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 2015

2015 FINANCIAL HIGHLIGHTS

- During the reporting period, sales revenue was approximately RMB64,595 million, increased by 7.02% as compared with RMB60,360 million in the previous year
- Consolidated gross profit margin was 17.81%, as compared with 18.48% in the previous year
- Profit attributable to owners of the parent was approximately RMB1,208 million, as compared with RMB1,280 million in the previous year
- Basic earnings per share were RMB7.1 fen, as compared with RMB7.6 fen in the previous year
- The Board proposed a final dividend of HK1.50 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 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
REVENUE	5	**64,595,127**	60,359,843
Cost of sales	6	**(55,082,038)**	(51,365,601)
Gross profit		**9,513,089**	8,994,242
Other income and gains	5	**1,994,026**	2,162,584
Selling and distribution expenses		**(7,791,964)**	(7,526,591)
Administrative expenses		**(1,580,572)**	(1,701,039)
Other expenses		**(768,601)**	(604,967)
Profit from operating activities		**1,365,978**	1,324,229
Finance costs	7	**(43,226)**	(46,111)
Finance income	7	**253,999**	302,026
PROFIT BEFORE TAX	6	**1,576,751**	1,580,144
Income tax expense	8	**(640,257)**	(561,976)
PROFIT FOR THE YEAR		**936,494**	1,018,168
Attributable to:			
Owners of the parent		**1,207,963**	1,279,770
Non-controlling interests		**(271,469)**	(261,602)
		936,494	1,018,168
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
– Basic		**RMB7.1 fen**	RMB7.6 fen
– Diluted		**RMB7.1 fen**	RMB7.6 fen

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
PROFIT FOR THE YEAR		**936,494**	1,018,168
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of other investments	11	**212,992**	82,350
Exchange differences on translation of foreign operations		**3,292**	12,987
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**216,284**	95,337
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**216,284**	95,337
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,152,778**	1,113,505
Attributable to:			
Owners of the parent		**1,424,247**	1,375,107
Non-controlling interests		**(271,469)**	(261,602)
		1,152,778	1,113,505

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	**31 December 2015 *RMB'000***	31 December 2014 *RMB'000*
NON-CURRENT ASSETS			
Property and equipment		**4,393,245**	4,417,234
Investment properties		**599,832**	601,224
Goodwill		**7,145,117**	7,145,117
Other intangible assets		**242,363**	265,801
Other investments	*11*	**595,013**	217,350
Lease prepayments and deposits		**1,423,833**	311,128
Deferred tax assets		**40,140**	31,795
Total non-current assets		**14,439,543**	12,989,649
CURRENT ASSETS			
Inventories		**10,176,004**	10,926,399
Trade and bills receivables	*12*	**189,439**	267,694
Prepayments, deposits and other receivables		**4,245,343**	4,797,960
Due from related companies		**189,694**	227,964
Equity investments at fair value through profit or loss		**1,029,142**	–
Pledged deposits		**3,880,903**	6,072,895
Cash and cash equivalents		**7,437,717**	8,794,112
Total current assets		**27,148,242**	31,087,024
CURRENT LIABILITIES			
Trade and bills payables	*13*	**19,290,931**	20,880,430
Customers' deposits, other payables and accruals		**2,591,986**	2,425,413
Interest-bearing bank loans		**971,512**	3,425,950
Due to related companies		**1,028,149**	521,213
Tax payable		**857,222**	626,151
Total current liabilities		**24,739,800**	27,879,157

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
31 December 2015

	31 December 2015 *RMB'000*	31 December 2014 *RMB'000*
NET CURRENT ASSETS	**2,408,442**	3,207,867
TOTAL ASSETS LESS CURRENT LIABILITIES	**16,847,985**	16,197,516
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**159,623**	162,998
Total non-current liabilities	**159,623**	162,998
Net assets	**16,688,362**	16,034,518
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**423,268**	423,221
Reserves	**17,402,681**	16,482,695
	17,825,949	16,905,916
Non-controlling interests	**(1,137,587)**	(871,398)
Total equity	**16,688,362**	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 operation and management of networks of electrical appliances, consumer electronic products retail stores and electronic products on-line sale 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 disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, other investments which are classified as available-for-sale financial assets and equity investments at fair value through profit or loss, 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 for the first time for the current year's financial statements.

Amendments to IAS 19, *Defined Benefit Plans: Employee Contributions*
Annual Improvements to IFRSs 2010-2012 Cycle
Annual Improvements to IFRSs 2011-2013 Cycle

The nature and the impact of each amendment is described below:

(a) Amendments to IAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. 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 of service cost in the period in which the related service is rendered. The amendments have had no significant impact on the Group as the Group does not have defined benefit plans.

(b) The *Annual Improvements to IFRSs 2010-2012 Cycle* issued in December 2013 sets out amendments to a number of IFRSs. Details of the amendments that are effective for the current year are as follows:

- IFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*: Clarifies the treatment of the gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- IAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(c) The *Annual Improvements to IFRSs 2011-2013 Cycle* issued in December 2013 sets out amendments to a number of IFRSs. Details of the amendments that are effective for the current year are as follows:

- IFRS 3 *Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of IFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- IFRS 13 *Fair Value Measurement*: 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 amendment is applied prospectively from the beginning of the annual period in which IFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in IFRS 13.

- IAS 40 *Investment Property*: Clarifies that IFRS 3, instead of the description of ancillary services in IAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

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 network of electrical appliances, consumer electronic products retail stores and electronic products on-line sale 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, finance costs, loss on equity investment at fair value through profit or loss and corporate and other unallocated expenses are excluded from this measurement.

Segment assets exclude other investments, deferred tax assets, equity investments at fair value through profit or loss, 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.

4. OPERATING SEGMENT INFORMATION (Continued)

	2015 *RMB'000*	2014 *RMB'000*
Segment revenue		
Sales to external customers	**64,595,127**	60,359,843
Segment results	**1,620,470**	1,309,488
Reconciliation:		
Bank interest income	**253,999**	302,026
Unallocated income	**2,730**	102,568
Finance costs	**(43,226)**	(46,111)
Loss on equity investments at fair value through profit or loss	**(206,758)**	–
Corporate and other unallocated expenses	**(50,464)**	(87,827)
Profit before tax	**1,576,751**	1,580,144
Segment assets	**28,604,870**	28,960,521
Reconciliation:		
Corporate and other unallocated assets	**12,982,915**	15,116,152
Total assets	**41,587,785**	44,076,673
Segment liabilities	**22,911,066**	23,827,056
Reconciliation:		
Corporate and other unallocated liabilities	**1,988,357**	4,215,099
Total liabilities	**24,899,423**	28,042,155
Other segment information		
Depreciation and amortisation	**524,416**	579,306
Capital expenditure*	**566,786**	625,659

* Capital expenditure consists of additions to property and equipment.

Geographical information

(a) Revenue from external customers

	2015 *RMB'000*	2014 *RMB'000*
Mainland China	**64,595,127**	60,359,843

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

4. **OPERATING SEGMENT INFORMATION (Continued)**

(b) ***Non-current assets***

	2015 *RMB'000*	2014 *RMB'000*
Mainland China	**13,770,013**	12,713,520
Hong Kong	**34,377**	26,984
	13,804,390	12,740,504

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 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	**2015** *RMB'000*	2014 *RMB'000*
Revenue			
Sale of electrical appliances and consumer electronic products		**64,595,127**	60,359,843
Other income			
Income from suppliers, net		**461,105**	473,323
Management and purchasing service fees from the Non-listed GOME Group	*(i)*	**250,000**	250,000
Income from air-conditioner installation		**149,188**	148,074
Gross rental income		**311,958**	307,684
Government grants	*(ii)*	**163,397**	114,944
Other service fee income		**271,270**	233,352
Income from compensation		**14,170**	41,429
Other income from telecommunication service providers		**171,963**	249,551
Commission income from services provision of on-line platform		**123,484**	98,685
Others		**67,957**	145,440
		1,984,492	2,062,482
Gains			
Fair value gain on investment properties		**9,534**	–
Compensation received		**–**	100,102
		9,534	100,102
		1,994,026	2,162,584

5. REVENUE, OTHER INCOME AND GAINS (Continued)

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 Beijing Pengrun Property Co., Ltd.”), 北京國美電器有限公司 (“Beijing GOME Electrical Appliance Co., Ltd.”), 國美電器零售有限公司 (“GOME Electrical Appliance Retail Co., Ltd.” or “GOME Retail”) and their respective subsidiaries of the forgoing companies and 北京國美投資有限公司 (Beijing GOME Investment Co., Ltd.) 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):

	Notes	**2015** ***RMB’000***	2014 *RMB’000*
Cost of inventories sold		**55,082,038**	51,365,601
Depreciation		**500,978**	555,868
Amortisation of intangible assets	*(i)*	**23,438**	23,438
Loss on disposal of items of property and equipment		**7,957**	9,216
Loss on equity investments at fair value through profit or loss		**206,758**	–
Minimum lease payments under operating leases		**3,564,687**	3,303,420
Impairment provision for items of property and equipment		**12,695**	10,464
Foreign exchange differences, net		**10,770**	37,396
Auditors’ remuneration			
– audit services		**9,229**	6,692
– non-audit services		**877**	540
Staff costs excluding directors’ and chief executive’s remuneration			
Wages, salaries and bonuses		**2,119,882**	2,155,715
Pension scheme contributions*		**486,881**	443,481
Social welfare and other costs		**57,319**	54,036
Equity-settled share option expense		**1,686**	5,075
		2,665,768	2,658,307
Gross rental income	*5*	**(311,958)**	(307,684)
Net fair value (gain)/loss on investment properties	*5*	**(9,534)**	3,738

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 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:

	2015	2014
	RMB'000	*RMB'000*
Finance costs:		
Interest on bank loans	**(43,226)**	(46,111)
Finance income:		
Bank interest income	**253,999**	302,026

8. INCOME TAX EXPENSE

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

	2015	2014
	RMB'000	*RMB'000*
Current income tax	**651,977**	552,481
Deferred income tax	**(11,720)**	9,495
Total tax charge for the year	**640,257**	561,976

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 corporate income tax at a rate of 25% (2014: 25%) on their respective taxable income. During the year, 26 entities (2014: 24 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 2015, a provision for Hong Kong profits tax of RMB41,000 has been made for the year ended 31 December 2015 (2014: RMB1,000).

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:

			2015		
	Hong Kong		**Mainland China**		**Total**
	RMB'000	*%*	***RMB'000***	*%*	***RMB'000***
(Loss)/profit before tax	**(142,026)**		**1,718,777**		**1,576,751**
Income tax at the statutory tax rate	**(23,434)**	**16.5**	**429,694**	**25.0**	**406,260**
Tax effect of preferential tax rates	**–**		**(68,015)**		**(68,015)**
Effect of withholding tax at 10% on the distributable profits of the Group's subsidiaries in Mainland China	**–**		**48,319**		**48,319**
Income not subject to tax	**(3,537)**		**(28,479)**		**(32,016)**
Expense not deductible for tax	**9,157**		**89,574**		**98,731**
Tax losses utilised from previous years	**(5)**		**(77,180)**		**(77,185)**
Tax losses not recognised	**17,860**		**246,303**		**264,163**
Tax charge at the Group's effective rate	**41**		**640,216**		**640,257**

			2014		
	Hong Kong		Mainland China		Total
	RMB'000	*%*	*RMB'000*	*%*	*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

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 2015, 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 (2014: 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 16,960,613,000 (2014: 16,923,994,000) 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 2015 and year ended 31 December 2014, 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:

	2015	2014
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation	**1,207,963**	1,279,770

	Number of shares	
	2015	2014
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	**16,960,613**	16,923,994

10. DIVIDENDS

	2015	2014
	RMB'000	*RMB'000*
Interim:		
Cash dividend of HK$2.10 cents (equivalent to RMB1.62 fen) (2014: HK$2.10 cents (equivalent to RMB1.63 fen)) per ordinary share	**274,769**	277,044
Proposed final:		
Cash dividend of HK$1.50 cents (equivalent to RMB1.23 fen) (2014: HK$1.80 cents (equivalent to RMB1.38 fen)) per ordinary share	**208,416**	234,864
	483,185	511,908

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

11. OTHER INVESTMENTS

	2015	2014
	RMB'000	*RMB'000*
Equity investments in Mainland China, at fair value	**595,013**	217,350

During the year 2015, through Shandong Longji Island Construction Company Limited, the Group acquired an additional 12,987,400 shares in 三聯商社股份有限公司 ("Sanlian Commercial Co., Ltd." or "Sanlian") at a cash consideration of RMB164,671,000. The balance as at 31 December 2015 represented the fair value of the Group's investments in 39,987,400 shares (31 December 2014: 27,000,000 shares), representing approximately 15.84% of the outstanding issued shares of 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 2015 and 2014. 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 2015 (31 December 2014: two). 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 2015, the fair value of these investments was based on the quoted market price of the listed shares, which was RMB14.88 per share (31 December 2014: RMB8.05 per share).

During the year, the gain in respect of the Group's other investments recognised in other comprehensive income amounted to RMB212,992,000 (2014: RMB82,350,000).

During the year ended 31 December 2015, the Group sold electrical appliances and consumer electronic products to Sanlian amounting to RMB28,726,100 (2014: RMB30,224,371). 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:

	2015	2014
	RMB'000	*RMB'000*
Outstanding balances, aged:		
Within 3 months	**143,538**	215,817
3 to 6 months	**38,281**	34,021
6 months to 1 year	**7,620**	17,856
	189,439	267,694

12. TRADE AND BILLS RECEIVABLES (Continued)

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

	2015	2014
	RMB'000	*RMB'000*
Neither past due nor impaired	**71,769**	107,909
Less than 3 months past due	**90,910**	124,919
Over 3 months past due	**26,760**	34,866
	189,439	267,694

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 above balances are unsecured and non-interest-bearing.

13. TRADE AND BILLS PAYABLES

	2015	2014
	RMB'000	*RMB'000*
Trade payables	**6,375,469**	7,220,716
Bills payable	**12,915,462**	13,659,714
	19,290,931	20,880,430

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:

	2015	2014
	RMB'000	*RMB'000*
Within 3 months	**10,976,395**	12,475,119
3 to 6 months	**7,211,206**	7,443,568
Over 6 months	**1,103,330**	961,743
	19,290,931	20,880,430

13. TRADE AND BILLS PAYABLES (Continued)

The Group's bills payable are secured by the pledge of certain of the Group's:

(i) time deposits;

(ii) inventories;

(iii) buildings; and

(iv) 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 23 June 2015, the Group entered into an agreement with 北京戰聖投資有限公司 ("Beijing Zhansheng Investment Co. Ltd." or "Beijing Zhansheng"), under which the Group agreed to acquire from Beijing Zhansheng the sale shares at a consideration of approximately RMB3.83 billion subject to any adjustments based on the adjusting clauses of the agreement. The sale 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." or "Dazhong"). On 31 March 2016, the condition precedent has been satisfied and the acquisition has been completed. Reference is also made to the announcement of the Company dated 6 December 2015, as a result of the completion of the acquisition of Dazhong, the loan in the amount of RMB3.6 billion advanced by 天津國美商業管理諮詢有限公司 ("Tianjin GOME Commercial Consultancy Company Limited" or "Tianjin Consultancy") to Beijing Zhansheng has been repaid to Tianjin Consultancy in full and the pledges under the Beijing Zhansheng Share Pledge Agreement and the Dazhong Share Pledge Agreement have been released. The Group has been managing the operation of Dazhong and has captured all of the economic interest of Dazhong since 2007 through the loan and the Management Agreement. The Board considers that completion signifies a formalised ownership of the Group in Dazhong.

On 17 July 2015, the Group and GOME Management Ltd. (the "Vendor"), entered into an acquisition agreement, pursuant to which the Group has conditionally agreed to purchase the sale shares from the Vendor, representing the entire issued capital of Artway Development Limited, (the "Target"), from the Vendor for HK$11,268,000,000 (subsequently reduced to HK$9,095,000,000 pursuant to a supplemental agreement entered on 28 October 2015), subject to adjustment based on the audited consolidated statement of financial position of the Target as at 30 June 2015. The Target and its subsidiaries are engaged in the retail sale of electrical appliances and consumer electronic products and related operations. 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. On 22 January 2016, the acquisition was approved at the Company's Special General Meeting. As all conditions precedent to the completion have been satisfied, the acquisition has been completed on 31 March 2016.

On 6 January 2016, the Company announced that 中國證券監督管理委員會("China Securities Regulatory Commission") has approved the application of 國美電器有限公司("GOME Appliance Company Limited"), a company established in the PRC and wholly-owned subsidiary of the Company (the "Issuer") for the proposed issue of domestic corporate bonds of up to RMB5,000,000,000 (the "Domestic Bonds'') to qualified investors in tranches. On 11 January 2016 and 1 February 2016, the Issuer issued the first and second tranche of Domestic Bonds with principal amount of RMB3,000,000,000 and RMB300,000,000, respectively. These Domestic Bonds are unsecured, have a 6-year period and bear fixed coupon rate at 4.0% attaching options that the Issuer shall be entitled to adjust the coupon rate and the investors shall be entitled to sell back at the end of the third year.

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") continued to devote every effort in pursuing the strategic goal of "building a Total Retail Community". Against the backdrop of continued upgrading and consolidation in the industry, and of the integration of the internet with every industry in the "Internet Plus" era, the Group embraced the changes brought about by the internet by upholding a more positive spirit and keeping an open-minded and learning attitude.

In 2015, the Group made a number of innovative breakthroughs in its businesses with creative thinking and new technologies: the e-commerce platform has expanded its business around the globe and it is now able to fully satisfy and steer consumers' demand for goods and consumption; the physical stores of the Group were the first to evolve the in-store product trading setting to a product application scenario, providing customers with a brand-new consumption experience; 國美來購 ("GOME TOGO") comprising 100,000 micro shops which created a fully penetrative network to achieve an unparalleled and seamless connection between the Group and the customers. The Group has been working hard to build a strong supply chain system which encompassing procurement, logistics, after-sales, information and big data terminals with the supply chain at its core. Such continuous innovations and the strong Total Retail capabilities will enable the Group to maintain its leading position in the industry.

During the reporting period, the Group recorded sales revenue of approximately RMB64,595 million, up 7.02% when compared with RMB60,360 million for the corresponding period last year. The operational quality of physical stores and the performance of the e-commerce platform further improved with sales growth for comparable stores increasing by 2.32% and the total gross merchandise volume ("GMV") of the e-commerce business (including transaction amount from the marketplace) growing by 114.45%. In addition, the Group's consolidated gross profit margin remained at a relatively high level of 17.81%.

The Group has been tightening control over its operating expenses, in particular by maintaining rentals and salaries at a level below the industry's average, so that its operating expense ratio fell from 16.29% last year to 15.70% this year. Due to the higher sales revenue, the higher consolidated gross profit, and the effective control of its operating expenses, the Group's profit attributable to the owners of the parent was RMB1,208 million as compared with RMB1,280 million for the corresponding period last year. By excluding the non-operating items of RMB100 million one-off compensation received in 2014 and approximately RMB207 million loss on equity investments made in 2015, the profit attributable to the owners of the parent would be adjusted to approximately RMB1,415 million and would be an increase of approximately 19.92% as compared with the adjusted profit of RMB1,180 million in 2014. In view of this, the board of directors of the Company (the "Board") recommended a final dividend of HK1.50 cents (equivalent to RMB1.23 fen) per ordinary share in accordance with the existing dividend policy of the Company.

On 17 July 2015, the Company entered into an acquisition agreement to acquire Artway Development Limited (which owns retail stores of the Non-listed GOME Group) and its subsidiaries (the "Acquisition"). The Acquisition was subsequently approved by the independent shareholders by resolution at the special general meeting held on 22 January 2016 and was completed on 31 March 2016. The Acquisition has strengthened the Group's leading position in the retail market of electrical appliances and consumer electronic products in the PRC, has further captured the growth potential in the industry and has laid a solid foundation for creating values for our investors.

FINANCIAL REVIEW

Revenue

During the reporting period, the Group's revenue was approximately RMB64,595 million, up 7.02% from RMB60,360 million in 2014. The Group's weighted average sales area was approximately 3,905,000 sq.m. and the revenue per sq.m. was approximately RMB16,542, relatively stable as compared with RMB16,578 for the corresponding period in 2014.

During the reporting period, aggregate sales of 891 comparable stores of the Group was approximately RMB50,666 million, up 2.32% from RMB49,515 million for the corresponding period in 2014. Sales revenue from the four regions of Beijing, Guangzhou, Shenzhen and Shanghai accounted for approximately 42% of the total revenue, as compared to 44% for the corresponding period last year, representing an increase in revenue contributed from the second-tier market. During the reporting period, the comparable store sales growth for the second-tier market was 4.87%.

Cost of sales and gross profit

Cost of sales of the Group was approximately RMB55,082 million in the reporting period, accounted for 85.27% of the revenue, which is similar as compared with 85.10% for the corresponding period in 2014. Gross profit was approximately RMB9,513 million, up 5.77% from RMB8,994 million in the previous year. The gross profit margin was 14.73%, relatively stable as compared with 14.90% for the corresponding period last year.

Other income and gains

During the reporting period, the Group recorded other income and gains of approximately RMB1,994 million, representing a decrease of 7.81% over that of RMB2,163 million in 2014. By excluding the RMB100 million one-off compensation received in 2014, the other income and gains in 2015 would be relatively stable as compared to the prior year.

Summary of other income and gains:

	2015	2014
As a percentage of sales revenue:		
Income from suppliers, net	**0.71%**	0.78%
Management and purchasing service fees from the Non-listed GOME Group	**0.39%**	0.41%
Income from air-conditioner installation	**0.23%**	0.25%
Gross rental income	**0.48%**	0.51%
Government grants	**0.25%**	0.19%
Income from extended warranties	**0.42%**	0.39%
Other income from telecommunication service providers	**0.27%**	0.41%
Compensation received	**–**	0.17%
Others	**0.34%**	0.47%
Total	**3.09%**	3.58%

Consolidated gross profit margin

During the reporting period, as a result of the substantial increase in revenue contribution from the e-commerce platforms, which generally has relatively lower gross profit margin, the Group's consolidated gross profit margin dropped by 0.67 percentage points from 18.48% for the corresponding period last year to 17.81%.

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

Operating expenses

During the reporting period, the Group's total operating expenses (including selling and distribution expenses, administrative expenses and other expenses) were approximately RMB10,141 million, accounted for 15.70% of sales revenue, down by 0.59 percentage points as compared with 16.29% for the corresponding period in 2014, which was mainly due to the tightening control in the Group's expenses, especially in rental expenses, staff costs and delivery expenses.

Summary of operating expenses:

	2015	2014
As a percentage of sales revenue:		
Selling and distribution expenses	**12.06%**	12.47%
Administrative expenses	**2.45%**	2.82%
Other expenses	**1.19%**	1.00%
Total	**15.70%**	16.29%

Selling and distribution expenses

During the reporting period, the Group's total selling and distribution expenses increased from RMB7,527 million to approximately RMB7,792 million, up 3.52%. While the revenue has grown, the expense over revenue ratio was 12.06%, decreased by 0.41 percentage points as compared with 12.47% for the corresponding period in 2014. 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. In addition, the Group also optimized workflows of the logistic system in order to improve its efficiency, the delivery expenses to revenue ratio has been reduced from 0.77% for the corresponding period last year to 0.67%.

Administrative expenses

With the continuous tightening control in the Group's expenses, administrative expenses decreased. During the reporting period, the Group's administrative expenses were approximately RMB1,581 million, lower than that of RMB1,701 million for the corresponding period in 2014 by 7.05%. The expense over revenue ratio was 2.45%, decreased by 0.37 percentage points as compared with 2.82% for the corresponding period in 2014. 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

During the reporting period, other expenses of the Group mainly comprised, among others, business tax, bank charges and loss on equity investments at fair value through profit or loss, which increased from RMB605 million in 2014 to approximately RMB769 million (including loss on equity investments amounted to approximately RMB207 million). The expense over revenue ratio was 1.19%, up 0.19 percentage points as compared with 1.00% in 2014.

Profit from operating activities

During the reporting period, as a result of the increase in revenue and gross profit, while operating expenses as a percentage of sales revenue have been reduced, the Group's profit from operating activities increased by 3.17% from RMB1,324 million in 2014 to approximately RMB1,366 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 decreased from RMB256 million for the corresponding period last year to approximately RMB211 million.

Profit before tax

During the reporting period, the Group's profit before tax was approximately RMB1,577 million, which is relatively stable as compared with RMB1,580 million in 2014.

Income tax expense

During the reporting period, the Group's income tax expense increased from RMB562 million in 2014 to approximately RMB640 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 decreased by 5.63% from RMB1,280 million for the corresponding period last year to approximately RMB1,208 million. By excluding the non-operating items of RMB100 million one-off compensation received in 2014 and approximately RMB207 million loss on equity investments made in 2015, the profit attributable to the owners of the parent of the year would be adjusted to approximately RMB1,415 million and would be an increase of approximately 19.92% as compared with the adjusted profit of RMB1,180 million in 2014.

During the reporting period, the Group's basic earnings per share were RMB7.1 fen, as compared with RMB7.6 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 RMB7,438 million, decreased by 15.42% as compared with RMB8,794 million as at the end of 2014. The decrease was mainly contributed to the repayment of interest-bearing bank loans amount to approximately RMB2,470 million during the year.

Inventories

As at the end of the reporting period, the Group's inventories amounted to approximately RMB10,176 million, decreased by 6.86% as compared with RMB10,926 million in 2014. The inventory turnover period increased by 2 days from 68 days in 2014 to 70 days in 2015.

Prepayments, deposits and other receivables

As at the end of the reporting period, prepayments, deposits and other receivables of the Group amounted to approximately RMB4,245 million, decreased by 11.53% 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 shares in Huishang Bank Corporation Limited of approximately RMB1,412 million during the year.

Trade and bills payables

As at the end of the reporting period, trade and bills payables of the Group amounted to approximately RMB19,291 million, decreased by 7.61% from RMB20,880 million as at the end of 2014. Trade and bills payables turnover days were approximately 133 days, decreased by 5 days from 138 days for the previous year.

Capital expenditure

During the reporting period, the capital expenditure incurred by the Group amounted to approximately RMB567 million, representing a 10% decrease as compared with RMB630 million in 2014. The capital expenditure during the year was mainly for opening of new stores, remodelling of stores and purchase of hardware equipment relating to ERP project by the Group.

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 RMB1,313 million, increased significantly by 52.50% as compared with net cash flows of RMB861 million in 2014.

Net cash flows used in investing activities amounted to approximately RMB1,618 million (including equity investments amounted to approximately RMB1,236 million), reduced by 17.87% as compared with RMB1,970 million used in 2014.

Net cash flows used in financing activities amounted to approximately RMB1,067 million while RMB882 million was generated in 2014. The net cash flows used this year mainly represented the repayment of interest-bearing bank loans amounted to approximately RMB2,470 million.

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 RMB71 million.

Foreign currencies and treasury policy

All the Group's income and a majority of its expenses were denominated in Renminbi. The Group has adopted effective measures to reduce its foreign exchange risks. The Group's treasury policy is that it will only manage such exposure (if any) when it posts significant potential financial impact on the Group.

The management estimates that less than 10% of the Group's current purchases are imported products and the transactions are mainly 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 2015, the total borrowings of the Group, being interest-bearing bank loans which were denominated in US dollars equivalent to RMB969 million with floating interest rates and denominated in Japanese Yen equivalent to RMB3 million with fixed interest rate, aggregated to approximately RMB972 million. 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 2015, the debt to total equity ratio, which was expressed as a percentage of total borrowings of approximately RMB972 million over total equity of approximately RMB16,688 million, decreased by 15.55 percentage points from 21.37% as at 31 December 2014 to 5.82%.

Charge on group assets

As at the end of 2015, the Group's bills payable and interest-bearing bank loans were secured by the Group's time deposits amounting to approximately RMB3,881 million, certain inventories with a carrying value of approximately RMB537 million and certain buildings and investment properties of the Group with a carrying value of approximately RMB1,534 million. The Group's bills payable amounted to approximately RMB12,915 million.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2015, the Group employed a total of 42,015 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

Developing of New Scenario and Strong Linkage with the support from the Open Supply Chain and transforming Total Retail Experience

In the future, supported by the open supply chain, the Group is committed to create a revolutionary experience in Total Retail through the establishment of New Scenarios and Strong Linkage, so as to achieve sustainable O2O Total Retail development. Leveraging on the solid interface platforms Gome will create traffic portals, through member management, GOME will establish stronger linkage with its customers which turns into GMV.

New Scenario:

The theme of GOME's New Scenario is to introduce new shopping experiences that integrate food, beverage and entertainment for customers to enjoy visiting the stores, which transformed in-store product trading setting to product application setting. The unique advantage of being able to experience products at the offline physical stores will attract more consumers to shop in the stores. In 2016, the Group will increase investment in establishing New Scenario sites, to attract customer traffics and to enhance customer loyalty.

Strong Linkage:

Sharing Economy lays the foundation for Strong Linkage strategy of GOME. GOME commenced its "GOME TOGO" project, through its micro shops, to build up strong bonding among 100,000 sales persons with their respective social networks. As such, GOME will be able to build up strong linkages with its consumers. GOME's micro shops will foster its physical stores' penetration into the internet and realize seamless integration between online and offline channels. In the first half of 2016, GOME's total number of micro shops is expected to exceed 100,000. In the future, GOME will vigorously promote the new marketing channel of micro shops in order to increase transaction volume.

Concurrently, through internal sales campaigns and strengthened product application shopping experience, customers will have deeper knowledge on the application of products. With enriched product mix and promotional activities, GOME will be able to attract customer flow and build up strong linkages with its customers. For instance, GOME's annual promotion festival "Black Friday" in March 2015 which has attracted mass volume of customers to participate and consume. "Black Friday" has already become the prime festival of GOME which fully demonstrated the ability of GOME's Fans Economy in attracting mass volume of customers.

In addition, GOME will spare no effort to develop the after sales service market of home appliances in 2016 by establishing the online "GOME House Manager" service which aims at extending all rounded home-alike services in relation to home appliances. By providing such services, GOME's home appliance life cycle including purchasing, cleaning, repairing, recycling and repurchasing will be formed and thus contributing to the GOME Total Retail Community.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to upholding good corporate governance practices. For the year ended 31 December 2015, 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 2015.

AUDIT COMMITTEE

The Audit Committee of the Company comprises Messrs. LEE Kong Wai, Conway, NG Wai Hung and LIU Hong Yu (being the independent non-executive directors of the Company) and YU Sing Wong (being the non-executive director 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 2015 and the auditors' report thereon and submitted its reports to the Board.

PURCHASE, SALE AND REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2015.

FINAL DIVIDEND

The Board recommended a final dividend of HK1.50 cents (equivalent to RMB1.23 fen) per ordinary share (the "Final Dividend") for the year ended 31 December 2015, amounted to approximately HK$254,424,000 (equivalent to RMB208,416,000) based on 16,961,573,000 shares in issue as at 31 December 2015. Together with the interim dividend of HK2.10 cents (equivalent to RMB1.62 fen) per ordinary share paid in October 2015 (the "Interim Dividend"), the total dividend for the year amounted to HK3.60 cents (equivalent to RMB2.85 fen) per ordinary share, equivalent to approximately HK$610,617,000 (equivalent to RMB483,185,000).

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 despatched 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 2015 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, 31 March 2016

As at the date of this announcement, the Board 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*