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 2015

FINANCIAL HIGHLIGHTS

	First half of 2015 *RMBm*	First half of 2014 *RMBm*
Revenue	**31,692**	29,124
Gross profit	**4,712**	4,430
Consolidated gross profit margin*	**17.70%**	18.83%
Profit from operating activities	**694**	738
Profit attributable to owners of the parent	**687**	693
Earnings per share – Basic and diluted	**RMB4.1 fen**	RMB4.1 fen
Interim dividend per share	**HK2.10 cents**	HK2.10 cents

* *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 2015 together with the comparative figures for the corresponding period in 2014 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six-month period ended 30 June 2015

	Notes	For the six-month period ended 30 June **2015** **(Unaudited)** ***RMB'000***	2014 (Unaudited) *RMB'000*
REVENUE	*5*	**31,692,485**	29,124,153
Cost of sales		**(26,980,149)**	(24,693,808)
Gross profit		**4,712,336**	4,430,345
Other income and gain	*5*	**899,059**	1,053,366
Selling and distribution expenses		**(3,810,460)**	(3,569,970)
Administrative expenses		**(791,665)**	(840,187)
Other expenses		**(314,940)**	(335,358)
Profit from operating activities		**694,330**	738,196
Finance costs	*7*	**(26,628)**	(21,470)
Finance income	*7*	**132,920**	129,386
PROFIT BEFORE TAX	*6*	**800,622**	846,112
Income tax expense	*8*	**(275,614)**	(247,598)
PROFIT FOR THE PERIOD		**525,008**	598,514
Attributable to:			
Owners of the parent		**686,923**	692,611
Non-controlling interests		**(161,915)**	(94,097)
		525,008	598,514
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
– Basic and diluted		**RMB4.1 fen**	RMB4.1 fen

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2015

	For the six-month period ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**525,008**	598,514
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Changes in fair value of other investments	**259,470**	14,040
Exchange differences on translation of foreign operations	**14,627**	9,900
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**274,097**	23,940
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**274,097**	23,940
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**799,105**	622,454
Attributable to:		
Owners of the parent	**961,020**	716,551
Non-controlling interests	**(161,915)**	(94,097)
	799,105	622,454

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	**30 June 2015 (Unaudited)** ***RMB'000***	31 December 2014 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property and equipment		**4,384,014**	4,417,234
Investment properties		**601,224**	601,224
Goodwill		**7,145,117**	7,145,117
Other intangible assets		**254,082**	265,801
Other investments		**476,820**	217,350
Lease prepayments and deposits		**368,940**	311,128
Deferred tax assets		**28,217**	31,795
Total non-current assets		**13,258,414**	12,989,649
CURRENT ASSETS			
Inventories		**9,785,346**	10,926,399
Trade and bills receivables	*10*	**417,241**	267,694
Prepayments, deposits and other receivables		**3,416,568**	4,797,960
Due from related companies		**258,939**	227,964
Equity investments at fair value through profit or loss		**976,309**	–
Pledged deposits		**4,083,495**	6,072,895
Cash and cash equivalents		**10,715,978**	8,794,112
Total current assets		**29,653,876**	31,087,024
CURRENT LIABILITIES			
Interest-bearing bank loans		**1,523,494**	3,425,950
Trade and bills payables	*11*	**20,375,192**	20,880,430
Customers' deposits, other payables and accruals		**2,575,996**	2,425,413
Due to related companies		**767,316**	521,213
Tax payable		**671,850**	626,151
Total current liabilities		**25,913,848**	27,879,157

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As at 30 June 2015

	Note	**30 June 2015 (Unaudited)** ***RMB'000***	31 December 2014 (Audited) *RMB'000*
NET CURRENT ASSETS		**3,740,028**	3,207,867
TOTAL ASSETS LESS CURRENT LIABILITIES		**16,998,442**	16,197,516
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**159,401**	162,998
Total non-current liabilities		**159,401**	162,998
Net assets		**16,839,041**	16,034,518
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**423,268**	423,221
Proposed dividends	*12*	**234,864**	234,864
Reserves		**17,214,222**	16,247,831
		17,872,354	16,905,916
Non-controlling interests		**(1,033,313)**	(871,398)
Total equity		**16,839,041**	16,034,518

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, consumer electronic products retail stores and electronic products on-line sales 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 2015 (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 2014.

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 2014, except for the adoption of new amendments effective as of 1 January 2015.

The Group applied the following new amendments for the first time in 2015. However, they do not impact the interim condensed consolidated financial statements of the Group.

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

Employee Contributions (Amendments to IAS 19)

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual Improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

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

IFRS 2 *Share-based Payment*

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition;
- A performance target must be met while the counterparty is rendering service;
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
- A performance condition may be a market or non-market condition;
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

The above definitions are consistent with how the Group has identified any performance and service conditions which are vesting conditions in previous periods, and thus these amendments do not impact the Group's accounting policies.

IFRS 3 *Business Combinations*

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination 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, as applicable). This is consistent with the Group's current accounting policy, and thus this amendment does not impact the Group's accounting policy.

IFRS 8 *Operating Segments*

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar';
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Group has not applied the aggregation criteria in IFRS 8.12. The Group has presented the reconciliation of segment assets to total assets in previous periods and continues to disclose the same in note 4 to this Interim Financial Information as the reconciliation is reported to the chief operating decision maker for the purpose of decision making.

IAS 16 *Property, Plant and Equipment and IAS 38 Intangible Assets*

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. The Group did not record any revaluation adjustments during the current interim period.

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

IAS 24 *Related Party Disclosures*

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant to the Group as it does not receive any management services from other entities.

Annual Improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

IFRS 3 *Business Combinations*

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3;
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

The Company is not a joint arrangement, and thus this amendment is not relevant for the Company and its subsidiaries.

IFRS 13 *Fair Value Measurement*

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The Group does not apply the portfolio exception in IFRS 13.

IAS 40 *Investment Property*

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e. property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Group has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment does not impact the accounting policy of 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, 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, loss on equity investments at fair value through profit or loss, 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, equity investments at fair value through profit or loss 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.

	For the six-month period ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Segment revenue		
Sales to external customers	**31,692,485**	29,124,153
Segment results	**771,679**	685,428
Reconciliation		
Bank interest income	**132,920**	129,386
Unallocated income	**344**	100,514
Loss on equity investments at fair value through profit or loss	**(23,691)**	–
Finance costs	**(26,628)**	(21,470)
Corporate and other unallocated expenses	**(54,002)**	(47,746)
Profit before tax	**800,622**	846,112

	30 June 2015	31 December 2014
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Segment assets	**26,631,471**	28,960,521
Reconciliation		
Corporate and other unallocated assets	**16,280,819**	15,116,152
Total assets	**42,912,290**	44,076,673
Segment liabilities	**23,718,504**	23,827,056
Reconciliation		
Corporate and other unallocated liabilities	**2,354,745**	4,215,099
Total liabilities	**26,073,249**	28,042,155

4. OPERATING SEGMENT INFORMATION (continued)

	For the six-month period ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Other segment information		
Depreciation and amortisation	**299,264**	296,153
Capital expenditure*	**290,720**	372,194

* 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	
		2015	2014
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
Revenue			
Sale of electrical appliances and consumer electronic products		**31,692,485**	29,124,153
Other income			
Income from suppliers, net		**184,092**	172,797
Management and purchasing service fees from the Non-listed GOME Group	*(i)*	**160,897**	156,437
Income from products installation		**75,640**	64,969
Gross rental income		**145,419**	140,249
Government grants	*(ii)*	**26,677**	41,806
Other service fee income		**127,658**	100,097
Other income from telecommunication service providers		**95,396**	141,230
Commission income earned through online platform		**36,589**	18,416
Others		**46,691**	117,263
		899,059	953,264
Gain			
Compensation received		**–**	100,102
		899,059	1,053,366

Notes:

(i) 北京鵬潤投資有限公司 ("Beijing Eagle Investment Co., Ltd."), 國美地產控股有限公司 ("GOME Property Co., Ltd.") (formerly known as 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 the 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 of electrical appliances and consumer electronic products under the trademark of "GOME Electrical Appliances" and related operations mainly in cities other than the designated cities of the PRC in which the Group already operates. The companies comprising the Non-listed GOME Group are owned by Mr. Wong Kwong Yu ("Mr. Wong"), a substantial shareholder of the Company.

(ii) 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	
		2015	2014
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
Cost of inventories sold		**26,980,149**	24,693,808
Depreciation		**287,545**	284,434
Amortisation of intangible assets	*(i)*	**11,719**	11,719
Loss on disposal of items of property and equipment		**7,958**	14,815
Loss on equity investments at fair value through profit or loss		**23,691**	–
Minimum lease payments under operating leases in respect of land and buildings		**1,781,137**	1,585,807
Gross rental income	5	**(145,419)**	(140,249)
Foreign exchange differences, net		**32,028**	17,570
Reversal of impairment provision for items of property and equipment		**(3,052)**	–
Staff costs excluding directors' and chief executive's remuneration:			
Wages, salaries and bonuses		**995,957**	1,043,531
Pension scheme contributions*		**235,123**	215,713
Social welfare and other costs		**37,165**	42,417
Equity-settled share option expense		**1,690**	5,065
		1,269,935	1,306,726

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 2015, the Group had no forfeited contribution available to reduce its contributions to the pension schemes in future years (2014: Nil).

7. FINANCE (COSTS)/INCOME

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

	For the six-month period ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Finance costs:		
Interest expenses on bank loans wholly repayable within five years	**(26,628)**	(21,470)
Finance income:		
Bank interest income	**132,920**	129,386

8. INCOME TAX EXPENSE

An analysis of the provision for tax is as follows:

	For the six-month period ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current income tax – PRC	**275,633**	234,488
Deferred income tax	**(19)**	13,110
Total tax charge for the period	**275,614**	247,598

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 2014: 25%) on their respective taxable income. During the current period, 25 entities (six-month period ended 30 June 2014: 25 entities) of the Group obtained approvals from the relevant PRC tax authorities and were entitled to preferential corporate income tax rates.

8. INCOME TAX EXPENSE (continued)

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 2015 and 2014, 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

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 16,959,826,000 in issue during the period (six-month period ended 30 June 2014: 16,888,176,000).

For the six-month periods ended 30 June 2015 and 30 June 2014, there are no potentially dilutive ordinary shares.

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

	For the six-month period ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation	**686,923**	692,611

	Number of shares for the six-month period ended 30 June	
	2015	2014
	(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	**16,959,826**	16,888,176

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 2015 (Unaudited) *RMB'000*	31 December 2014 (Audited) *RMB'000*
Outstanding balances, aged:		
Within 3 months	**334,785**	215,817
3 to 6 months	**78,131**	34,021
6 months to 1 year	**4,325**	17,856
	417,241	267,694

11. TRADE AND BILLS PAYABLES

	30 June 2015 (Unaudited) *RMB'000*	31 December 2014 (Audited) *RMB'000*
Trade payables	**7,679,837**	7,220,716
Bills payable	**12,695,355**	13,659,714
	20,375,192	20,880,430

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 2015 (Unaudited) *RMB'000*	31 December 2014 (Audited) *RMB'000*
Within 3 months	**12,281,078**	12,475,119
3 to 6 months	**6,849,594**	7,443,568
Over 6 months	**1,244,520**	961,743
	20,375,192	20,880,430

11. TRADE AND BILLS PAYABLES (continued)

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. DIVIDENDS

	For the six-month period ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interim dividend:		
HK2.10 cents (equivalent to RMB1.62 fen) (2014: HK2.10 cents (equivalent to RMB1.63 fen)) per ordinary share	**274,769**	277,044
Proposed final:		
Nil (2014: cash dividend of HK1.80 cents (equivalent to RMB1.38 fen) per ordinary share)	**–**	234,864
	274,769	511,908

Subsequent to 30 June 2015, 2014 final dividend was paid on 16 July 2015.

Pursuant to the board of directors' resolution dated 24 August 2015, an interim dividend of HK2.10 cents per ordinary share was declared. On 25 August 2014, the board of directors declared 2014 interim dividend of HK2.10 cents per ordinary share.

13. EVENTS AFTER THE REPORTING PERIOD

On 23 June 2015, the Group announced that the Group entered into an agreement with Beijing Zhansheng Investment Co., Ltd. ("Beijing Zhansheng") on 23 June 2015, under which the Group agreed to acquire from Beijing Zhansheng the sales shares at the consideration of approximately RMB3.83 billion subject to adjustments based on the adjusting clauses of the agreement. The sales shares represent 100% of the registered capital of 北京市大中家用電器連鎖銷售有限公司 ("Beijing Dazhong Home Appliances Retail Co., Ltd."). The completion of acquisition is conditional upon the Ministry of Commerce of the PRC having approved the acquisition in respect of any anti-trust arrangement or a waiver granted to such effect. Up to the date of approval of the Interim Financial Information, the acquisition is not yet approved by the Ministry of Commerce.

On 26 July 2015, the Group announced that the Group and GOME Management Ltd. (the "Vendor"), entered into the acquisition agreement on 17 July 2015, pursuant to which the Group has conditionally agreed to purchase the sale shares, representing the entire issued capital of Artway Development Limited (the "Target"), from the Vendor for HK$11,268,000,000, subject to adjustment based on the audited consolidated statement of financial position of the Target as at 30 June 2015. The Vendor is an associate of Mr. Wong, the controlling shareholder of the Group, and hence a connected person of the Group under the Listing Rules. The acquisition constitutes a major and connected transaction for the Company under the Listing Rules which requires the approval of the independent shareholders by poll, which is not yet completed by the date of approval of the Interim Financial Information.

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 the strategic goal of "building an O2O Total Retail Ecosystem". The Group achieved outstanding results through an interface platform that encompasses "online + offline + mobile terminals + other social channels", as well as a value supply chain platform that encompasses procurement, logistics, information system and financial services backed by the big data terminals, which all engaged in a more open and integrated business model that provide mutual benefits.

During the reporting period, the Group recorded sales revenue of approximately RMB31,692 million, up 8.82% as compared with RMB29,124 million in the same period last year. Sales growth for comparable stores was approximately 2.26%, while sales growth for the comparable stores in the second-tier market was approximately 5.34%. In addition, the gross merchandise volume ("GMV") of the e-commerce business grew by approximately 151.34%. Consolidated gross profit margin slightly dropped by 1.13 percentage points from 18.83% in the same period last year to approximately 17.70%. Profit attributable to the owners of the parent was approximately RMB687 million, as compared to RMB693 million for the same period last year. By excluding the RMB100 million one-off compensation received in 2014, the profit attributable to the owners of the parent would be increased by 15.85% from RMB593 million for the corresponding period last year to RMB687 million. Moreover, the Group's cash and cash equivalents increased from RMB8,794 million as at 31 December 2014 to approximately RMB10,716 million as at 30 June 2015.

In the first half of 2015, the Group expedited the renovation and upgrade of its smart stores to exploit its physical stores' competitive advantages in satisfying customers' needs. To indulge consumers with an excellent shopping experience offered by the integration of its offline and online businesses, the Group is riding the wave of the "Internet Plus" strategy and strives to fully optimize its internet layout by speeding up the development of its online business. In addition, GOME's Total Retail strategy is supported by an open, low-cost and highly efficient supply chain which leverages on the integration of the Group's procurement, logistics, information technology and financial services platforms, enabling the Group to enhance customer loyalty by carrying out in-depth data mining and targeted marketing to satisfy the needs of consumers of all ages in a wide range of shopping settings, and thereby laying a solid foundation for the "O2O Total Retail Ecosystem" which will bring mutual success to the industry.

FINANCIAL REVIEW

Revenue

During the reporting period, the Group's sales revenue was approximately RMB31,692 million, up 8.82% from RMB29,124 million for the corresponding period in 2014. The weighted average sales area of the Group's stores was approximately 3,789,000 sq.m. Revenue per sq.m. was approximately RMB7,515, relatively the same as compared with RMB7,589 for the corresponding period in 2014. During the reporting period, the Group had 957 comparable stores, recording a revenue of approximately RMB26,219 million, up 2.26% as compared with RMB25,639 million for the corresponding period in 2014.

Cost of sales and gross profit

Cost of sales for the Group was approximately RMB26,980 million in the reporting period, accounting for 85.13% of the total sales revenue, as compared with 84.79% for the corresponding period in 2014. The Group's gross profit was approximately RMB4,712 million, up 6.37% as compared with RMB4,430 million for the corresponding period last year. Gross profit margin was approximately 14.87%, decreased by 0.34 percentage points as compared with 15.21% for the corresponding period last year.

Other income and gain

During the reporting period, the Group recorded other income and gain of approximately RMB899 million, representing a decrease of 14.62% as compared with RMB1,053 million for the corresponding period in 2014. By excluding the RMB100 million one-off compensation received in 2014, the other income and gain in 2014 would be adjusted to RMB953 million, as such the other income and gain would be decreased by approximately 5.67%.

Consolidated gross profit margin

During the reporting period, the Group's consolidated gross profit margin was approximately 17.70%, slightly dropped by 1.13 percentage points as compared with 18.83% for the corresponding period in 2014.

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 RMB4,917 million, accounting for 15.51% of total sales revenue, down 0.79 percentage points as compared with 16.30% for the corresponding period in 2014.

Selling and distribution expenses

During the reporting period, the Group's total selling and distribution expenses amounted to approximately RMB3,810 million. The percentage over sales revenue was 12.02%, down 0.24 percentage point as compared with 12.26% for the corresponding period in 2014. The decrease in selling and distribution expenses was mainly due to the tightening control on the expenses by the Group during the period. Salaries and delivery expenses as a percentage of sales revenue decreased by 0.12 and 0.12 percentage points from 2.96% and 0.81% for the corresponding period last year to 2.84% and 0.69%, respectively.

Administrative expenses

During the reporting period, administrative expenses were approximately RMB792 million, decreased by 5.71% as compared with RMB840 million for the corresponding period last year. The proportion over sales revenue was 2.50%, down 0.38 percentage points as compared with 2.88% for the corresponding period in 2014.

Other expenses

Other expenses of the Group mainly comprised, among others, business taxes and bank charges. Other expenses were approximately RMB315 million during the reporting period, accounting for 0.99% of sales revenue, down by 0.17 percentage points as compared with 1.16% for the corresponding period in 2014.

Profit from operating activities

As the result of the increase in sales revenue, increase in consolidated gross profit and decrease in the operating expenses ratio during the reporting period, the Group's profit from operating activities was approximately RMB694 million, as compared with RMB738 million for the corresponding period in 2014. By excluding the RMB100 million one-off compensation received in 2014, the profit from operating activities in 2014 would be adjusted to RMB638 million. The profit from operating activities during the reporting period would be increased by approximately 8.78% as compared to the adjusted operating profit.

Net finance income

During the reporting period, the Group's net finance income was approximately RMB106 million, remain stable as compared with RMB108 million in the first half of 2014. In addition, interest income increased by 3.10% to approximately RMB133 million for the reporting period from RMB129 million for the corresponding period of the previous year.

Profit before tax

During the reporting period, the Group's profit before tax was approximately RMB801 million, a decrease of 5.32% as compared with RMB846 million for the corresponding period in 2014. By excluding the RMB100 million one-off compensation received in 2014, the profit before tax for the period would be increased by approximately 7.37% as compared to adjusted profit of RMB746 million last year. Profit margin before tax was 2.53%, as compared with 2.90% for the corresponding period in 2014.

Income tax expense

During the reporting period, the Group's income tax expense was approximately RMB276 million, showing an increase as compared with RMB248 million for the corresponding period in 2014. 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

During the reporting period, the Group's profit attributable to owners of the parent was approximately RMB687 million as compared with RMB693 million for the corresponding period last year. Net profit margin attributable to owners of the parent was 2.17% as compared with 2.38% for the corresponding period of the previous year. By excluding the RMB100 million one-off compensation received in 2014, the profit attributable to the parent for the period would be increased by approximately 15.85% as compared with the adjusted profit of RMB593 million in 2014.

Basic earnings per share attributable to owners of the parent was RMB4.1 fen, the same as the corresponding period of last year of RMB4.1 fen.

Cash and cash equivalents

As at the end of the reporting period, cash and cash equivalents held by the Group were approximately RMB10,716 million, representing an increase of 21.86% as compared with RMB8,794 million as at the end of 2014, the increase was mainly due to improvement in the operational efficiency of the Group.

Inventories

As at the end of the reporting period, the Group's inventories amounted to approximately RMB9,785 million, down 10.44% as compared with RMB10,926 million at the end of 2014. Inventory turnover days increased by 1 day from 68 days in 2014 to approximately 69 days during the reporting period.

Prepayments, deposits and other receivables

As at the end of the reporting period, prepayments, deposits and other receivables of the Group amounted to approximately RMB3,417 million, down 28.78% from RMB4,798 million as at the end of 2014. This is mainly due to the full refund of the prepayment for the subscription of new issued shares in Huishang Bank Corporation Limited of approximately RMB1,412 million during the period.

Trade and bills payables

As at the end of the reporting period, trade and bills payables of the Group amounted to approximately RMB20,375 million, down 2.42% from RMB20,880 million as at the end of 2014. Turnover days of trade and bills payables were approximately 138 days during the reporting period, same as 138 days for 2014.

Capital expenditure

During the reporting period, capital expenditure incurred by the Group amounted to approximately RMB291 million, representing a 21.56% decrease as compared with RMB371 million for the first half in 2014.

Cash flows

During the reporting period, with the continuing improvement in its profitability and operational efficiency, the Group's net cash flows generated from operating activities amounted to approximately RMB1,761 million, as compared with RMB3,277 million for the corresponding period last year.

Net cash flows from investing activities amounted to approximately RMB153 million, as compared with net cash outflow of RMB300 million in the first half of 2014.

Net cash flows from financing activities amounted to approximately RMB9 million, as compared with RMB1,077 million in the first half of 2014.

Contingent liabilities and capital commitments

As at the end of the reporting period, the Group had no material contingent liabilities. The Group had capital commitments of approximately RMB69 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 2015, the total borrowings of the Group, being interest-bearing bank loans, which were denominated in US dollars, amounted to approximately RMB1,523 million. There was no fixed interest bank loan. The interest-bearing bank loans were all with floating interest rates and were repayable within one year. The Group's financing activities continued to be supported by its bankers.

As at 30 June 2015, the debt to total equity ratio, which was expressed as a percentage of total borrowings amounting to RMB1,523 million over total equity amounting to RMB16,839 million, decreased from 21.37% as at 31 December 2014 to 9.04%.

Charge on group assets

As at 30 June 2015, the Group's bills payable and interest-bearing bank loans were secured by certain of the Group's time deposits amounting to RMB4,083 million and certain owner-occupied properties and investment properties with a carrying value of RMB1,861 million. The Group's bills payables and interest-bearing bank loans amounted to RMB14,219 million in total.

HUMAN RESOURCES EXPERTISE

The Group focused on the development of staff with strong retail industry-specific expertise through the implementation of comprehensive training. The Company developed different human resources management programs targeted at different levels of staff. The "Reservoir" project was designed to nurture a pool of outstanding entry level talents. The "Career Acceleration" program, aims at retaining and developing mid-level staff, provides opportunities for staff to advance their careers. Succession planning ensures that there are qualified and motivated employees to fill vacancies in top-level management. By implementing targeted training and development programs, the Company not only developed a pool of talent, but also strengthened its employees' management skills and professionalism, hence paving a road to a fruitful and successful future.

As at 30 June 2015, the Group had a total of 44,447 employees.

OUTLOOK AND PROSPECTS

Expanding the O2O Total Retail Ecosystem

In the second half of 2015, the Group will focus on the following four key areas of development to further enhance its consumer interface platforms with more interactive features and expand its O2O total retail ecosystem with the aim of attracting more customers and promoting sales growth:

- **Reinforcing Nationwide O2O "Total Retail Experience" :** The Group will continue to optimize its physical stores in the first-tier market and accelerate store expansion in the second-tier market in order to promote market penetration of its e-commerce business nationwide. By seamlessly engaging customers across online and offline channels, the Group is destined to achieve fuller integration of all channels and grow its "total retail ecosystem", thereby allowing customers to enjoy total retail experience and comprehensive services anytime, anyplace, anywhere.

- **Community-centric O2O:** The Group will continue to adopt an O2O "Service + Product" approach at its micro shops to serve customers throughout the entire product cycle. With more merchants joining and integrating the after-sales service platform, the Group will strive to promote greater customer loyalty and achieve its goal of maintaining long lasting customer relationships. For instance, targeting mini-communities formed within a 5-kilometer radius of physical stores and the micro shops supported fully by GOME employees, steady customer groups will naturally be created through enhanced loyalty. Through O2O, the Group expects to seamlessly engage customers across an array of online, offline and mobile channels, further expanding its product mix and complete the ecosystem.

- **Accelerating E-Commerce Development:** The Group will fully integrate its e-commerce platform with big data terminal and scalable procurement platforms in order to enhance brand awareness and customer satisfaction across different online terminals. The synergies resulting from the integration of online and offline channels will create huge room for growth. In addition, Gome-on-line's overseas shopping network has taken shape, and will soon launch shopping channels for Japan, Australia and other country-specific shopping channels.

- **Smart Home Appliances Industry:** The Group will instill the "Smart" concept in its store operations, product offerings and business partnerships in general, with an aim to enrich consumer experience in the home appliance retail industry. Currently, for Internet Smart TV, the Group is striving to build a complete internet ecosystem that encompasses "Content Development + User Terminal Manufacturing + Distribution Channels + Platform Operation" by investing in Internet Protocol Television so as to open up more channels to bring in more customers traffics.

Synergy Creation through Acquisition of Non-listed GOME Group

Reference is made to the Company's announcement dated 26 July 2015 (the "Announcement") regarding the proposed acquisition of Artway Development Limited (a company engaged in the retail sale of electrical appliances and consumer electronic products under the trademark "GOME Electrical Appliances" and related operations mainly in cities other than the designated cities of the PRC in which the Group already operates). Capitalized terms used herein take the same meanings ascribed to them in the Announcement. Data used herein on Target Group is based on data as of 31 March 2015, for illustrative purpose only.

The Group expects that upon Completion of the Acquisition, the Group will be able to:

(1) Significantly expand its retail store network from 310 cities to more than 450 cities in the PRC and complete its nationwide retail network. The number of retail stores of the Group will increase from 1,213 before the Acquisition to around 1,791 upon Completion. The total sales area will increase from 3,934,000 sq.m. before the Acquisition to around 5,686,000 sq.m. upon Completion;

(2) Accelerate network coverage development in the second-tier market, and;

(3) Facilitate total integration of logistics, warehousing and after-sales services in order to create greater value to for customers and shareholders:

    a. As at 30 June 2015, the Group operates 15 regional and 300 municipal distribution centers, with a total storage area of approximately 1,930,000 sq.m. that seamlessly covers over 400 counties, 1,400 villages and 26,000 towns in China. Upon Completion, the enlarged group will operate about 21 regional and 407 municipal distribution centers, with a total storage area of approximately 3,020,000 sq.m. that seamlessly covers over 600 counties, 2,500 villages and 45,000 towns in China;

    b. As at 30 June 2015, the Group operates a network of 1,327 after-sales service centers covering 234 cities in China. Upon Completion, the enlarged group will operate a network of approximately 2,122 after-sales service centers covering 410 cities in China.

INTERIM DIVIDEND AND DIVIDEND POLICY

The Board declared an interim dividend of HK2.10 cents (equivalent to RMB1.62 fen) per ordinary share (the "Interim Dividend") for the six-month period ended 30 June 2015, amounting to approximately HK$356,193,000 (equivalent to RMB274,769,000) to shareholders whose names appear on the register of members of the Company on Tuesday, 22 September 2015. The Interim Dividend will be payable on or about Thursday, 15 October 2015.

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 Tuesday, 22 September 2015, 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 Monday, 21 September 2015. The record date for the determination of entitlement to the Interim Dividend will be on Tuesday, 22 September 2015.

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

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 2015.

CORPORATE GOVERNANCE

The Company is committed to upholding good corporate governance practices. For the six-month period ended 30 June 2015, the Company was in compliance with the code provisions of the Corporate Governance 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 2015 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 2015 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, 24 August 2015

As at the date of this announcement, the Board of the Company comprises Mr. Zou Xiao Chun as executive director; Mr. Zhang Da Zhong, Ms. Huang Xiu Hong and Mr. Yu Sing Wong as non-executive directors; and Mr. Lee Kong Wai, Conway, Mr. Ng Wai Hung, Ms. Liu Hong Yu and Mr. Wang Gao as independent non-executive directors.

* *For identification purpose only*