国美电器

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 2014

2014 FINANCIAL HIGHLIGHTS

- During the reporting period, sales revenue was approximately RMB60,360 million, increased by 7.02% as compared with the previous year
- Consolidated gross profit margin increased from 18.36% for the previous year to 18.48%
- Profit attributable to owners of the parent was approximately RMB1,280 million, increased significantly by 43.50%
- Basic earnings per share were RMB7.6 fen
- The Board proposed a final dividend of HK$1.80 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 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

	Notes	**2014** *RMB'000*	2013 *RMB'000*
REVENUE	5	**60,359,843**	56,400,662
Cost of sales	6	**(51,365,601)**	(47,898,540)
Gross profit		**8,994,242**	8,502,122
Other income and gains	5	**2,162,584**	1,851,971
Selling and distribution expenses		**(7,526,591)**	(7,152,640)
Administrative expenses		**(1,701,039)**	(1,564,270)
Other expenses		**(604,967)**	(622,664)
Profit from operating activities		**1,324,229**	1,014,519
Finance costs	7	**(46,111)**	(60,569)
Finance income	7	**302,026**	240,725
PROFIT BEFORE TAX	6	**1,580,144**	1,194,675
Income tax expense	8	**(561,976)**	(517,230)
PROFIT FOR THE YEAR		**1,018,168**	677,445
Attributable to:			
Owners of the parent		**1,279,770**	892,475
Non-controlling interests		**(261,602)**	(215,030)
		1,018,168	677,445
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
– Basic		**RMB7.6 fen**	RMB5.3 fen
– Diluted		**RMB7.6 fen**	RMB5.3 fen

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
PROFIT FOR THE YEAR		**1,018,168**	677,445
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of other investments	*11*	**82,350**	10,800
Exchange differences on translation of foreign operations		**12,987**	60,487
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**95,337**	71,287
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**95,337**	71,287
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,113,505**	748,732
Attributable to:			
Owners of the parent		**1,375,107**	963,762
Non-controlling interests		**(261,602)**	(215,030)
		1,113,505	748,732

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	**31 December 2014** *RMB'000*	31 December 2013 *RMB'000*
NON-CURRENT ASSETS			
Property and equipment		**4,417,234**	4,094,770
Investment properties		**601,224**	948,805
Goodwill		**7,145,117**	7,145,117
Other intangible assets		**265,801**	289,239
Other investments	*11*	**217,350**	135,000
Lease prepayments and deposits		**311,128**	314,977
Deferred tax assets		**31,795**	50,588
Total non-current assets		**12,989,649**	12,978,496
CURRENT ASSETS			
Inventories		**10,926,399**	8,220,734
Trade and bills receivables	*12*	**267,694**	245,492
Prepayments, deposits and other receivables		**4,797,960**	2,333,481
Due from related companies		**227,964**	123,174
Pledged deposits		**6,072,895**	6,406,795
Cash and cash equivalents		**8,794,112**	9,015,813
Total current assets		**31,087,024**	26,345,489
CURRENT LIABILITIES			
Trade and bills payables	*13*	**20,880,430**	18,077,489
Customers' deposits, other payables and accruals		**2,425,413**	2,046,809
Interest-bearing bank loans		**3,425,950**	2,683,171
Due to related companies		**521,213**	464,142
Tax payable		**626,151**	562,620
Total current liabilities		**27,879,157**	23,834,231

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

31 December 2014

	Note	**31 December 2014** *RMB'000*	31 December 2013 *RMB'000*
NET CURRENT ASSETS		**3,207,867**	2,511,258
TOTAL ASSETS LESS CURRENT LIABILITIES		**16,197,516**	15,489,754
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**162,998**	172,296
Total non-current liabilities		**162,998**	172,296
Net assets		**16,034,518**	15,317,458
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**423,221**	421,551
Reserves		**16,247,831**	15,064,311
Proposed dividends	*10*	**234,864**	441,392
		16,905,916	15,927,254
Non-controlling interests		**(871,398)**	(609,796)
Total equity		**16,034,518**	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 operation and management of networks of electrical appliances, consumer electronic products retail stores and electronic products on-line sales 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"). These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap.32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap.622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that ordinance. The financial statements have been prepared under the historical cost convention, except for investment properties and other investments which are classified as available-for-sale financial assets, 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 standards and new interpretation for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 (2011)	*Investment Entities*
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to IAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to IAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC-Int 21	*Levies*
Amendment to IFRS 2 Included in Annual *Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to IFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to IFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to IFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective IFRSs*

[1] Effective from 1 July 2014

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Except for the amendment to IFRS 1 which is only relevant to an entity's first IFRS financial statements, the nature and the impact of each amendment and interpretation is described below:

(a) Amendments to IFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (2011). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in IFRS 10.

(b) The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no significant impact on the Group.

(c) The IAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

(d) IFRIC-Int 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation 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, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* which for the levies incurred by the Group are consistent with the requirements of IFRIC-Int 21.

(e) The IFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

(f) The IFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 or IAS 39. The amendment has had no impact on the Group.

(g) The IFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

(h) The IAS 36 Amendments remove the unintended disclosure requirement made by IFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments have had no significant impact on the Group.

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, consumer electronic products retail stores and electronic products on-line sales 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, gain on settlement of 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 and deferred tax liabilities as these liabilities are managed on a group basis.

	2014	2013
	RMB'000	*RMB'000*
Segment revenue		
Sales to external customers	**60,359,843**	56,400,662
Segment results	**1,309,488**	1,014,292
Reconciliation:		
Bank interest income	**302,026**	240,725
Unallocated income	**102,568**	37,906
Gain on settlement of a cross currency swap	**–**	11,002
Finance costs	**(46,111)**	(60,569)
Corporate and other unallocated expenses	**(87,827)**	(48,681)
Profit before tax	**1,580,144**	1,194,675
Segment assets	**28,960,521**	23,715,789
Reconciliation:		
Corporate and other unallocated assets	**15,116,152**	15,608,196
Total assets	**44,076,673**	39,323,985
Segment liabilities	**23,827,056**	20,588,440
Reconciliation:		
Corporate and other unallocated liabilities	**4,215,099**	3,418,087
Total liabilities	**28,042,155**	24,006,527
Other segment information		
Depreciation and amortisation	**579,306**	576,141
Capital expenditure*	**625,659**	429,827

* Capital expenditure consists of additions to property and equipment.

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	2014	2013
	RMB'000	*RMB'000*
Mainland China	**60,359,843**	56,400,662

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

(b) Non-current assets

	2014	2013
	RMB'000	*RMB'000*
Mainland China	**12,713,520**	12,768,409
Hong Kong	**26,984**	24,499
	12,740,504	12,792,908

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	**2014** **RMB'000**	2013 RMB'000
Revenue			
Sale of electrical appliances and consumer electronic products		**60,359,843**	56,400,662
Other income			
Income from suppliers, net		**473,323**	496,695
Management and purchasing service fees from the Non-listed GOME Group	*(i)*	**250,000**	250,000
Income from air-conditioner installation		**148,074**	107,279
Gross rental income		**307,684**	282,691
Government grants	*(ii)*	**114,944**	143,744
Other service fee income		**233,352**	137,701
Income from compensation		**41,429**	48,892
Other income from telecommunication service providers		**249,551**	162,383
Commission income from services provision of online platform		**98,685**	30,786
Others		**145,440**	112,559
		2,062,482	1,772,730
Gains			
Fair value gain on investment properties		**–**	30,333
Foreign exchange difference, net		**–**	37,906
Gain on settlement of a cross currency swap		**–**	11,002
Compensation received		**100,102**	–
		100,102	79,241
		2,162,584	1,851,971

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 BEFORE TAX

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

	Notes	**2014** ***RMB'000***	2013 *RMB'000*
Cost of inventories sold		**51,365,601**	47,898,540
Depreciation		**555,868**	552,703
Amortisation of intangible assets	*(i)*	**23,438**	23,438
Loss on disposal of items of property and equipment		**9,216**	53,785
Minimum lease payments under operating leases in respect of land and buildings		**3,303,420**	3,171,486
Impairment of goodwill		**–**	15,790
Impairment provision for items of property and equipment		**10,464**	–
Gross rental income	*5*	**(307,684)**	(282,691)
Net fair value loss/(gain) on investment properties	*5*	**3,738**	(30,333)
Gain on settlement of a cross currency swap		**–**	(11,002)
Foreign exchange differences, net loss/(gain)		**37,396**	(37,906)
Auditors' remuneration			
– audit services		**6,692**	7,437
– non-audit services		**540**	611
Staff costs excluding directors' and chief executive's remuneration:			
Wages, salaries and bonuses		**2,155,715**	1,990,954
Pension scheme contributions*		**443,481**	418,136
Social welfare and other costs		**54,036**	38,186
Equity-settled share option expense		**5,075**	(5,867)
		2,658,307	2,441,409

Notes:

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

* At 31 December 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:

	2014	2013
	RMB'000	*RMB'000*
Finance costs:		
Interest on bank loans wholly repayable within five years	**(46,111)**	(60,569)
Finance income:		
Bank interest income	**302,026**	240,725

8. INCOME TAX EXPENSE

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

	2014	2013
	RMB'000	*RMB'000*
Current income tax	**552,481**	429,273
Deferred income tax	**9,495**	87,957
Total tax charge for the year	**561,976**	517,230

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% (2013: 25%) on their respective taxable income. During the year, 24 entities (2013: 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.

As the Group had assessable profits arising in Hong Kong for 2014, RMB1,000 for provision of Hong Kong profits tax has been made for the year ended 31 December 2014 (2013: Nil).

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:

	2014				
	Hong Kong *RMB'000*	*%*	**Mainland China** *RMB'000*	*%*	**Total** *RMB'000*
(Loss)/profit before tax	**(42,569)**		**1,622,713**		**1,580,144**
Income tax at the statutory tax rate	**(7,024)**	**16.5**	**405,679**	**25.0**	**398,655**
Tax effect of preferential tax rates	**–**		**(60,806)**		**(60,806)**
Effect of withholding tax at 10% on the distributable profits of the Group's subsidiaries in Mainland China	**–**		**51,193**		**51,193**
Income not subject to tax	**(17,383)**		**(28,479)**		**(45,862)**
Expense not deductible for tax	**9,908**		**70,224**		**80,132**
Tax losses utilised from previous years	**(106)**		**(82,327)**		**(82,433)**
Tax losses not recognized	**14,606**		**206,491**		**221,097**
Tax charge at the Group's effective rate	**1**		**561,975**		**561,976**

	2013				
	Hong Kong *RMB'000*	*%*	Mainland China *RMB'000*	*%*	Total *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 subsidiaries in Mainland China	–		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

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 Mainland China. 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 Mainland China and the jurisdiction of the foreign investors. At 31 December 2014, 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 Mainland China (2013: Nil). In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

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

The calculation of the basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 16,923,994,000 (2013: 16,875,056,000) in issue during the year.

The calculation of the diluted earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation of diluted earnings per share is the weighted average number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

For the year ended 31 December 2014 and year ended 31 December 2013, no potential ordinary shares had any dilutive effect on the earnings per share.

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

	2014	2013
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation	**1,279,770**	892,475

	Number of shares	
	2014	2013
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	**16,923,994**	16,875,056

10. DIVIDENDS

	2014	2013
	RMB'000	*RMB'000*
Interim: Cash dividend of 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
Proposed final: Cash dividend of HK$1.80 cents (equivalent to RMB1.38 fen) (2013: Cash dividend of HK$1.30 cents (equivalent to RMB1.0 fen)) per ordinary share	**234,864**	173,649
Special: Nil (2013: Scrip dividend of HK$337,501,000 (equivalent to RMB267,743,000))	**–**	267,743
	511,908	535,485

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

11. OTHER INVESTMENTS

	2014	2013
	RMB'000	*RMB'000*
Equity investments in Mainland China, at fair value	**217,350**	135,000

The balance as at 31 December 2014 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 2014 and 2013. 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, two were nominated by the Group as at 31 December 2014 (31 December 2013: three). 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.

As at 31 December 2014, the fair value of these investments was based on the quoted market price of the listed shares, which was RMB8.05 per share (31 December 2013: RMB5.0 per share).

During the year, the gain in respect of the Group's other investments recognised in other comprehensive income amounted to RMB82,350,000 (2013: RMB10,800,000).

During the year ended 31 December 2014, the Group sold electrical appliances and consumer electronic products to Sanlian amounting to RMB30,224,371 (2013: Nil). The sales to Sanlian were made according to the published prices and conditions offered to other customers of the Group.

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

	2014	2013
	RMB'000	*RMB'000*
Outstanding balances, aged:		
Within 3 months	**215,817**	208,500
3 to 6 months	**34,021**	25,099
6 months to 1 year	**17,856**	11,893
	267,694	245,492

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

Group

	2014	2013
	RMB'000	*RMB'000*
Neither past due nor impaired	**107,909**	104,250
Less than 3 months past due	**124,919**	116,800
Over 3 months past due	**34,866**	24,442
	267,694	245,492

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. Management is 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

	2014	2013
	RMB'000	*RMB'000*
Trade payables	**7,220,716**	5,992,325
Bills payable	**13,659,714**	12,085,164
	20,880,430	18,077,489

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:

	2014	2013
	RMB'000	*RMB'000*
Within 3 months	**12,475,119**	11,908,864
3 to 6 months	**7,443,568**	5,565,819
Over 6 months	**961,743**	602,806
	20,880,430	18,077,489

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 11 November 2014, the Group agreed to acquire a 5.41% stake, or 633 million new ordinary shares in the enlarged capital of Huishang Bank Corporation Limited ("Huishang"), for HK$3.8 (equivalent to RMB3.0) per share in cash, or at a total consideration of HK$2,404 million (equivalent to RMB1,897 million), in a privately negotiated capital enlargement transaction.

On 26 November 2014, as agreed with Huishang, the Group changed the acquisition plan from 5.41% to 4.09% stake, or from 633 million to 471 million new ordinary shares. The total consideration changed from HK$2,404 million (equivalent to RMB1,897 million) to HK$1,790 million (equivalent to RMB1,412 million) which was paid by the Group on 31 December 2014.

On 1 February 2015, the Group announced that as certain conditions precedent in relation to the subscription of Huishang shares have not been satisfied, and the Group and Huishang have not reached agreement on the continuous implementation of the transaction, the Group's proposed subscription of Huishang shares was terminated on 31 January 2015. The total amount of HK$1,790 million (equivalent to RMB1,412 million) including interest thereon was refunded to the Group on 16 January 2015.

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") spared no effort in pursuing its corporate strategic goal of becoming an "Open Omni-channel Retailer". Amid the volatile economic environment and evolution of new business models, GOME shifted its focus back to retailing, upholding its cautions but pro-active revolutionary principle at all times, to meet customers' demands for products and services. Leveraging on the Group's core value platform of procurement, logistics, information technology, financial services and after sales services, GOME has been developing a shared terminal platform of "offline + online + mobile terminal + other social channels" in a more open and integrated business model with mutual benefits, and has achieved outstanding results.

During the reporting period, the Group recorded sales revenue of approximately RMB60,360 million, up 7.02% when compared with RMB56,401 million for the corresponding period last year. The performance of the physical stores and the e-commerce platform has further improved with sales revenue from comparable stores increased by 4.82% while the total e-commerce transaction amount (including transaction amount from the marketplace) increased by 84.41%. Meanwhile, the Group's consolidated gross profit margin remained at a relative high level of 18.48%.

The Group also tightened its control of operating expenses, in particular in rental and salaries which were maintained at a level below the industry average. The Group's operating expense ratio fell from 16.56% last year to 16.29% this year. Due to higher sales revenue and consolidated gross profit margin, and effective control of its operating expenses, the Group's profit attributable to the owners of the parent surged from RMB892 million last year to approximately RMB1,280 million, representing a significant increase of 43.50%. In view of this, the board of directors of the Company (the "Board") recommended a final dividend of HK$1.80 cents (equivalent to RMB1.38 fen) per ordinary share in accordance with existing dividend policy of the Company.

Looking ahead, the Group will continue to fully leverage on its competitive advantage on integrated supply value chain and strengthen integration across various platforms for both online and offline users, establish its total retail community with a commitment to offering excellent customer experiences, professional services and an extensive range of products.

FINANCIAL REVIEW

Revenue

During the reporting period, the Group's revenue was approximately RMB60,360 million, up 7.02% from RMB56,401 million in 2013. The Group's weighted average sales area was approximately 3,641,000 sq.m. and the revenue per sq.m. was approximately RMB16,578, up 6.58% as compared with RMB15,555 for the corresponding period in 2013.

During the reporting period, aggregate sales of 898 comparable stores recorded a revenue of approximately RMB50,152 million, up 4.82% from RMB47,844 million for the corresponding period in 2013. Sales revenue from the four regions of Beijing, Shanghai, Guangzhou and Shenzhen accounted for approximately 44% of the total revenue, which is similar to the corresponding period last year.

Cost of sales and gross profit

Cost of sales of the Group was approximately RMB51,366 million in the reporting period, accounted for 85.10% of the revenue, which is similar as compared with 84.93% for the corresponding period in 2013. Gross profit was approximately RMB8,994 million, up 5.79% from RMB8,502 million in the previous year. The gross profit margin was 14.90%, relatively stable as compared with 15.07% in the previous year.

Other income and gains

During the reporting period, the Group recorded other income and gains of approximately RMB2,163 million, representing an increase of 16.79% over that of RMB1,852 million 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").

Summary of other income and gains:

	2014	2013
As a percentage of sales revenue:		
Income from suppliers, net	**0.78%**	0.88%
Management and purchasing service fees from the Non-listed GOME Group	**0.41%**	0.44%
Income from air-conditioner installation	**0.25%**	0.19%
Gross rental income	**0.51%**	0.50%
Government grants	**0.19%**	0.26%
Income from extended warranties	**0.39%**	0.24%
Other income from telecommunication service providers	**0.41%**	0.29%
Compensation received	**0.17%**	–
Others	**0.47%**	0.48%
Total	**3.58%**	3.28%

Consolidated gross profit margin

During the reporting period, benefited from the differentiated product operation, the Group's consolidated gross profit margin was maintained at a high level of 18.48% as compared with 18.36% 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 RMB9,833 million, accounted for 16.29% of sales revenue, down by 0.27 percentage points as compared with 16.56% for the corresponding period in 2013, which was mainly due to the tightening control in the Group's expenses, especially in rental expenses and staff costs.

Summary of operating expenses:

	2014	2013
As a percentage of sales revenue:		
Selling and distribution expenses	**12.47%**	12.68%
Administrative expenses	**2.82%**	2.77%
Other expenses	**1.00%**	1.11%
Total	**16.29%**	16.56%

Selling and distribution expenses

During the reporting period, the Group's total selling and distribution expenses increased from RMB7,153 million to approximately RMB7,527 million, up 5.23%. While the revenue has grown, the expense over revenue ratio was 12.47%, down 0.21 percentage points as compared with 12.68% for the corresponding period in 2013. To control the rental expenses and the staff costs effectively, the Group has been focusing 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 RMB1,701 million, more than that of RMB1,564 million for the corresponding period in 2013 by 8.76%. The expense over revenue ratio was 2.82%, increased by 0.05 percentage points as compared with 2.77% for the corresponding period in 2013. The Group has always been strengthening its control over administrative expenses in order to maintain its expense over 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 decreased from RMB623 million in 2013 to approximately RMB605 million during the reporting period. The expense over revenue ratio was 1.00%, decreased by 0.11 percentage points as compared with 1.11% in 2013.

Profit 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 expenses over revenue ratio reduced, the Group's profit from operating activities increased significantly by 30.44% from RMB1,015 million in 2013 to approximately RMB1,324 million.

Net finance income

The Group's finance costs were mainly interest on bank loans while finance income was mainly bank interest income. During the reporting period, the Group's net finance income increased from RMB180 million for the corresponding period last year to approximately RMB256 million.

Profit before tax

During the reporting period, the Group's profit before tax was approximately RMB1,580 million, significantly increased by 32.22% as compared with RMB1,195 million in 2013.

Income tax expense

During the reporting period, in line with increase in profit before tax, the Group's income tax expense increased from RMB517 million in 2013 to approximately RMB562 million. The management considers the effective tax rate applied to the Group for the reporting period is reasonable.

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

During the reporting period, the profit attributable to the owners of the parent increased substantially by 43.50% from RMB892 million for the corresponding period last year to approximately RMB1,280 million. Basic earnings per share were RMB7.6 fen, as compared with RMB5.3 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, which were mainly denominated in Renminbi and the rest in US dollars, HK dollars and other currencies, were approximately RMB8,794 million, decreased by 2.46% as compared with RMB9,016 million as at the end of 2013.

Inventories

As at the end of the reporting period, the Group's inventories amounted to approximately RMB10,926 million, up 32.90% as compared with RMB8,221 million in 2013. The inventory turnover period increased by 7 days from 61 days in 2013 to 68 days in 2014.

Prepayments, deposits and other receivables

As at the end of the reporting period, prepayments, deposits and other receivables of the Group amounted to approximately RMB4,798 million (including the prepayment for the subscription of new shares in Huishang Bank Corporation Limited ("Huishang Bank") of approximately RMB1,412 million, which was fully refunded on 16 January 2015 pursuant to the agreement), up 105.66% 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 RMB20,880 million, up 15.51% from RMB18,077 million as at the end of 2013. Trade and bills payables turnover days were approximately 138 days, same as the previous year.

Capital expenditure

During the reporting period, the capital expenditure incurred by the Group amounted to approximately RMB630 million, representing a 44.50% increase as compared with approximately RMB436 million in 2013. 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 RMB861 million, a decrease as compared with net cash flows of RMB2,089 million in 2013. This is mainly due to the increase in advances to suppliers to secure more quality products as at the end of 2014.

Net cash flows used in investing activities amounted to approximately RMB1,970 million, including the prepayment for the subscription of new shares in the Huishang Bank of approximately RMB1,412 million, while RMB328 million was used in 2013.

Net cash flows generated from financing activities amounted to approximately RMB882 million while net cash flow for the corresponding period last year was RMB200 million. The increase this year was mainly due to the increase in interest-bearing bank loans.

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 RMB74 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 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 2014, the total borrowings of the Group, being interest-bearing bank loans which were denominated in US dollars with floating interest rates, amounted to approximately RMB3,426 million. There was no fixed interest bank loan. The interest-bearing bank loans were repayable within one year. The Group's financing activities have been continuingly supported by its bankers.

As at 31 December 2014, the debt to total equity ratio, which was expressed as a percentage of total borrowings of approximately RMB3,426 million over total equity of approximately RMB16,035 million, increased by 3.85 percentage points from 17.52% as at 31 December 2013 to 21.37%.

Charge on group assets

As at the end of 2014, the Group's bills payable and interest-bearing bank loans were secured by the Group's time deposits amounting to approximately RMB6,073 million, certain inventories with a carrying value of approximately RMB521 million and certain buildings and investment properties of the Group with a carrying value of approximately RMB1,461 million. The Group's bills payable amounted to approximately RMB13,660 million.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2014, the Group employed a total of 42,839 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

With the onset of the mobile internet era, the development of consumer behavior is trending towards a focus on the individual, with fragmented consumption time, diversified shopping scenarios, and less distinction between channels. In terms of the change in consumption behavior and demand, GOME will upgrade the "omni-channel experience" in both online and offline to the "total retail experience" emerging from the integrated online and offline channels, allowing consumers to shop freely between online, offline, mobile terminals and joint-operating channels. The Group will focus on the development of Mobile Micro Shops on top of the front-end interface platform, connecting online and offline. Meanwhile, the Group will enhance the value of the supply chain with a focus on the back-end big data infrastructure to build a total retail community with over 100 million customers.

Through GOME's total retailing shopping process, consumers from different entrances will enjoy more product choices than ever, diversified services including shopping assistance, queries, payment, installation, after-sales, reviews and feedbacks etc. Meanwhile, the Group will also conduct targeted marketing and promote repeat purchases by transferring real-time customer behavior data to the front-end in a timely manner using the big data terminal.

Key tasks for the Group in 2015:

Total Retail Interface Platforms

(1) Mobile Micro Shops: Loyal fans are consumers with the largest potential. Anchored by the micro shops, GOME will connect offline, online and data terminal to create a superb consumer experience. Leveraging social media which focuses on one-to-one information sharing through a network of connections, GOME will launch and share enormous products, achieving cross-categories, cross-brands and round-the-clock sales, transcending the boundaries of time and space and offering exclusive customized services to consumers; (2) Smart stores: By expediting the digitization of its physical stores, increasing product variety, introducing sophisticated product experiences and new technologies, the Group will encourage consumer buying during shopping, playing and experiencing; (3) Second-tier market: GOME will accelerate the expansion of store networks to cover more counties and towns; (4) GOME-on-line: The Group will further develop direct sales of electrical appliance categories and platforms sales of non-electrical appliances. By accelerating the development of the mobile terminal and e-commerce business, GOME-on-line aims to become China's leading e-commerce platform.

Total Retail Supply Chain Value Platforms

(1) Big data terminal: The Group will make use of its massive transaction data to build a big data terminal. By capturing customers' behavior and consumption pattern through cloud computing and data analysis, the Group will be able to conduct targeted marketing, creating total retail interface platforms which allow boundless shopping experience and thorough penetration. Furthermore, the Group will leverage the data to boost collaboration between value platforms including procurement, logistics, after-sales, financial services and information; (2) Procurement: With the new procurement model driven by information sharing and synergies with suppliers, GOME would maintain its low price benchmark and increase its pace to achieve the target of raising the proportion of differentiated products; (3) Logistics: GOME is committed to building China's biggest socialized logistic network platform for home appliances. With its strong foundations, infrastructure and nationwide store network, GOME will continue to establish the highest service benchmark of "Three deliveries/day, precise delivery, installation on delivery"; (4) After-sales services: GOME has already become China's leading air-conditioner and television installation

service provider. By offering the whole process after-sales services including installation, extended warranty, maintenance and home appliance recycling, and the "Deal with the problem within 24-hours guarantee", GOME aims to become China's largest home appliance after-sales services platform; (5) Information system: By building the GOME big data sharing cloud platform, establishing the data, logistics, after-sales, product, corporate resources and finance clouds etc, GOME will be able to achieve the sharing between logistics resources, data analysis and financial resources; (6) Financial services: GOME has successfully launched many internet financial products such as "Mei Tong" prepaid card, "Mei Ying Bao" and "Mei Ying Piao" services; and will focus on the development of consumer finance, factoring finance and business loan operations. This will let GOME to offer better and more customized financial products and services to customers and suppliers, enhancing loyalty to the GOME supply chain.

The infrastructure under the guidance of the "Open Omni-channel Retailer" strategy has been completed which in turn paved the way for the Group's remarkable results. In 2015, with "Internet Plus" becoming the national strategy, and with the development of mobile terminals and social media, the Group will perform in-depth data mining and carry out targeted marketing with the aid of big data terminal. It will accelerate the integration and interaction between its online, offline and mobile terminals, and strive to build a "Total Retail Community" to become the best total retail platform in China covering consumer groups of all ages, channels and markets. This will create greater value to the shareholders, suppliers and consumers of GOME.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to upholding good corporate governance practices. For the year ended 31 December 2014, the Company was in compliance with the code provisions of 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 2014.

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 of the Company. 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 2014 and the auditors' report thereon and submitted its reports to the Board.

PURCHASE, SALE AND REDEMPTION OF SHARES

During the year ended 31 December 2014, the Company repurchased an aggregate of 74,527,000 shares on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), details of which are as follows:

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

The repurchased shares 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 year ended 31 December 2014.

FINAL DIVIDEND

The Board recommended a final dividend of HK$1.80 cents (equivalent to RMB1.38 fen) per ordinary share (the "Final Dividend") for the year ended 31 December 2014, amounted to approximately HK$305,266,000 (equivalent to RMB234,864,000) based on 16,959,228,000 shares in issue as at 31 December 2014. Together with the interim dividend of HK$2.10 cents (equivalent to RMB1.63 fen) per ordinary share paid in October 2014 (the "Interim Dividend"), the total dividend for the year amounted to HK$3.90 cents (equivalent to RMB3.01 fen) per ordinary share, equivalent to approximately HK$661,410,000 (equivalent to RMB511,908,000).

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

Currently, the Board anticipates that the dividend payout ratio of the Company will be maintained at approximately 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.

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 2014 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, 23 March 2015

As at the date of this announcement, the Board comprises Mr. Zou Xiao Chun as executive director; Mr. Zhang Da Zhong as non-executive director; 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*