12 *Income Taxes*) and fines or other penalties for breaches of legislation.

The interpretation clarifies that an entity recognises a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognised before the specified minimum threshold is reached. The interpretation requires these same principles to be applied in interim financial statements. These amendments have no impact on the Group.

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

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 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 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, the fair value gain on a cross currency swap, finance costs and corporate and other unallocated expenses are excluded from such measurement.

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

Segment liabilities exclude interest-bearing bank loans, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION (continued)

	For the six-month period ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Segment revenue		
Sales to external customers	**29,124,153**	27,114,476
Segment results	**685,428**	347,208
Reconciliation		
Bank interest income	**129,386**	118,231
Unallocated income	**100,514**	84
Fair value gain on a cross currency swap	**–**	10,311
Finance costs	**(21,470)**	(35,341)
Corporate and other unallocated expenses	**(47,746)**	(8,486)
Profit before tax	**846,112**	432,007

	30 June 2014	31 December 2013
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Segment assets	**24,706,841**	23,715,789
Reconciliation		
Corporate and other unallocated assets	**17,665,404**	15,608,196
Total assets	**42,372,245**	39,323,985
Segment liabilities	**24,075,371**	20,588,440
Reconciliation		
Corporate and other unallocated liabilities	**2,476,363**	3,418,087
Total liabilities	**26,551,734**	24,006,527

	For the six-month period ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Other segment information		
Depreciation and amortisation	**296,153**	278,000
Capital expenditure*	**372,194**	208,305

* Capital expenditure consists of additions to property and equipment.

5. 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 follows:

		For the six-month period ended 30 June	
		2014	2013
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
Revenue			
Sale of electrical appliances and consumer electronic products		**29,124,153**	27,114,476
Other income			
Income from suppliers, net		**172,797**	289,850
Management and purchasing service fees from the Non-listed GOME Group	*(i)*	**156,437**	141,127
Income from products installation		**64,969**	48,472
Gross rental income		**140,249**	129,302
Government grants	*(ii)*	**41,806**	49,304
Other service fee income		**100,097**	52,608
Compensation received		**100,102**	–
Others		**276,909**	102,764
		1,053,366	813,427
Gain			
Fair value gain on a cross currency swap		**–**	10,311
		–	10,311
		1,053,366	823,738

Notes:

(i) 北京鵬潤投資有限公司 ("Beijing Eagle Investment Co., Ltd."), 北京鵬潤地產控股有限公司 ("Beijing Pengrun Property Co., Ltd."), 北京國美電器有限公司 ("Beijing GOME Electrical Appliance Co., Ltd."), 國美電器零售有限公司 ("GOME Electrical Appliance Retail Co., Ltd." or "GOME Retail") and their respective subsidiaries of the foregoing companies and 北京國美投資有限公司 are collectively referred to as the "Non-listed GOME Group". GOME Retail 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 BEFORE TAX

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

		For the six-month period ended 30 June	
		2014	2013
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
Cost of inventories sold		**24,693,808**	22,964,807
Depreciation		**284,434**	266,281
Amortisation of intangible assets	*(i)*	**11,719**	11,719
Loss on disposal of items of property and equipment		**14,815**	17,243
Minimum lease payments under operating leases in respect of land and buildings		**1,585,807**	1,568,818
Gross rental income	5	**(140,249)**	(129,302)
Foreign exchange differences, net		**17,570**	566
Staff costs excluding directors' and chief executive's remuneration:			
Wages, salaries and bonuses		**1,043,531**	1,018,301
Pension scheme contributions*		**215,713**	209,783
Social welfare and other costs		**42,417**	18,268
Equity-settled share option expense		**5,065**	(10,989)
		1,306,726	1,235,363

Note:

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

* At 30 June 2014, the Group had no forfeited contribution available to reduce its contributions to the pension schemes in future years (2013: Nil).

7. **FINANCE (COSTS)/INCOME**

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

	For the six-month period ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Finance costs:		
Interest expenses on bank loans wholly repayable within five years	**(21,470)**	(35,341)
Finance income:		
Bank interest income	**129,386**	118,231

8. **INCOME TAX EXPENSE**

An analysis of the provision for tax is as follows:

	For the six-month period ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current income tax – PRC	**234,488**	176,900
Deferred income tax	**13,110**	35,198
Total tax charge for the period	**247,598**	212,098

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 treatments 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 2013: 25%) on their respective taxable income. During the current period, 25 entities (six-month period ended 30 June 2013: 22 entities) of the Group obtained approvals from the relevant PRC tax authorities and were entitled to preferential corporate income tax rates.

The Group realised tax benefits during the period through applying the preferential corporate income tax rates. 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 six-month periods ended 30 June 2014 and 2013, as the Group had no assessable profits arising in Hong Kong for each of the periods.

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

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent company, and the weighted average number of ordinary shares of 16,888,176,000 in issue during the period (six-month period ended 30 June 2013: 16,875,056,000).

For the six-month period ended 30 June 2014 and 30 June 2013, no potential ordinary shares had any dilutive effect on the earnings per share.

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

	For the six-month period ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent company used in the basic and diluted earnings per share calculation	**692,611**	322,322

	Number of shares for the six-month period ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	**16,888,176**	16,875,056

10. 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 aging 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 2014	31 December 2013
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Outstanding balances, aged:		
Within 3 months	**222,367**	208,500
3 to 6 months	**15,592**	25,099
6 months to 1 year	**55,788**	11,893
	293,747	245,492

11. TRADE AND BILLS PAYABLES

	30 June 2014	31 December 2013
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Trade payables	**7,801,899**	5,992,325
Bills payable	**13,673,060**	12,085,164
	21,474,959	18,077,489

11. TRADE AND BILLS PAYABLES (continued)

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

	30 June 2014	31 December 2013
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Within 3 months	**14,059,684**	11,908,864
3 to 6 months	**6,282,551**	5,565,819
Over 6 months	**1,132,724**	602,806
	21,474,959	18,077,489

The Group's bills payable above are secured by:

(i) the pledge of certain 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.

12. DIVIDEND

	For the six-month period ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Proposed final:		
Nil (2013:Cash dividend of HK$1.3 cents (equivalent to RMB1.0 fen) per ordinary share)	**–**	173,649
Proposed special:		
Nil (2013: Scrip dividend of HK$337,501,000 (equivalent to RMB267,743,000))	**–**	267,743
Interim dividend: HK$2.10 cents (equivalent to RMB1.63 fen) (2013: HK$0.70 cents (equivalent to RMB0.56 fen)) per ordinary share	**277,044**	94,093
	277,044	535,485

Pursuant to the board of directors' resolution dated 25 August 2014, an interim dividend of HK$2.10 cents per ordinary share was declared. On 27 August 2013, the board of directors declared 2013 interim dividend of HK$0.7 cents per ordinary share.

13. EVENTS AFTER THE REPORTING PERIOD

The Group did not have any significant events taking place subsequent to 30 June 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the reporting period, GOME Electrical Appliances Holding Limited (the "Company") and its subsidiaries (collectively known as the "Group" or "GOME") delivered excellent results by seizing opportunities in the complex operating environment under its "Open Omni-Channel Retailer" strategy and actively pursue its internal reforms to adapt to the volatile external environment.

During the reporting period, the Group recorded sales revenue of approximately RMB29,124 million, up 7.41% as compared with RMB27,114 million in the same period last year. Sales growth for comparable stores was approximately 7.25%. Consolidated gross profit margin grew 0.49 percentage points from 18.34% in the same period last year to approximately 18.83%. Profit attributable to the owners of the parent company substantially increased by 115.22% from RMB322 million for the same period last year to approximately RMB693 million. Moreover, the Group's cash and cash equivalents increased from RMB9,016 million as at 31 December 2013 to approximately RMB13,074 million as at 30 June 2014.

To better tap the development potential in the internet era, the Group has undertaken a strategic change to evolve itself into an "Omni-Channel Retailer" to meet the strategic needs of the "online+offline+mobile" business model. As part of this move, the Group further enhanced its services in the core cities to widen its regional footprint and offer its customers cross-borders and cross-channels services. In respect of physical stores, the Group has focused more on home appliances and consumer electronic products and introduced more products from leading and influential brands, diversified its business portfolio and equipped stores with intelligent devices. For its e-commerce business, the Group has strengthened its operations by starting sales of diversified products on multiple platforms. Meanwhile, the Group will continue to leverage on its strengths in its consolidated supply chain value platforms, including procurement, information systems and logistics, as well as fully launch the GOME's open and cost-efficient supply chain in the market. Moving forward, GOME will gradually become the leading and most professional omni-channel retailer in China by leveraging on its industry-leading platform.

FINANCIAL REVIEW

Revenue

During the reporting period, the Group's sales revenue was approximately RMB29,124 million, up 7.41% from RMB27,114 million for the corresponding period in 2013. The Group's weighted average sales area was approximately 3,598,000 sq.m. Revenue per sq.m. was approximately RMB7,589, up 10.13% as compared with RMB6,891 for the corresponding period in 2013. During the reporting period, the Group had 942 comparable stores, recording a revenue of approximately RMB25,714 million, up 7.25% as compared with RMB23,975 million for the corresponding period in 2013.

Cost of sales and gross profit

Cost of sales for the Group was approximately RMB24,694 million in the reporting period, accounting for 84.79% of the total sales revenue, which was stable as compared with 84.69% for the corresponding period in 2013. The Group's gross profit was approximately RMB4,430 million, up 6.75% as compared with RMB4,150 million for the corresponding period last year. Gross profit margin was 15.21%, which was relatively stable as compared with 15.31% for the corresponding period last year.

Other income and gain

During the reporting period, the Group recorded other income and gain of approximately RMB1,053 million, representing an increase of 27.79% as compared with RMB824 million for the corresponding period in 2013. This is mainly due to the increase in income from extended warranties, other income from telecommunication service providers and the one off compensation received from Mr. Wong Kwong Yu ("Mr. Wong").

Consolidated gross profit margin

During the reporting period, the Group's consolidated gross profit margin was approximately 18.83%, representing an increase of 0.49 percentage points as compared with 18.34% for the corresponding period in 2013.

Operating expenses

As the Group has been tightening its control on operating expenses during the reporting period, the Group's total operating expenses (comprised of selling and distribution expenses, administrative expenses and other expenses) were approximately RMB4,746 million, accounting for 16.30% of total sales revenue, down 0.75 percentage points as compared with 17.05% for the corresponding period in 2013.

Selling and distribution expenses

During the reporting period, the Group's total selling and distribution expenses amounted to approximately RMB3,570 million. The percentage over sales revenue was 12.26%, down 1 percentage point as compared with 13.26% in the corresponding period of 2013. The decrease in selling and distribution expenses was mainly due to the tightening control on costs by the Group during the period. Rental expenses and salaries as a percentage of sales revenue decreased by 0.34 and 0.16 percentage points from 5.48% and 3.12% for the corresponding period last year to 5.14% and 2.96%, respectively.

Administrative expenses

With continuing expansion of the Group's operating scale and the need to strengthen its precision management strategy, administrative expenses increased accordingly. During the reporting period, administrative expenses were approximately RMB840 million, increased by 10.24% as compared with RMB762 million for the corresponding period last year. The proportion over sales revenue was 2.88%, up 0.07 percentage points as compared with 2.81% for the corresponding period in 2013.

Other expenses

Other expenses of the Group mainly comprised, among others, business taxes and bank charges. Other expenses were approximately RMB335 million during the reporting period, accounting for 1.16% of sales revenue, up by 0.18 percentage points as compared with 0.98% for the corresponding period in 2013.

Profit from operating activities

As the result of the increase in sales revenue, increase in consolidated gross profit margin and decrease in the operating expenses ratio during the reporting period, the Group's profit from operating activities was approximately RMB738 million, a significant improvement by 111.46% as compared with RMB349 million for the corresponding period in 2013.

Net finance income

During the reporting period, the Group's net finance income was approximately RMB108 million, showing an increase as compared with RMB83 million in the first half of 2013. In addition, interest income increased by 9.32% to approximately RMB129 million for the reporting period from RMB118 million in the corresponding period of the previous year.

Profit before tax

During the reporting period, the Group's profit before tax was approximately RMB846 million, a significant improvement by 95.83% as compared with RMB432 million for the corresponding period in 2013. Profit margin before tax was 2.90%, increased by 1.31 percentage points as compared with 1.59% in the corresponding period of 2013.

Income tax expense

During the reporting period, in line with the increase in profit before tax, the Group's income tax expense was approximately RMB248 million, showing an increase as compared with RMB212 million for the corresponding period in 2013. The management of the Company considers that the effective tax rate applied to the Group for the reporting period was reasonable.

Profit for the period and earnings per share attributable to owners of the parent company

During the reporting period, the Group's profit attributable to owners of the parent company substantially increased by 115.22% from RMB322 million for the corresponding period last year to approximately RMB693 million. Net profit margin attributable to owners of the parent company was 2.38%, increased by 1.19 percentage points as compared with 1.19% for the corresponding period of the previous year. Basic earnings per share attributable to owners of the parent company was RMB4.1 fen, as compared with RMB1.9 fen for the corresponding period of last year.

Cash and cash equivalents

As at the end of the reporting period, cash and cash equivalents held by the Group were approximately RMB13,074 million, representing an increase of 45.01% as compared with RMB9,016 million as at the end of 2013, the increase was mainly due to improvement in the operational efficiency.

Inventories

As at the end of the reporting period, the Group's inventories amounted to approximately RMB9,235 million, up 12.33% as compared with RMB8,221 million at the end of 2013. Inventory turnover days increased to approximately 64 days during the reporting period from 56 days in the first half of 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 RMB2,187 million, down 6.26% from RMB2,333 million as at the end of 2013.

Trade and bills payables

As at the end of the reporting period, trade and bills payables of the Group amounted to approximately RMB21,475 million, up 18.80% from RMB18,077 million as at the end of 2013. Turnover days of trade and bills payables were approximately 145 days during the reporting period, increased by 5 days as compared with 140 days for the corresponding period in 2013.

Capital expenditure

During the reporting period, capital expenditure incurred by the Group amounted to approximately RMB371 million, representing a 75.83% increase as compared with RMB211 million for the first half of 2013.

Cash flows

During the reporting period, with the improvement in its profitability and operational efficiency, the Group's net cash flows generated from operating activities amounted to approximately RMB3,277 million, increased substantially as compared with RMB1,509 million for the corresponding period last year.

Net cash flows used in investing activities amounted to approximately RMB300 million, representing an increase as compared with RMB132 million in the first half of 2013.

Net cash flows from financing activities amounted to approximately RMB1,077 million, as compared with RMB25 million used in the first half of 2013.

Contingent liabilities and capital commitments

As at the end of the reporting period, the Group had no material contingent liabilities. However the Group had capital commitments of approximately RMB71 million.

Foreign currencies and treasury policy

All the Group's income and a majority of its expenses were denominated in Renminbi. The Group has adopted effective measures to reduce its foreign exchange risks. 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 and interest-bearing bank loans.

As at 30 June 2014, the total borrowings of the Group, being interest-bearing bank loans, which are denominated in US dollars, amounted to approximately RMB1,722 million. The interest-bearing bank loans are all with floating interest rates and are repayable within one year. The Group's financing activities continued to be supported by its bankers.

As at 30 June 2014, the debt to total equity ratio, which was expressed as a percentage of total borrowings amounting to RMB1,722 million over total equity amounting to RMB15,821 million, decreased from 17.52% as at 31 December 2013 to 10.88%.

Charge on group assets

As at 30 June 2014, the Group's bills payable and interest-bearing bank loans were secured by certain of the Group's time deposits amounting to RMB4,409 million, certain inventories with a carrying value of RMB521 million and certain self-used properties and investment properties with a carrying value of RMB1,470 million. The Group's bills payable and interest-bearing bank loans amounted to RMB15,395 million in total.

HUMAN RESOURCES EXPERTISE

During the reporting period, the Group refined its human resources policy according to the Group's strategy and focused on team building and development among the senior management.

In the first half of 2014, the Group implemented a series of measures to bring in new talent and allocate its human resources with a view to building a new business management team and a core professional team. The Group rejuvenated the operation team by recruiting a certain percentage of staff externally. Meanwhile, the Group also built up its human resources pool of mid-level and senior management and established a mentoring system. Supporting positions were created at headquarters and major regions to promote a succession of talent through on-the-job-training.

For incentive policies, the Group invested considerable effort in the promotion of fair internal competition by continuously optimizing and improving the working environment and morale, which has boosted the Company's efficiency on the whole. Currently, in addition to regular evaluations and the distribution of bonuses based on its results, the Group is also carrying out other incentives such as staff performance scheme and team ranking awards.

As at 30 June 2014, the Group had a total of 41,658 employees.

OUTLOOK AND PROSPECTS

In the second half of 2014, the Group will adopt various strategies under the premise of its "Omni-Channel Retailer" business model to further accelerate its growth (the "Acceleration Campaign"), boost its operational efficiency and effectiveness, as well as to leverage on its competitive edge in every business unit to gain more market share.

The Acceleration Campaign will focus on the following four areas:

1. Upgrading organizational structure: The Group will streamline its organizational structure to become a more intelligent, efficient and optimal entity to complement the full implementation of the Omni-Channel Retailer strategy.

2. Upgrading infrastructure: The Group will optimize its procurement platform to increase the proportion of differentiated products; enhance its information system to better support the online/offline supply chain; as well as strengthen its nationwide logistic system to achieve the "Three Delivery/Day, Precise Delivery and Installation with Delivery" service targets.

3. Accelerating online development: The Group will develop its omni-channel product and service platform by leveraging on its core competitiveness in home appliances to drive a "self-owned operation + marketplace + virtual" business model to support its online business. By leveraging on the consolidated supply chain, the Group will be able to integrate online and offline consumers, as well as products and services. In addition, the Group's e-commerce will take initiatives to broaden product categories, enhance price competitiveness by leveraging on its differentiated products, provide logistics and after-sales services that exceed market standard, enhance the overall shopping experience as well as protect consumers' interests, to increase its market share and profitability.

4. Accelerating offline development: The Group will push for the upgrade of existing stores to become the new smart and intelligent retail terminals. At the same time, it will continue to focus on opening flagship stores and optimizing network in the first-tier market, as well as implementing the "satellite stores around flagship stores" model in the second-tier market and through strategic alliances with channel stores. This will speed up the Group's pace in gaining more market share.

In conclusion, the Acceleration Campaign implements supply chain reforms and improves the consumer experience, backed by the specialized management team and new incentive system. It strives to step up the execution of the omni-channel retailer strategy to drive online/offline integration and store network expansion in the second-tier market, as well as the development of online business into the omni-channel products and services platform with core competitive advantage in direct home appliances retailing.

INTERIM DIVIDEND AND DIVIDEND POLICY

The Board declared an interim dividend of HK$2.1 cents (equivalent to RMB1.63 fen) per ordinary share (the "Interim Dividend") for the six-month period ended 30 June 2014, amounting to approximately HK$356,144,000 (equivalent to RMB277,044,000) to shareholders whose names appear on the register of members of the Company on Monday, 22 September 2014. The Interim Dividend will be payable on or about Wednesday, 15 October 2014.

Currently, the Board anticipates that the dividend payout ratio will be maintained at approximately 40% of the Group's distributable profit for 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, availability of investment and acquisition opportunities.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Monday, 22 September 2014, during which period no transfer of shares will be registered.

In order to qualify for the Interim Dividend, all properly completed and duly stamped transfer forms accompanied by the relevant share certificates should be lodged with the Company's registrar, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 19 September 2014. The record date for the determination of entitlement to the Interim Dividend will be on Monday, 22 September 2014.

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

During the six-month period ended 30 June 2014, the Company repurchased an aggregate of 74,527,000 shares on the Stock Exchange, details of which are as follows:

Month/Year	**Number of shares repurchased**	**Highest price** *HK$*	**Lowest price** *HK$*	**Aggregate consideration (excluding expenses)** *HK$*
April to May 2014	74,527,000 Shares of HK$0.025 each in the share capital of the Company	1.44 per Share	1.30 per Share	102,048,630
	74,527,000 Shares			102,048,630

The shares of the Company (the "Shares") repurchased during the six-month period ended 30 June 2014 were cancelled upon repurchase and accordingly, the issued share capital of the Company was reduced by the nominal value thereof.

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 six-month period ended 30 June 2014.

CORPORATE GOVERNANCE

The Company is committed to upholding good corporate governance practices. For the six-month period ended 30 June 2014, the Company was in compliance with the code provisions of the Corporate Governance Code (the "CG Code") contained 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") set out in Appendix 10 to the Listing Rules. Upon specific enquiries made by the Company, all directors of the Company have confirmed their compliance with the Model Code during the period under review.

REVIEW BY AUDIT COMMITTEE AND EXTERNAL AUDITORS

The Audit Committee of the Company has reviewed the interim results of the Company, together with the internal control and financial reporting matters of the Group, which includes the unaudited interim condensed consolidated financial information of the Group for the six-month period ended 30 June 2014 as reviewed by Ernst & Young, the external auditors.

PUBLICATION INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

This announcement will be published on the websites of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company (www.gome.com.hk). The 2014 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
Zhang Da Zhong
Chairman

Hong Kong, 25 August 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 and Ms. Wang Li Hong 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*