国美电器 Stock Code:493

OMNI-CHANNEL NEW SCENARIO STRONG LINKAGE

Annual Report 2015


OMNI-CHANNEL
NEW SCENARIO
STRONG LINKAGE

CONTENT

GOME at a Glance

Highlight

During the reporting period, sales revenue of the Group was approximately

RMB64,595 million

increased by

7.02%

as compared with the corresponding period last year

GMV of the e-commerce business (including transaction amount from the marketplace) grew by

114.45%

Consolidated gross profit margin remained at a relatively high level of

17.81%

Profit attributable to owners of the parent decreased by 5.63% to approximately RMB1,208 million. By excluding the non-operating items in 2015 and 2014, the profit attributable to the owners of the parent would be adjusted to approximately

RMB1,415 million

and represented an increase of approximately

19.92%

as compared with the adjusted profit of RMB1,180 million in 2014

Basic earnings per share were

RMB7.1 fen

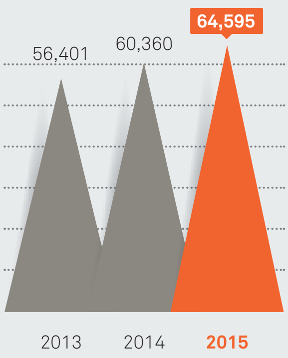
The Board recommended a final dividend of

HK1.50 cents

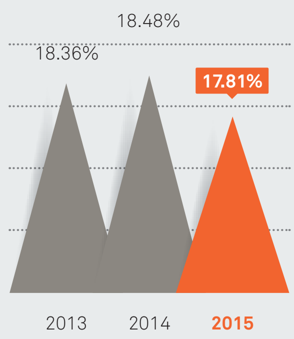
per ordinary share

GOME is a leading Omni-Channel Retailer of home appliances and consumer electronic products in China. We provide the industry's leading consumer experience, embracing the most extensive range of products, delivered at the most competitive prices. We offer our suppliers a channel platform that creates optimum economies and efficiencies of scale.

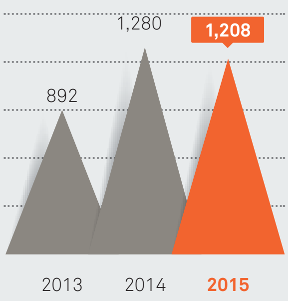
Revenue
(RMB million)



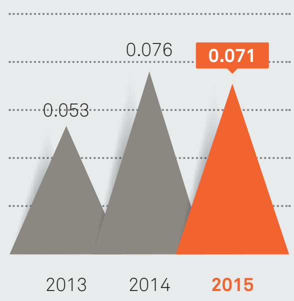
Consolidated gross profit margin*



Profit attributable to owners of the parent
(RMB million)



Basic earnings per share
(RMB)



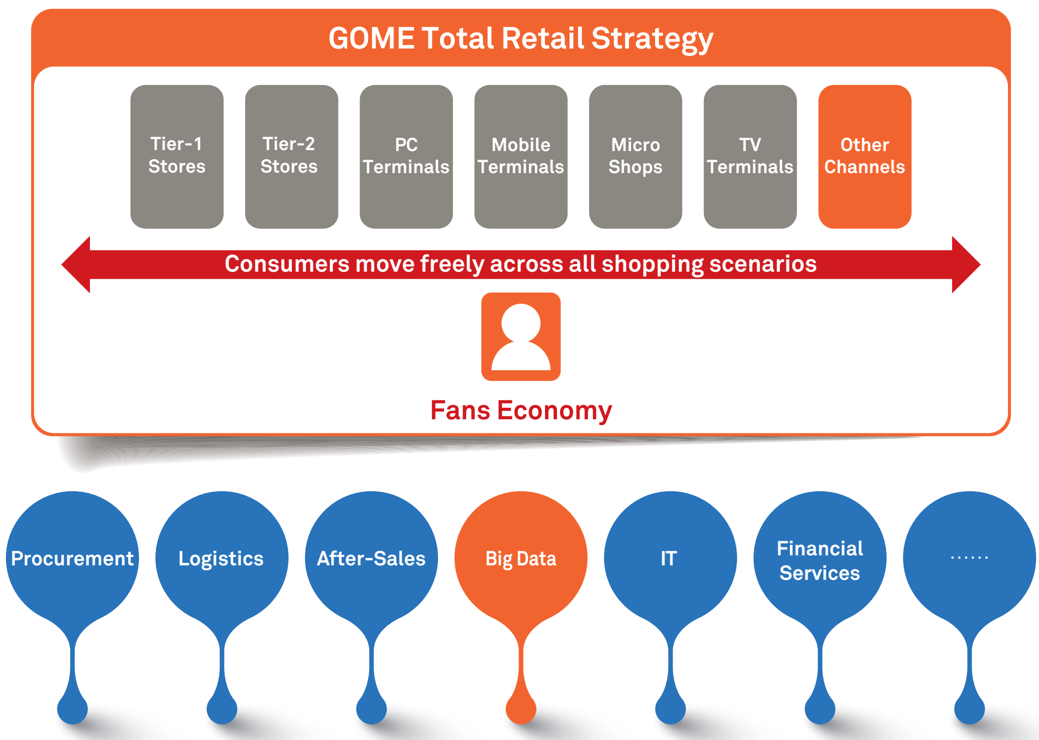
* Consolidated gross profit margin = (gross profit + other income and gains)/revenue

Five Year Financial Summary

	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000	Year ended 31 December 2013 RMB'000	Year ended 31 December 2012 RMB'000	Year ended 31 December 2011 RMB'000
Revenue	64,595,127	60,359,843	56,400,662	51,097,100	64,466,993
Profit/(Loss) attributable to owners of the parent	1,207,963	1,279,770	892,475	(728,498)	1,859,226
Total assets	41,587,785	44,076,673	39,323,985	37,712,723	38,745,492
Total liabilities	24,899,423	28,042,155	24,006,527	23,043,141	22,780,045
Non-controlling interests	(1,137,587)	(871,398)	(609,796)	(394,766)	(30,469)
Net assets	16,688,362	16,034,518	15,317,458	14,669,582	15,965,447

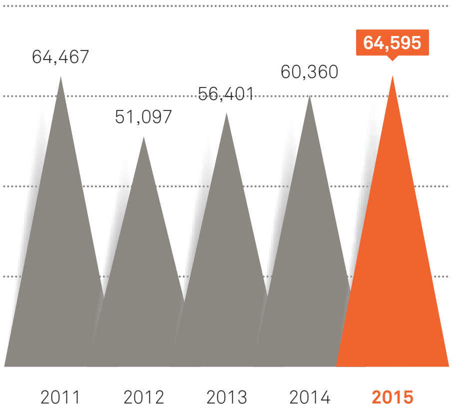
BLUEPRINT OF GOME STRATEGY

GOME will make full use of its Total Retail Community through online, offline and mobile terminals with supply chain as the core, in order to create a new and ongoing shopping experience to customers. GOME uses different channels, scenarios, services and experiences to enhance consumer loyalty and thus achieve strong linkage.

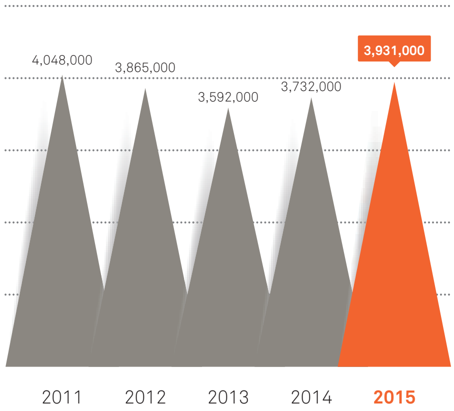


Financial and Operational Highlights

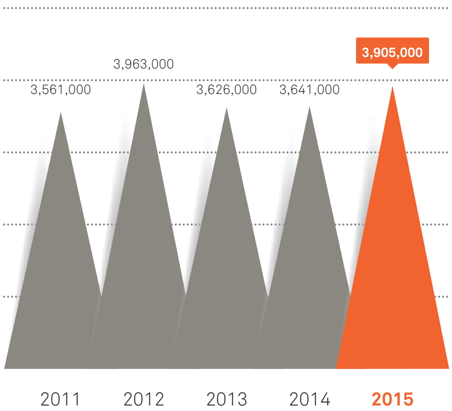
REVENUE
(RMB million)



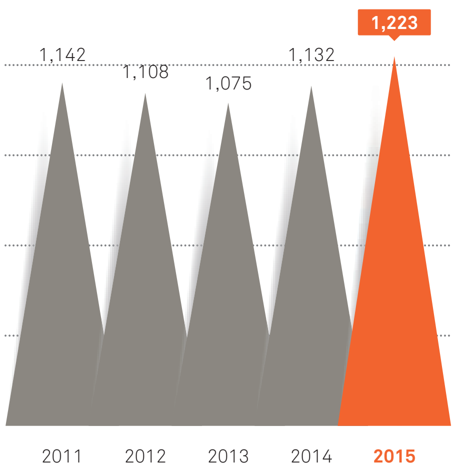
TOTAL SALES AREA AT YEAR END
(sq.m.)



WEIGHTED AVERAGE SALES AREA
(sq.m.)

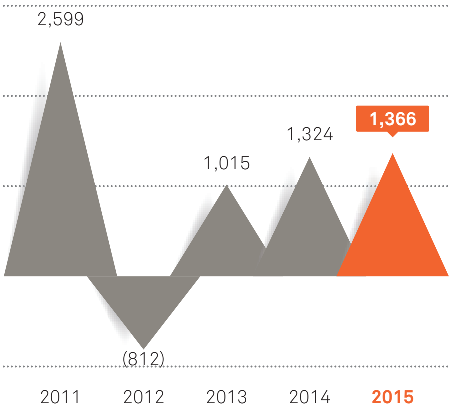


NUMBER OF STORES AT YEAR END

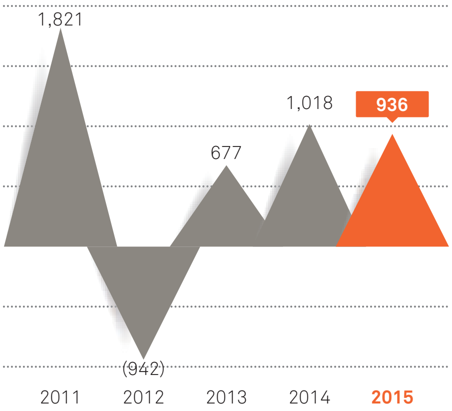


Financial and Operational Highlights

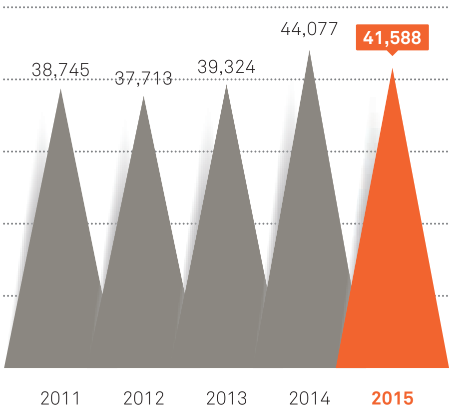
PROFIT/(LOSS) FROM OPERATING ACTIVITIES
(RMB million)



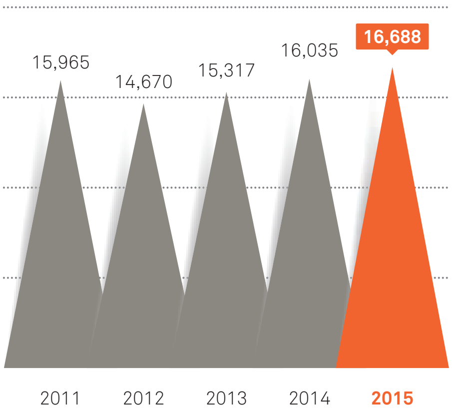
PROFIT/(LOSS) FOR THE YEAR
(RMB million)



TOTAL ASSETS
(RMB million)



NET ASSETS
(RMB million)




Gome
国美电器

NEW SCENARIO

Leveraging on the solid interface platforms as traffic portals and through membership operations, GOME will establish strong linkages with its customers which will finally turn into GMV.

Chairman's Statement

After considering the meaning of "Internet Plus", GOME transformed from a "Omni-channel Retailer" to a "Total Retail Community" in 2015. "Internet Plus" poses challenges in terms of the restructuring of demand and supply, online and offline integration as well as emergence of new consumption trend. While tackling such difficulties, GOME adheres to creating value for consumers with the support of its low-cost and highly efficient supply chain. With the three-pronged approach of omni-channel, new scenario and strong linkage, GOME manages to secure a sustainable Total Retail development.

ZHANG DA ZHONG Chairman

Dear Shareholders,

GOME Electrical Appliances Holding Limited (the "Company" or "GOME") and its subsidiaries (the "Group") has achieved growth for 12 consecutive quarters as well as attained a stunning success for the "17 September" and "18 December" In-house Sale Carnivals in 2015. Nonetheless, all enterprises will have to face a slowdown of economic growth in the PRC in 2016. As for GOME, the challenges mainly come from the change in consumption demands. Given the traditional market practices, old marketing campaigns, store layout, commodities and services are no longer sufficient for the ever changing environment, GOME will have to make substantial transformation in order to satisfy the demand of consumers.

The current conditions and challenges mainly comprise three aspects. Firstly, the PRC economy is undergoing an in-depth reform, and the retail sector increasingly faces overcapacity and a severe shortage of product differentiation. The diminishing market demand dampens consumer purchasing power. On the other hand, some commodities lack competitiveness and severely lack product differentiation, as a result, inventories are piling up. This is one of the reasons for the supply side reforms advocated by the PRC government. Secondly, the rapid advancement of the Internet is transforming people's lifestyle and consumption habits. Under pressure from the competition of the e-commerce and inspire by the new technologies, the traditional retail industry is in the midst of a dramatic transition. Where previously retailers with a large traditional network had the edge, now increasingly retailers with the ability to effectively link up with customers are winning out. Thirdly, with challenges brought by new technologies and new concepts, it is so critical for retailers to possess the capability of self-advancement and adopt new technologies for satisfying customers' endless demands for consumption. Innovative technologies should be considered in a long-term perspective and with minds opened. Integrating such new technologies into the retail sector will enable us to create a better consumption experience and causing the traditional retail industry to upgrade and evolve.

After considering the meaning of "Internet Plus", GOME transformed from a "Omni-Channel Retailer" to a "Total Retail Community" in 2015. "Internet Plus" poses challenges in terms of the restructuring of demand and supply, online and offline integration as well as emergence of new consumption trend. While tackling such difficulties, GOME adheres to creating value for consumers with the support of its low-cost and highly efficient supply chain. With the three-pronged approach of omni-channel, new scenario and strong linkage, GOME manages to secure a sustainable Total Retail development.

OMNI-CHANNEL

Leveraging on the retail business, and with its supply chain as its core competitive strength, GOME creates synergy among its platforms such as financial services, smart terminal, and cross-border e-commerce, etc., with the aim of establishing an integrated ecosystem in the retail sector. Establishment of a strong supply chain, change in the existing procurement methods, optimization of product mix and enhancement of total commodity operation capabilities are GOME's focuses in the face of the ever-changing market environment and intense competition. Such approaches do not only create value for consumers, but also improve GOME's profitability. In 2016, GOME will cooperate with scalable e-commerce platforms to open up its supply chain platform to the society. With the benefit of its strong supply chain, GOME undergoes one of its largest changes by epitomizing two different roles: a retailer for consumers; and a supplier for other retail platforms. As such, GOME is gaining more power to influence home appliance market.

NEW SCENARIO

The new scenario of GOME is to transform from an in-store product display and trading setting into a product application setting, that transforms a low frequency customers into high frequency buyers to attract more customers with new scenarios. In 2016, the new consumption scenario mainly includes the establishment of drone zone, fruits and vegetables experience zone, smart cleaning utensils zone, game zone, kitchen and restaurants, cooking workshops, in-store cinemas, dryer and laundry experience zone, air purifier zone and purified water experience zone to attract customer traffics. By enhancing customers' experience in products via its offline physical stores, GOME capitalizes on such unique advantages and materializes the transition from a display and trading setting into a product application setting. Such modified stores, which integrating "food, beverage, entertainment, joy and shopping", will become the new style stores, setting the role model in the "Internet Plus" era and the benchmark for home appliance retail sector.

STRONG LINKAGE

Sharing economy lays the foundation for GOME's strong linkage strategy. Emergence of social media signifies further fragmentation of economic individuals in the internet where everyone is able to become a self-media. In real life, we tend to first consult friends when we have demand for certain aspects but without a clue to judge. In view of such market change, GOME commenced its "GOME TOGO" project (GOME's micro shops), solid linkages between GOME and its consumers are then formulated via the respective social-circles of GOME's 100,000 sales persons. GOME's micro shops will foster its physical stores' penetration into the internet and realize seamless integration between online and offline. The social-circles will grow bigger through in-depth communications between GOME's staff and potential customers. GOME will link to its customers through these communications and will be able to integrate and deliver the global premier products to the consumers. Such efforts will create value for the customers as well as further enhance GOME's Total Retail community.

GOME HOUSE MANAGER

As an extension of its omni-channel, new scenario and strong linkage, GOME will spare no effort to develop "after sales service market of home appliances" by establishing the online "GOME House Manager" service which aims at extending all rounded home-alike services in relation to home appliances and ultimately form the home appliance life cycle including "purchasing, cleaning, repairing, recycling and repurchasing", thus constituting the optimal GOME total retail community.

In general, the focus of the retail sector has shifted from physical location in the past to customer traffic and will further shift to linkage in the future. GOME will put the advantages of its total retail community into play and leverage on its supply chain as the core, continuously create new shopping settings for its consumers via its omni-channel. On top of these, by utilizing different services and experiences, GOME will enhance customers' loyalty and formulate strong linkages.

Finally, I hereby express my sincere gratitude to our staff for their diligence and hard work, and to different stakeholders in the society for their support. We will continue to strive for the benefits of our shareholders, staff and customers while pursuing the sustainable development of the Group in the long term. I am very confident about leading GOME in maintaining rapid and stable business growth, overcoming all challenges and attaining a continuing development under the Total Retail strategy.

Zhang Da Zhong
Chairman

Management Discussion and Analysis

The focus of retail sector has shifted from physical location in the past to customer traffic and will further shift to Linkage in the future. GOME will put the advantages of its total retail community into play and leverage on its supply chain as the core, continuously create new shopping settings for its consumers via its omni-channel. On top of these, by utilizing different services and experiences, GOME will enhance customers' loyalty and formulate strong Linkages.

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 about 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 represented 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 a resolution of the independent shareholders at the special general meeting held on 22 January 2016 and 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.

INDUSTRY ENVIRONMENT

During the reporting period, the global economy recovery momentum was weak, the commodity prices continued to fall, price level declined globally and some of the economies were under deflationary pressures. Meanwhile, with the shrink in international trade and the volatility in the financial market, the Chinese economy continued to develop amid a complex and uncertain external environment.

In terms of the PRC economy, which operated steadily as a whole despite a more moderate growth rate (GDP was 6.9%) in 2015, the consumer price index remained flat in general and income of citizens continued to increase rather rapidly. Commodity sales achieved growth while maintaining stability. Although investment as well as external trade – the major economic growth drivers in the past – failed to shake off their sluggishness, the contribution of consumption to economic growth continued to increase during the year.

In respect of industry environment, the e-commerce retail platform sustained a rapid growth momentum in the previous years, more e-commerce elements were incorporated into physical commercial business, and the integration of e-commerce and physical stores has made rapid progress. Many online retailers started to penetrate into the offline business. For 2015, physical retail business continued to retain the dominating share of the market.

GROWTH POTENTIAL

In 2015, a series of climate abnormalities attracted the world's attention to finding solutions for climate problems. In order to promote energy-saving and emission reduction and advocate a green consumption concept, the Beijing Municipal Government has implemented policies on energy-saving and emission reduction in the city commencing from 27 November 2015, pursuant to which consumers are encouraged to purchase and use products with energy-saving and emission reduction features. The promotion may create chain reactions, such as driving campaigns in other cities to subsidize the purchase of energy-saving home appliances, thereby resulting in another round of new growth in home appliance consumption.

In addition, benefiting from the further development of internet technology, the number of consumers using e-commerce platform has recorded exponential growth in the last few years. It is expected that the number of consumers using e-commerce platform will continue to show rapid growth in the next few years with the rapid expansion of diversified and convenient consumption channels, such as computers, mobile apps and the micro shop network. However, as a large number of second- and third-tier cities located in remote areas in the PRC are still difficult to be reached by logistics delivery services, physical retail stores for home appliances will still dominate the markets in these regions and the development of traditional physical retail enterprises is expected to remain stable in the next few years.

Under such market conditions, while maintaining stable growth of the retail business in physical stores, the Group will also step up its efforts in developing e-commerce platforms such as GOME-on-line and cross-border e-commerce, through building up the "Total Retail Community" customers' demand in every aspect can be satisfied.

BUSINESS REVIEW

Omni-Channel Interface Platform

In 2015, the Group put extra effort in establishing smart experience stores, optimising store network, expanding new marketing channels such as "GOME TOGO" micro shops and accelerating e-commerce development.

(1) Establishing smart stores offering new scenario experience

The Group has been focusing on developing digitized smart stores to provide all rounded services to the customers and encourage repeat purchases. The digital directories were installed in the stores for customers to search for the products easily; Wi-Fi facilities were also installed for customers to compare prices directly on the web, and help them to make decisions. In addition, the new scenario concept has been implemented mainly through an application experience shopping environment, by transforming a product display and trading scenario into a product application scenario. As a result, the unique advantage of being able to experience goods at the offline physical stores will attract more consumers to the stores. Since 2015, the Group has renovated and upgraded the Beijing Dazhong CCTV store into a product application scenario store. It enhanced the customers' product experience by dividing the store into three experience zones namely: game zone, small home appliances zone and trendy zone. Such modified stores will become the new style store that integrating "food, beverage, entertainment, joy and shopping", establishing new benchmark for the home appliances retail sector in the new "Internet Plus" era.

During the reporting period, the Group renovated a total of 129 mega stores while the sales growth of comparable stores reached 2.32%.

In 2016, the Group will continue to establish new scenarios, including drone zone, fruits and vegetables experience zone, smart cleaning utensils zone, game zone, kitchen and restaurant, cooking workshops, in-store cinemas, dryer and laundry experience zone, air purifier zone and purified water experience zone to attract customer traffics. All such measures will truly enhance customer loyalty, and transform low frequency customers into high frequency buyers.

(2) Optimizing store network

During the reporting period, the Group further optimized its retail network in the first-tier market by establishing flagship stores in core properties located in prime business districts, closely monitoring the development of satellite stores/community stores and closing of loss-making stores with no potentials.

In addition, the Group focused more on second-tier market development to increase its network coverage, improve its logistic system as well as to promote a deeper penetration of the e-commerce business. Proportion of sales generated from the second-tier market has been achieving rapid growth for the past few years.

During the reporting period, the Group opened a total of 208 new stores (of which 131 stores were in the second-tier market), closed 117 underperforming stores representing a net increase of 91 stores and expended into 41 new cities, the total store count as at the end of the year was 1,223 stores. Through a series of measures, the Group's rental to sales ratio remained stable at 5.18%, as compared to 5.17% for the corresponding period in 2014. The Group rented a total of 1,192 stores, among which the leases of 179, 161 and 149 stores will be expiring in 2016, 2017 and 2018, respectively. During the reporting period, the Group had 31 self-owned stores with a total area of approximately 207,000 sq.m., accounting for approximately 5.27% of the total operating areas of the Group. The self-owned properties are mainly located in the major commercial districts in the first-tier cities such as Beijing and Shanghai.

As at of the end of 2015, by including the 567 Non-listed GOME Group stores managed by the Group, the total number of stores operated by the Group and the Non-listed GOME Group would reach 1,790 in aggregate, spanning 434 large- and medium-sized cities. The Acquisition of the Non-listed GOME Group stores was approved by poll by the independent shareholders at the special general meeting of the Company held on 22 January 2016. The Acquisition was completed on 31 March 2016, accordingly, the Non-listed GOME Group stores will be consolidated into the Group.

(3) Strong Linkage between GOME and Consumers

"GOME TOGO" Micro Shops

Emergence of social media signifies further fragmentation of economic individuals in the internet where everyone is able to become a self-media. In view of this, GOME commenced its "GOME TOGO" project, i.e. building up of GOME's micro shops. Solid linkages between GOME and its consumers are then formulated via the respective social-circles of GOME's 100,000 sales persons. GOME's micro shops will foster its physical stores' penetration into the internet and realize seamless integration between online and offline. The social-circles will grow bigger through in-depth communications between GOME's staff and potential customers. GOME will link to its customers through these communications and will be able to integrate and deliver the global premier products to the consumers. Such efforts will create value for the customers as well as further enhance GOME's Total Retail community. By the second half of 2015, about 100,000 sales persons had established their micro shops. We will vigorously push the new channel marketing of the micro shops in order to achieve increase in transaction volume.

After the completion of acquisition of Artway Development Limited on 31 March 2016, the total number of stores operating under the Group reached 1,790 and spanned 434 large- and medium-sized cities.

The Group's total Number of Stores as at 31 December 2015:

Flagship stores	Standard stores	Specialized stores
272	362	589

Total

1,223

The Group's nationwide retail network

As at 31 December 2015

Development of Network

	Group total	GOME	China Paradise	Dazhong	CellStar
Flagship stores	**272**	203	41	28	–
Standard stores	**362**	304	41	17	–
Specialized stores	**589**	458	75	6	50
Total	**1,223**	**965**	**157**	**51**	**50**
Among them: First-tier market	**698**	509	107	42	40
Second-tier market	**525**	456	50	9	10
Net increase/(decrease) in store number	**91**	85	(2)	(3)	11
Number of stores opened	**208**	**177**	**15**	**5**	**11**
Among them: First-tier market	**77**	60	10	1	6
Second-tier market	**131**	117	5	4	5
Number of cities accessed	**310**	**274**	**60**	**1**	**6**
Among them: First-tier cities	**27**	21	9	1	1
Second-tier cities	**283**	253	51	–	5
Number of cities newly assessed	**41**	41	–	–	–

List of stores

Region	Flagship stores	Standard stores	Specialized stores	Total
Beijing	49	28	6	83
Shanghai	32	10	16	58
Tianjin	15	16	6	37
Chengdu	17	29	26	72
Chongqing	13	20	21	54
Xi'an	16	19	70	105
Shenyang	13	8	8	29
Qingdao	12	10	16	38
Jinan	8	13	17	38
Shenzhen	21	25	35	81
Dongguan	1	12	9	22
Guangzhou	16	33	65	114
Foshan	6	12	20	38
Wuhan	7	22	32	61
Kunming	5	7	20	32
Fuzhou	6	14	23	43
Xiamen	4	10	29	43
Henan	6	21	26	53
Nanjing	5	15	17	37
Wuxi	1	3	10	14
Changzhou	2	6	3	11
Suzhou	4	5	14	23
Hefei	3	7	7	17
Xuzhou	1	5	15	21
Tangshan	3	–	4	7
Lanzhou	5	5	11	21
Wenzhou	–	1	8	9
Jiangxi	1	6	55	62
Total	**272**	**362**	**589**	**1,223**

Management Discussion and Analysis

In-house Sale Carnival

During the reporting period, the Group launched major internal sales campaigns, such as "Black Friday", "17 September" and "18 December" In-house Sale Carnivals. With the support of the big data technology, the Group was able to capture customers' demand precisely and continuously provide the promotional pricing to them with the support of its strong supply chain. As the result, customer loyalty is further enhanced.

(4) *Accelerating Development of GOME-on-line*

Under the "Total Retail Community" strategy, the development of GOME-on-line will be focusing on: fully utilizing the nationwide integrated supply chain system, making the professionalization of consumer electronics as the core strategic plan, building the most professional home appliances and consumer electronics platform covering the entire country; putting the non-home electrical appliances on platform sales and developing the platform into the leading GOME cloud platform; vigorously advancing the growth of cross-border e-commerce; while playing up its online-offline edge to push forward a comprehensive O2O business model. To attain the above strategic goals, GOME-on-line made the following unwavering efforts during the reporting period.

Customer Experience: continuously optimizing the website interface and improve functions such as product search, shopping cart and check-out, and recommendations push to customers based on customer behavior analysis, to pursuit better website browsing and customer interaction experience. In terms of logistics, monitoring mechanism on orders is established to improve delivery efficiency and service quality of contractors. In addition, standard protocols for dealing with customer complaints, product return and exchange were made so as to provide better after-sales services and protect customers' rights.

B2C Business: e-commerce business in the second-tier market and the rural areas is promoted by increasing its product mix, especially in traditional home appliance sector, as well as improving the efficiency and accuracy of the related logistic system, in order to maintain its leading position in the market. In addition, 41 flagship stores of leading brands were set online by GOME-on-line, aiming at diversifying product offerings so as to boost product profitability and to establish the most professional website for consumer electronic products.

Platform Business: the product mix was optimized to simultaneously develop on the platforms of home appliances, financial services, gold, automobiles, virtual reality and department stores businesses. New operational tools for platform management were built to enhance system function and experience of both users and store owners.

In 2015, the total GMV (including transaction amount from the marketplace) of GOME-on-line increased by approximately 114.45% compared to the same period last year.

(5) ***New Overseas Shopping Channel: Cross-border E-commerce***

2015 marked the 1st year of cross-border e-commerce in China. In view of the support from the "Internet Plus" governmental policies and the new stimulus policies promulgated by the Ministry of Commerce to promote cross-border e-commerce, the Group's overseas shopping platform – gomehigo.hk opened its first physical experience store for imported goods in the Changzhou South Street store on 30 September 2015. On 7 December 2015, gomehigo.hk officially announced the launch of the overseas shopping business and its globalization initiatives with shopping channels to be launched for Japan, Korea and Australia, etc. On the same day, the Group entered into a strategic cooperation agreement with BIC CAMERA, a Japanese leading home appliances retailer, to offer top Japanese merchandise so that consumers can purchase global leading products within reach anytime.

Open Supply Chain Platform

The Group has been upgrading and transforming its businesses continuously during the past five years. The Group used its advanced IT system to analyse enormous amounts of consumption data; repositioned and upgraded its stores in view of the internet era; leveraged on its strong supply chain platform to support 1,790 offline retail stores (including the Non-listed GOME Group stores), GOME-on-line stores and about 100,000 micro shops, and achieved performance improvements amidst adversity for 12 consecutive quarters.

(1) ***Upgrading Supply Chain***

Despite the challenges from online retail in recent years, the Group struck a balance between low selling prices versus high gross profit margins through the upgrade of its supply chain strategy as well as product differentiation strategy carried out five years ago. The Group formulated the new procurement strategy where procurement was made base on predicted customer demands derived from the big data. It shifted from supplier oriented operations to product oriented operations and adopted the F2C (Factory to Customer) model to enhance the supply chain capability in terms of self-procurement, stock classification, storage management and retail price setting. While it is beneficial to the Group to have higher bargaining power on price setting, it has also been adjusting the product mix to obtain higher profit margin.

(2) ***Enhancing Supply Chain Efficiency***

The Group is able to supply volume product with low prices on the one hand, and on the other hand taking initiatives to negotiate with major suppliers for the introduction of high-end imported products, such as imported Panasonic multi-door refrigerators, to enrich and differentiate product offerings from its competitors as well as fully utilizing the advantages of "shopping experiences" in its physical stores. Such imported products featured high gross profit and high commission, hence contributed the most in the supply chain profit strategy. In addition, by reinforcing the cooperation with industry leaders such as Gree, Apple and Huawei during the reporting period, the Group enhanced its market competitiveness and market share.

(3) *Optimizing Logistics and Delivery Services*

During the reporting period, the Group achieved significant progress in the logistics platform under the Total Retail strategy in terms of network coverage, delivery accuracy and cost control. As of the end of 2015, the Group operated 434 distribution centers and hubs nationwide, with a total storage area of 2.97 million sq.m. that covered over 600 counties and more than 45,000 towns in China. In addition, the Group also operated a chain of 1,790 stores across the country (including the Non-listed GOME Group stores), which served as delivery and pick-up points of the logistics network. Over 400 counties nationwide are enjoying the "Three deliveries/day, precise delivery and installations with delivery" customer services which has become an industry benchmark. The "compensation on late delivery" extended service was launched and operating stably. This service, designed for better customer experience, enhanced customer value and loyalty. In addition, the Group has started the storage by regions and "Warehouses Cloud" strategy based on the big data technology. By integrating suppliers' warehouses and GOME's warehouses, the "Warehouse Cloud" were formed which effectively improved delivery efficiency, extended the supply of goods in the remote areas as well as reduced overall transportation costs.

(4) *Enhancing After-sales Service Quality*

In 2015, the Group set out to improve customer satisfaction. With the support of the internet platform and offline channels, it enhanced service quality and diversified service offerings while expanding its network, to provide customers with multi-channel and comprehensive after-sales services experiences.

During the reporting period, the Group evaluated service quality with key indicators such as customer satisfaction rate, defective rate and ranking by the suppliers on third party service providers. Customer satisfaction rate of the Group reached 91% for the year. The defective rate of installation and maintenance service was 0.45%, which was in line with the requirement of the manufacturers. In terms of ranking by the suppliers on third party service providers, the Group was among the top in the country.

Up to the end of 2015, the Group and the Non-listed GOME Group together have established over 2,000 after-sales service centers which spanned over 400 cities, providing professional after-sales services for GOME and third parties.

(5) *Strengthening Information System*

During the reporting period, in tandem with enhancing the Group's work efficiency and satisfying business needs, the Group's information center relentlessly charted the needs of customers and strengthened their shopping experiences, and had achieved outstanding results.

100,000 micro shops platform

Anchored in internal research and development, and aimed at mobile and internet development, this project establishes online micro shops sales channels with the support from product management for internet, store operation, product sharing with customers, ordering and payment platforms for mobile terminals. Apart from that, the platform is established to undertake tasks for different segments, including multi-channel ordering management, inventory management, product management, price management and promotion management. With a bid to allow staff to start up their own businesses and extend the business venture platform. Currently, close to 100,000 micro shops have been established, and their sharing and flow induction have created greater revenue for the stores. Operating around the clock, our mobile shops and offline stores have formulated a highly efficient and coordinated O2O sales channel.

Wi-Fi project construction

For the purpose of "Wi-Fi + intelligence + advertising + data", the Group has advanced all its Wi-Fi construction projects in quick succession to offer a platform for integrating traditional retail models and mobile internet technologies. With the Wi-Fi service, consumers will be able to enjoy the brand-new in-store shopping experience offered by the internet, in a leisurely and comfortable manner. Such approach prolonged customers' stay in the store and attract repeat customers and multi-consumption, and thus cultivates customers' loyalty and devotion in addition to enhancing the effectiveness of the personalized services and experiences.

Corporate Governance

The Group strives to continuously improve its corporate governance. As at 31 December 2015, the Board comprised 1 executive director, 3 non-executive directors and 4 independent non-executive directors. This Board structure complies with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") stipulating that at least one third of the Board of Directors should be independent directors to ensure the independence of the Board. Therefore, shareholder opinions are thoroughly

Management Discussion and Analysis

deliberated by the Board in a constructive manner before it reaches a consensus.

The Group has adopted its corporate governance policy in accordance with the code provisions of the new corporate governance code. The Group has implemented all the requirements under the code provisions to further enhance its corporate governance.

On the operational level, the Group continued to strengthen its internal controls over the management systems based on various control points. It has established and implemented a complete and standardized operational policy, to prevent employees from exploiting system loopholes. In addition, the Group tasked a specialized surveillance team, which is highly independent, highly focused and empowered with sufficient authority, to deter unethical and illegal activities such as fraud, embezzlement, malpractice, misconduct, unauthorized partnerships and acquiescence. In addition, the Group set up an internal audit system, which is directly reporting to the headquarter, to monitor the execution of the financial policies, improve financial control and prevent financial risks.

Corporate Culture

In December 2012, the Group duly established its brand philosophy and corporate culture anchored by "Trust". Over the last three years, GOME's trust-centric culture has been integrated into every aspect of its daily operation and has been exemplified in the belief and behavior of every staff. The Group firmly believes that outstanding corporate culture is the pillar for a company to stand firm. Over the last year, the Group's training center

held corporate culture courses on an irregular basis to spread the trust-centric culture and philosophy in a more profound manner. While promoting the "trust-centric" culture to all newly hired staff by way of Comprehensive training or lessons, the Group's surveillance center also continuously refined the "Rules on Red-line Management of GOME Appliances" to strictly avoid any dishonest acts by its staff. In addition, the Group adhered to entering into the "Integrity Cooperation Agreement" with all of its suppliers and partners to show its determination to put the "trust-centric" culture into practice.

Human Resources

During the reporting period, the Group's training center adhered to four basic principles to commence all kinds of training programs for staff, namely "low-cost induction, network development, holistic coverage on all posts and practical training."

As for talents development, apart from the daily training, the Group's training center undergone training for staff members based on their corresponding management levels. The "Reservoir Project" was implemented where comprehensive trainings for graduate candidates hired from the schools were conducted with a view to enhancing their understanding and cultural recognition of the Group. Specialized training was provided to personnel promoted to key management positions from the "Reservoir Project" under the "Golden Eagle Reservoir Comprehensive Training" program. The "Reserve Store Head Project" focused on the reserve and nurturing of personnel for store managers while the "Career Advancement Program" offered training for middle management, and helped them understand their positions and duties with an aim to enhance their competencies. GOME strengthened the comprehensive management capabilities of the general managers at the second-tier branches via the "Comprehensive Training for General Managers at the Second-tier Branches" program, while external nurturing projects, such as EDP (Executive Development Programs) and MBA (Master of Business Administration), were conducted for nurturing the senior management. Through the above training projects for talents at different levels, the Group managed to establish its own talents supply chain which formed the backbone for its sustained leading position.

FINANCIAL REVIEW

Revenue

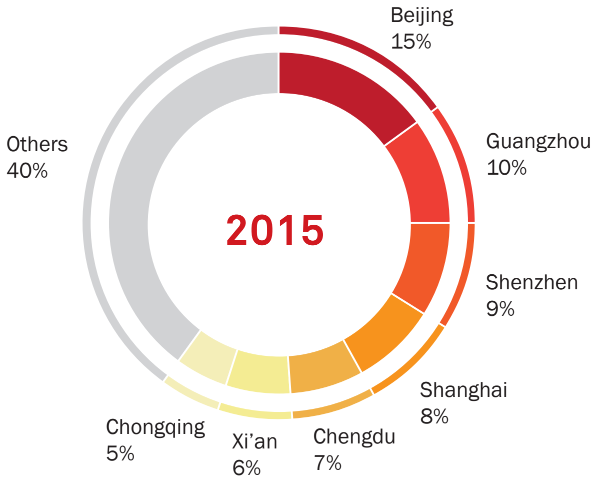
During the reporting period, the Group's revenue was approximately RMB64,595 million, up 7.02% from RMB60,360 million in 2014. The Group's weighted average sales area was approximately 3,905,000 sq.m. and the revenue per sq.m. was approximately RMB16,542, relatively stable as compared with RMB16,578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

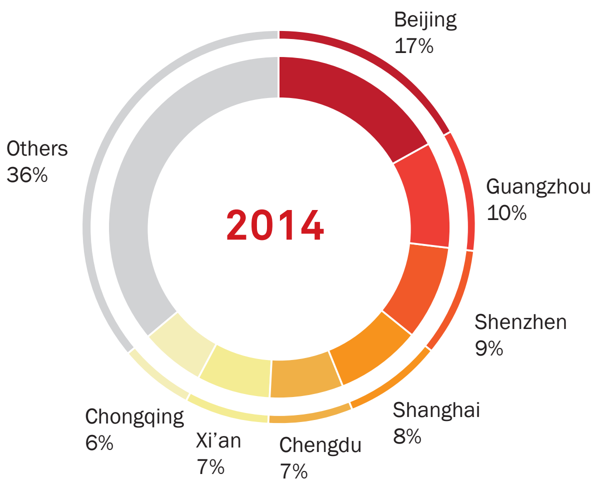
During the reporting period, aggregate sales of 891 comparable stores of the Group was approximately RMB50,666 million, up 2.32% from RMB49,515 million for the corresponding period in 2014. Sales revenue from the four regions of Beijing, Guangzhou, Shenzhen and Shanghai accounted for approximately 42% 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

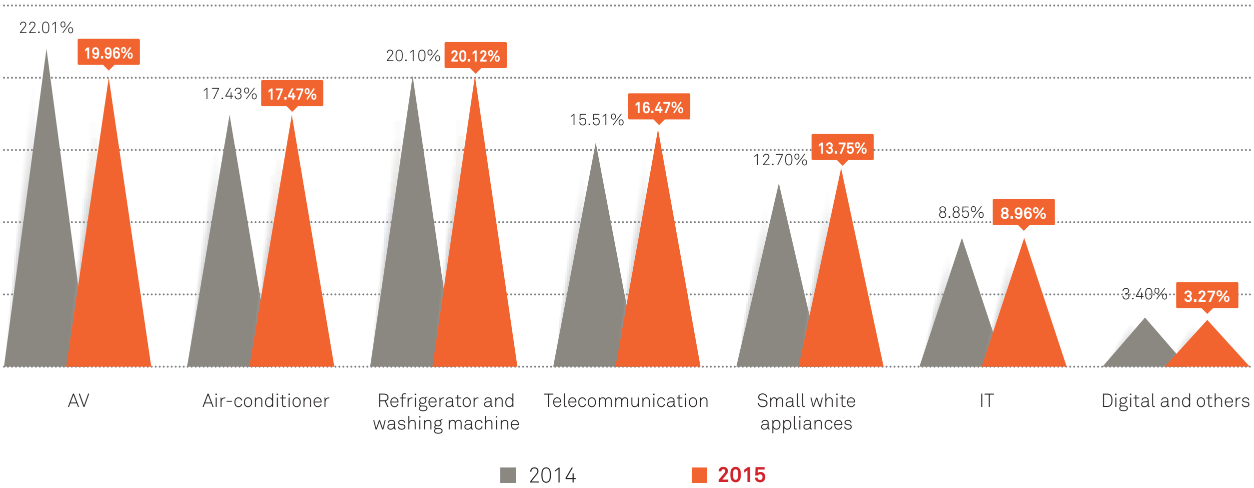
Cost of sales of the Group was approximately RMB55,082 million in the reporting period, accounted for 85.27% of the revenue, which is similar as compared with 85.10% for the corresponding period in 2014. Gross profit was approximately RMB9,513 million, up 5.77% from RMB8,994 million in the previous year.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

SALES REVENUE OF THE GROUP BY REGION:

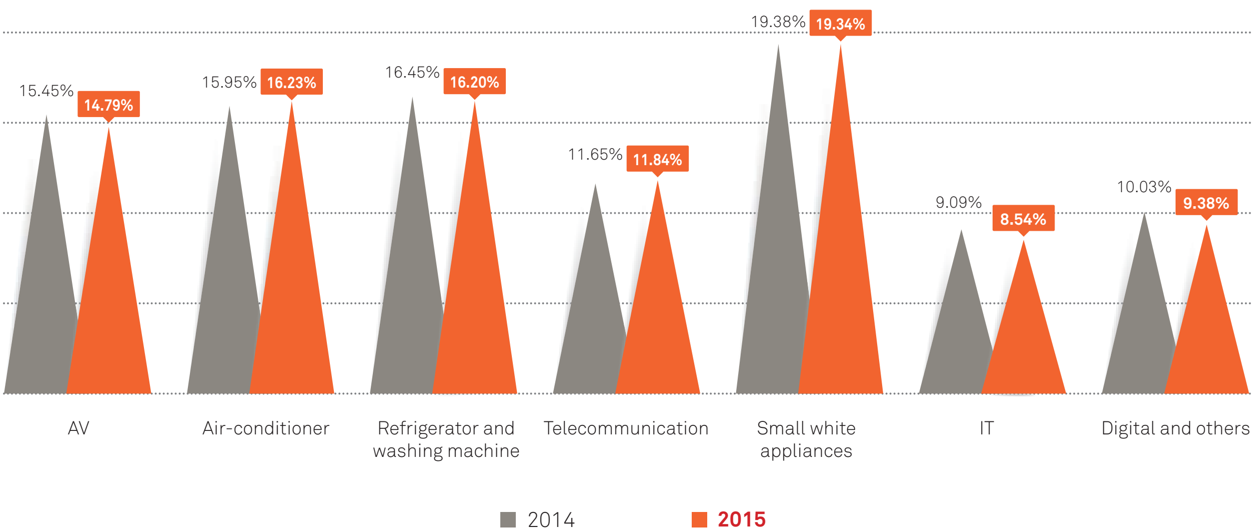




PROPORTION OF REVENUE FROM EACH PRODUCT CATEGORY OVER TOTAL REVENUE IS AS FOLLOWS:



THE GROSS PROFIT MARGIN OF EACH PRODUCT CATEGORY IS AS FOLLOWS:



Management Discussion and Analysis

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 point 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 point 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 point 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%.

Summary of selling and distribution expenses:

	2015	2014
As a percentage of sales revenue:		
Rental	5.18%	5.17%
Salaries	2.96%	2.95%
Utility charges	0.82%	0.83%
Advertising expenses	1.33%	1.55%
Delivery expenses	0.67%	0.77%
Others	1.10%	1.20%
Total	12.06%	12.47%

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 point 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 point 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 were approximately RMB7,438 million, which were mainly denominated in Renminbi and the rest in US dollars, HK dollars and other currencies 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.

Dividend and dividend policy

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).

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.

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.

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.

Highlights of the Year

DECEMBER 2015

- GOME has been awarded the 2015 China's Top 100 Best Employers and the Best Employer for China's college students in the retail sector in "2015 China Best Employers of College Graduates" campaign, an event led and organized by www.ChinaHR.com.

- On 18 December, GOME launched "In-house Sale Carnival" and recorded a sales of RMB5.5 billion from its approximately 1,800 offline stores in China, another new record high after breaking the 17 September record in three months.

- Gomehigo.hk, a subsidiary of The Group, announced to explore its business to overseas online shopping. According to its plan, 500 stores will be established within 3 years in an effort to make the group rank first among the industry of O2O overseas shopping business. At the same time, GOME has entered into a strategic cooperation agreement with BIC CAMERA, a Japanese leading home appliances retailer, to launch its Japanese channel.

- GOME, the only shortlisted retailer, awarded 2015 China's Top Influential Brand at the China Business Leaders & Media Leaders Annual Conference–2015 China's Top Influential Brand Annual Ceremony held in Beijing.

NOVEMBER 2015

- In the China Retail Industry Convention, capitalizing on its innovative Total Retail Community strategy and innovation in business and management model as well as its profits for ten consecutive quarters, GOME has won the Award for Innovation in China's Retail Industry, the highest honour awarded by the Convention. GOME has also been honored the CCFA "Top Ten" Gold-Medal Store Managers Award and 2015 CCFA Employee most Favorite Company.

OCTOBER 2015

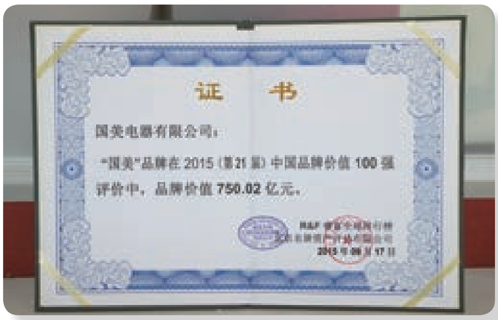
- GOME has been honoured the Quality Service Advanced Unit by China Consumer Journal.

- China Chain Store & Franchise Association announced the 6th batch Low-Carbon Model Shop, GOME's Shanghai Yongle Gonghe store, Shanghai Qibao store, Beijing Dazhong Home Appliances Zhongta store and Heilongjiang Black Swan Home Appliances Nangang store were named the Low-Carbon Model stores, which made GOME the biggest winner.

Highlights of the Year

SEPTEMBER 2015

- With a brand value of RMB75.002 billion, GOME ranked first in the Top 100 Most Valuable Brands of China in 2015 in the retail industry category for nine consecutive years.



- The World Retail Congress, which has been known as "Davos in the retail industry", was unveiled in Rome of Italy. With its Total Retail Community strategy, GOME has been nominated for the Retail Transformation and Reinvention Award granted by the World Retail Congress.

- GOME announced to step up efforts to explore its business to smart homes with its Smart Homes strategy.

- GOME hosted the "17 September In-house Sale Carnival" and recorded a sales of RMB4.2 billion from its offline stores nationwide.

JULY 2015

- GOME Electrical Appliances Holding Limited announced to acquire the entire issued capital of Artway Development Limited, a company wholly owned by the controlling shareholder, pursuant to which the controlling shareholder has injected all of its assets in the unlisted retail network and the supply chain to the listed company.

- Capitalizing its advantages in developing learning platform, constructing curriculum system, training part-time tutors and nurturing talents, GOME has been awarded the 2015 Chinese world-class enterprises College Engine Award (引擎獎—2015中國標杆企業大學獎) granted by the Board of China Enterprise Learning and Talent Development Conference.

- With its outstanding performance in terms of strategy, organization, customers, innovation, technology and financial service, GOME has been awarded 2015 CCFA "Top Ten" Model Enterprise.

- GOME's President Mr. Wang Jun Zhou was elected as the 10th Retail Person of the Year for 2014-2015, an award recognizing his contribution in leading the transformation and innovation of the Company for outstanding business results and substantial progress in 2014.

MAY 2015

- GOME has been awarded the 1st Best Investor Relations–Mid Cap Award by the Board of Hong Kong Investor Relations Association.
- With its precise marketing approach to target customers through its big data terminals, GOME has been granted Effie Awards–the most effective advertising efforts (2015艾菲最實效廣告主獎).

- At the China E-Commerce Innovation Development Summit held in Guiyang, GOME has been award the Best Enterprise Transition Award by the board.

APRIL 2015

- As the largest and closet dealer partner of Apple in China, GOME has been awarded the 2014 Best Dealer of Apple by Apple Inc
- China Chain Store & Franchise Association announced Top 100 Chain Retailers in 2014. With a sales value of RMB143.5 billion, GOME ranked first in Top 100 Chain Retailers in 2014 in the retail industry category for two consecutive years.
- GOME has launched the "Black Friday" sale carnival and has recorded a year to year increase in sales by 89.3% as compared with last year. The sales of GOME's online business went up by 320% and the sales of mobile terminals up by 1,103% over as compared to last year, setting a record in the home appliance retail industry.

FEBRUARY 2015

- The 16th Lenovo Group's Star of the Business was unveiled at Beijing. As the largest retailer of home appliances and consumer electronic products in China, GOME joined the meeting and has been awarded the "Lenovo's Star of Business" for two consecutive years.

JANUARY 2015

- For its outstanding contribution through its philanthropic projects, GOME has been awarded the 2014 Charity Award (Group) in 4th China Charity Festival in 2014. On the other hand, GOME has been awarded the 2014 Best Philanthropic Project Award for its "Love Can't Wait: Caring for elderly parents at home" project.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STRONG LINKAGE

Through integrating and upgrading the frontline micro shops with the back-end supply chain, through in-depth communications with the customers in the social-circles, GOME will offer global premier products to the customers, creating value for customers and thus enhance its Total Retail Community.

Directors and Senior Management Profile

CHAIRMAN

Mr. ZHANG Da Zhong

Mr. ZHANG Da Zhong, aged 67, has been the Chairman and non-executive Director of the Company since 10 March 2011. Mr. Zhang was the founder of Beijing Dazhong Electrical Appliances Co. Ltd., one of the leading domestic appliances retail chains in Mainland China. Mr. Zhang sold all of his interests in Beijing Dazhong Electrical Appliances Co., Ltd. in late 2007 and established Beijing Dazhong Investment Co. Ltd., a company that engages primarily in private equity investment in which he is currently the president. Mr. Zhang was honored as China's Outstanding Private Entrepreneur (中國優秀民營企業家) and Outstanding Builder of Chinese Featured Socialism (優秀中國特色社會主義事業建設者), and was a member of the 8th Chinese People's Political Consultative Conference of Beijing, a member of the standing committee for both the 9th and 10th Chinese People's Political Consultative Conference of Beijing and a member of the standing committee of the 13th Beijing People's Congress. Mr. Zhang is currently the deputy chairman of the Beijing Commerce Federation (北京市商會).

EXECUTIVE DIRECTOR

Mr. ZOU Xiao Chun, aged 46, has been an executive Director of the Company since 17 December 2010 and was the Vice President and the Senior Vice President of the Group from 17 December 2010 to 31 December 2013, mainly responsible for the Chinese legal and compliance matters and other deal-specific projects of the Group and is also a director of various subsidiaries of the Company. Mr. Zou graduated from the Department of Law of Nanchang University (formerly known as Jiangxi University) (南昌大學（原江西大學）法律專業專科) in June 1990 and was granted the Chinese Lawyers Qualification Certificate (中國律師資格證書) in July 1991. Mr. Zou was also granted the Chinese Tax Advisers Qualification Certificate (中國稅務師資格證書) in September 1995 and the Pass Certificate for the National Notary Public Qualification Examination (國家公證員資格考試合格證書) in December 1995. Furthermore, Mr. Zou was qualified as an industrial economist (工業經濟師) in October 1996. Mr. Zou has been a practising lawyer over 20 years and has bean practising legal areas relating to capital markets in the People's Republic of China over 10 years. In June 2006, Mr. Zou founded Beijing John & Law Firm (北京市中逸律師事務所) and has been acting as the founding partner and the managing partner. Between 2001 and 2011, Mr. Zou acted as the retainer legal adviser for Beijing Eagle Investment Co. Ltd (北京鵬潤投資有限公司) and Beijing GOME Electrical Appliance Co., Ltd (北京國美電器有限公司), both of which are owned or controlled by Mr. Wong Kwong Yu, a controlling shareholder of the Company. Between December 2008 and March 2011, Mr. Zou was a director and vice chairman of Beijing Centergate Technologies (Holding) Co., Limited (北京中關村科技發展(控股)股份有限公司) (a company listed on the Shenzhen Stock Exchange) and since May 2012, he has been re-appointed as a director of such company. Since 2011, Mr. Zou has been appointed as a member of the Executive Committee of GOME Holding Group Company Limited (國美控股集團有限公司), which is owned or controlled by Mr. Wong Kwong Yu, and was appointed as a director and vice chairman of Sanlian Commercial Co., Limited (三聯商社股份有限公司) (a company listed on the Shanghai Stock Exchange) between June 2011 and June 2014. Mr. Zou founded Jiandao Zhongchuang Investment Company Limited (簡道眾創投資有限公司) and was the chariman of the company in August 2014. He has been the chariman of UoneNet Technology (Beijing) Co., Ltd. (優萬科技（北京）股份有限公司 (a company listed on the New Third Board) since January 2016.

Mr. ZOU Xiao Chun

NON-EXECUTIVE DIRECTORS

Ms. HUANG Xiu Hong

Ms. HUANG Xiu Hong, aged 43, has been a non-executive Director of the Company since 24 June 2015. Ms. Huang has been working at GOME Appliance since 1991 and was appointed as the GOME Appliance's general manager in Eastern China Region since 2005; from February 2009 up to now, she has been the President of both the Non-listed GOME Group and Pengrun Holdings Limited (鵬潤控股有限公司). Ms. Huang has obtained her MBA degree from Helsinki School of Economics in 2005, and she is now pursuing further education in financial EMBA in Tsinghua University PBC School of Finance. In 2007, Ms. Huang was honored the "Top Ten Outstanding Youth in Retail Industry of Shanghai" and a torchbearer of the Beijing Olympic Games in 2008; in 2009, she received the nomination title of "Outstanding Business Woman of China" conferred by All-China Women's Federation together with China General Chamber of Commerce; from 2012 to 2015, she was consecutively awarded "The Most Influential Business Woman in China". Besides, Ms. Huang was recognized as "The Significant Contributor in Building National Corporation Culture" in 2012, "Person of Asia Brand of 2013", etc. Currently she serves as the deputy chairman of both China Enterprise Confederation and China General Chamber of Commerce as well as a council member of Beijing Federation of Industry & Commerce. Ms. Huang is a sister of Mr. Wong Kwong Yu, the controlling shareholder of the Company. She is also directors of certain subsidiaries of the Company. Ms. Huang was the Acting Chairman of the Board of Beijing Centergate Technologies (Holding) Co., Ltd. (a company listed on Shenzhen Stock Exchange) from March 2014 to May 2014.

Mr. YU Sing Wong, aged 64, has been a non-executive Director of the Company since 24 June 2015. Mr. Yu has been the president of No. 9 Real Estate Company Limited (玖號置業有限公司) under GOME Holding Group (國美控股集團) since 2013, primarily responsible for the development and construction of No. 9 Shopping Plaza (玖號購物廣場) in Xiangjiang, Changsha, Hunan. From 2003 to 2012, Mr. Yu was the president of Beijing Xinhengji Investment and Management Group (北京新恒基投資管理集團), mainly in charge of the development and construction of the Xinhengji First City Project (新恒基第一城項目) in Shenyang, with an area of 1,000,000 square meters. From 2000 to 2002, he served as the general manager of Beijing Pengrun Real Estate Development Company Limited (北京鵬潤房地產開發有限公司), responsible for the development and construction of the Pengrun Garden Project (鵬潤家園項目). From 1992 to 2000, he was the vice president of Xinhengji Real Estate Development Company Limited (新恒基房地產開發有限公司), responsible for the development and construction of various projects, such as Xinhengji International Building (新恒基國際大廈), Pengrun Building (鵬潤大廈) and Jing An Centre (靜安中心). Before that, Mr. Yu was an assistant manager of a materials company in Luohu, Shenzhen from 1984 to 1991 and was a cadre of the office of machine tool station of the Ministry of First Machinery Industry (第一機械工業部機床總站) from 1973 to 1984.

Mr. YU Sing Wong

INDEPENDENT NON-EXECUTIVE DIRECTORS

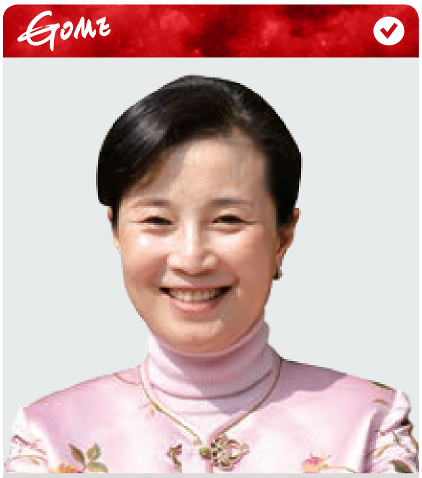
Mr. LEE Kong Wai, **Conway**, aged 61, has been an independent non-executive Director of the Company since 10 March 2011. Mr. Lee received a bachelor's degree in arts from the Kingston University (formerly known as the Kingston Polytechnic) in London in July 1980 and further obtained his postgraduate diploma in business from the Curtin University of Technology in Australia in February 1988. Mr. Lee served as a partner of Ernst & Young for 29 years until 2009 and had held key leadership positions in the development of such firm in China. Mr. Lee is a member of the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants in Australia and New Zealand, the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Macau Society of Registered Accountants. Mr. Lee has been an independent non-executive director of Chaowei Power Holdings Limited, West China Cement Limited, China Modern Dairy Holdings Limited, Tibet 5100 Water Resources Holdings Ltd., CITIC Securities Company Limited, NVC Lighting Holding Limited, Yashili International Holdings Limited, GCL New Energy Holdings Limited, WH Group Limited and China Rundong Auto Group Limited (all being companies listed on the Hong Kong Stock Exchange, while CITIC Securities Company Limited also listed on the Shanghai Stock Exchange) since June 2010, July 2010, October 2010, March 2011, August 2011, November 2012, November 2013, May 2014, August 2014 and August 2014, respectively. Moreover, Mr. Lee was a non-executive director and the deputy chairman of Merry Garden Holdings Limited (a company listed on the Hong Kong Stock Exchange) from July 2014 to September 2015. Mr. Lee was an independent non-executive director of Sino Vanadium Inc. (a company listed on the TSX Venture Exchange in Canada) and China Taiping Insurance Holdings Company Limited (a company listed on the Hong Kong Stock Exchange) from October 2009 to December 2011 and from October 2009 to August 2013, respectively. Mr. Lee has been appointed as a member of the Chinese People's Political Consultative Conference of Hunan Province in China since 2007.

Mr. LEE Kong Wai, Conway

Mr. NG Wai Hung

Mr. NG Wai Hung, aged 52, has been an independent non-executive Director of the Company since 10 June 2011. Mr. Ng is a practising solicitor and a partner in Iu, Lai & Li, a Hong Kong firm of solicitors and notaries. Mr. Ng has extensive experience in the areas of securities law, corporate law and commercial law in Hong Kong and China trades and has involved in initial public offerings of securities in Hong Kong as well as corporate restructuring, mergers and acquisitions and takeovers of listed companies in Hong Kong. Mr. Ng has been an independent non-executive director of Fortune Sun (China) Holdings Limited, Tech Pro Technology Development Limited, Trigiant Group Limited, Sustainable Forest Holdings Limited, On Time Logistics Holdings Limited, China Star Cultural Media Group Limited (currently known as Lajin Entertainment Network Group Limited) and Kingbo Strike Limited (all being companies listed on the Hong Kong Stock Exchange) since June 2006, April 2011, August 2011, February 2013, June 2014, March 2015 and June 2015, respectively. Moreover, Mr. Ng was also an independent non-executive director of Yun Sky Chemical (International) Holdings Limited (currently known as King Stone Energy Group Limited), KTP Holdings Limited (currently known as Ares Asia Limited), Tomorrow International Holdings Limited (currently known as Talent Property Group Limited), Perception Digital Holdings Limited (currently known as E-Rental Car Company Limited) and HyComm Wireless Limited (currently know as Qingdao Holdings International Limited) (all being companies listed on the Hong Kong Stock Exchange) from September 2008 to February 2010, from November 1999 to February 2011, from March 2000 to January 2012, from January 2013 to August 2014 and from January 2008 to September 2014, respectively.

Directors and Senior Management Profile



Ms. LIU Hong Yu

Ms. LIU Hong Yu, aged 52, has been an independent non-executive Director of the Company since 10 June 2013. Ms. Liu is a Chinese practising lawyer. Ms. Liu is the founding partner of Jincheng Tongda and Neal. Prior to that, Ms. Liu was the managing partner of Beijing Tongda Law Offices between April 1993 and April 2004, the legal adviser to Agricultural Bank of China (Beijing Branch) between May 1988 and April 1993 and a cadre of the People's Bank of China (Sichuan Province) between July 1985 and May 1988.

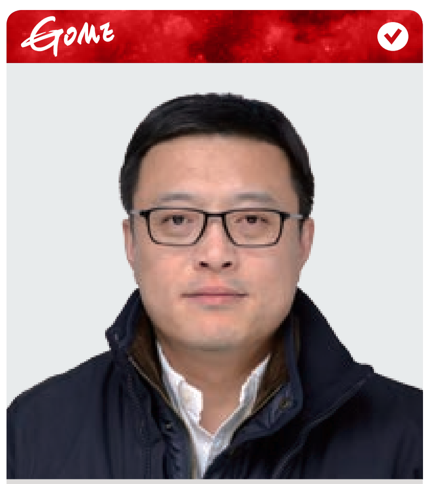
Ms. Liu graduated from Southwest University of Political Science and Law in 1985 with a Bachelor Degree in Law and obtained a Master Degree in Economic Law from the Graduate School of Chinese Academy of Social Sciences in 1998 and an Master Degree in Business Administration from Guanghua School of Business Management of Peking University in 2003. Ms. Liu is also qualified as a Chinese economist.

Ms. Liu was a member of the National Committee of the 11th Chinese People's Political Consultative Conference and a deputy to the 12th and 13th Beijing Municipal People's Congress, and is currently a member of the National Committee of the 12th Chinese People's Political Consultative Conference, a deputy to the 14th Beijing Municipal People's Congress and an executive member of the executive committee to the 11th China Feminine Congress. Ms. Liu is also a member of the 9th All-China Youth Federation, an executive member of the All China Female Lawyers Association and a legal consultancy expert of the Beijing Municipal Commission of Development and Reform.

Ms. Liu was an independent director of Founder Technology Group Company Limited (a company listed on Shanghai Stock Exchange) between April 2005 and June 2011 and Chongqing Three Gorges Water Conservancy and Electric Power Co., Ltd. (a company listed on Shanghai Stock Exchange) between June 2009 and June 2012. Ms. Liu is currently an independent director of China Real Estate Corporation Limited (formerly known as Chongqing International Enterprise Investment Co., Ltd.) (a company listed on Shenzhen Stock Exchange), an independent non-executive director of China Machinery Engineering Corporation (a company listed on Hong Kong Stock Exchange), an external supervisor of Bank of Beijing Co., Ltd. (a company listed on Shanghai Stock Exchange) and an independent director of Lanpec Technologies Limited (a company listed on Shanghai Stock Exchange).

Mr. WANG Gao, aged 50, has been an independent non-executive Director of the Company since 24 June 2015. Mr. Wang was appointed as the professor of marketing and the associate dean (Trainings for Senior Managers) in China Europe International Business School and the joint director of The Research Center of Globalization of China Enterprises (中國企業全球化研究中心) since 2009. From 2002 to 2008, Mr. Wang was the associate professor and the deputy of the Marketing Department under School of Economics and Management of Tsinghua University; from 2001 to 2002, he was the manager of Strategy and Analysis Department of Minute Maid Branch (美　之源分公司) under the Coca-Cola Company in Houston of the United States; from 1998 to 2001, he served as the senior consultant of The Information Resources Limited of the United States (美國信息資源有限公司) in Chicago. Mr. Wang acquired his bachelor degree in Demography from Renmin University of China in 1988, and he obtained his Master of Social Science and Doctor of Sociology both from Yale University in 1994 and 1998, respectively. Mr. Wang is an independent director of Anhui Gujing Distillery Company Limited (a company listed on Shenzhen Stock Exchange) since June 2014.

Except as disclosed above, none of the Directors is related to any other Director, senior management, substantial shareholder or controlling shareholder of the Company.



Mr. WANG Gao

SENIOR MANAGEMENT

Mr. WANG Jun Zhou, aged 54, has been the President of the Group since 28 June 2010. He is also a director of various subsidiaries of the Company. Mr. Wang was the Executive Vice President of the Group during the period from November 2006 to June 2010 and an executive Director of the Company between December 2008 and June 2011. Mr. Wang is responsible for the overall management of daily operations, including the formulation of the Group's medium and long-term strategic plans and annual budgets as well as standardisation of various systems, processes and authorisations for the Group. Mr. Wang also assists in providing guidance and monitoring to the daily operations in each major region and each division of the Group as well as the appraisal and review for business management teams at all levels. Mr. Wang has over 10 years of experience in the sale and management of electrical appliances. Mr. Wang joined the Group in 2001 and previously held positions as general manager of the operations centre, general manager of the Southern China Region and general manager of the strategic and cooperation centre of the Group. In November 2014, Mr. Wang was awarded the China Chain Store & Franchise Association: Retail Person of the Year for 2014 (CCFA2014中國連鎖年度人物大獎) by the 16th China Retail Industry Convention. In July 2015, Mr. Wang was elected as the 10th Retail Person of the Year for 2014-2015, an award recognizing his contribution in leading the transformation and innovation of the Company for outstanding business results and substantial progress in 2014. In October 2015, President Mr. Wang was awarded the title of "Outstanding Person on Home Appliance for the Thirty Years in China" (中國家電30年功勳人物獎) by China Household Electrical Appliances Association.

Mr. FANG Wei, aged 44, has been re-designated as the Chief Financial Officer of the Group since September 2011. Before the re-designation, Mr. Fang had been the Acting Chief Financial Officer of the Group since November 2008. He is also a director of certain subsidiaries of the Company. Mr. Fang is responsible for the overall planning and implementation of the Group's internal budget as well as the accounting and auditing system. Mr. Fang also participates in major decision making in relation to the investment, financing and operations of the Group. Mr. Fang is a graduate of the accounting faculty of Central University of Finance and Economics (中央財經大學會計系) and a holder of a Master degree in Management. He is qualified as a senior accountant and senior economist in China. Mr. Fang has extensive and solid experience in finance management, internal control, budget control and capital management. Since 1994, Mr. Fang had held senior management positions in China National Electronics Import & Export Corporation (中國電子進出口公司), KPMG Huanzhen and 北京朝歌寬帶數碼科技有限公司. He joined the Group in January 2005, had held positions as assistant director and the director of the finance centre and member of the execution committee of the Group, and was granted the Special Contribution Award for Year 2011 by the Group. Mr. Fang was named as the Talented Youth of Retail Sector in China for Year 2008 (2008年度中國零售業青年英才) by China Business Herald (中國商報) and linkshop.com.cn (聯商網) jointly as well as Ten High-Profile Persons in Cash Management for Year 2012 (2012年現金管理十佳風雲人物) by China Finance and Trade Magazine (中國財貿雜誌) and China Treasury Research and Development Centre (財資研究發展中心) jointly. In 2011, Mr. Fang being a core ERP project team leading member of the Group, successfully launched the ERP system on-line, the Group was awarded the China Chamber of Commerce Science and Technology Award – National Commercial Technology Progress Award Grand Prize for 2012 (2012年度中國商業聯合會科學技術獎 – 全國商業科技進步獎特等獎) for its ERP project in December 2012 under the Nationwide E-commerce Supply Chain Integration and Application (超大型連鎖零售電子商務一體化及高效供需鏈應用綜合系統工程) category by the China Chamber of Commerce. In addition, Mr. Fang and his team were awarded the Best Investor Relations Management Listed Company of the 2014 China Securities Golden Bauhinia Awards and Year 2014 the Best Investor Relations–Mid Cap Award by Hong Kong Investor Relations Association, while he was elected as China's top 10 outstanding CFO by CFO in 2014. In November 2015, Mr. Fang was elected as "2015 Finance Leader" by CGMA. In December 2015, Mr. Fang was elected as "2015 Outstanding Global Leader in China" by China's CFO Development Centre. Mr. Fang is currently the chairman of the supervisory committee of Sanlian Commercial Co., Ltd. (a company listed on the Shanghai Stock Exchange).

Ms. WEI Qiu Li, aged 48, has been re-designated as the Senior Vice President of the Group since March 2012. Before the re-designation, Ms. Wei had been the Vice President of the Group since November 2006 and was an executive Director of the Company between January 2009 and June 2011. She is also a director of various subsidiaries of the Company. Ms. Wei obtained an Executive MBA (EMBA) from the China Europe International Business School (中歐國際工商學院) in 2013. Ms. Wei is mainly responsible for the medium-to long term strategic planning, preparation of annual budget, standardisation of various policies, systems and authorisations, organisational planning and human resources training of the Group. Ms. Wei has over 10 years of experience in human resources and administrative management. Ms. Wei joined the Group in 2000 and had previously held positions as director of the management centre, director of the pricing centre, director of the human resources centre and director of the administration centre of the Group. Ms. Wei was a director of Beijing Centergate Technologies (Holding) Co. Ltd. (北京中關村科技發展（控股）股份有限公司), a company listed on the Shenzhen Stock Exchange, between 11 January 2007 and 15 January 2009. Ms. Wei is currently a director of the board of Sanlian Commercial Co., Ltd. (a company listed on the Shanghai Stock Exchange).

Mr. LI Jun Tao, aged 50, has been appointed as CEO of GOME-on-line since June 2015. Before the appointment, Mr. Li was the Senior Vice President of the Group since March 2012. He is also a director of various subsidiaries of the Company and a member of the decision-making committee. Currently, Mr. Li is responsible for the management of GOME-on-line and Smart Home/home appliance manufacturing segment, and is one of the important decision makers in relation to development strategies and business operations of the Group for the business operation and management in the areas of strategic planning, business development and team building. Mr. Li joined the Group in 1988 and has assumed senior management roles in areas such as municipal, provincial, business and operational sectors of the Group. Mr. Li was graduated from China Europe International Business School (中歐國際工商學院) with Executive MBA (EMBA). In November 2015, Mr. Li was awarded Top Ten Marketing Persons (十大營銷人物) an award organized by Southern Metropolitan News.

Mr. HE Yang Qing, aged 53, has been appointed as the Chief Operating Officer of GOME-on-line since June 2015, mainly responsible for the operation and management of the operating system of GOME-on-line. Before the appointment, Mr. He had been the Senior Vice President of the Group since 2012, mainly responsible for the operation and management of the operation system (such as the first-tier market operation centre, second-tier market operation centre, chain development centre, customer service centre, information centre, etc.) as well as the brand management centre of the Group. Mr. He joined the Group in 2003 and had previously held positions as a member of the decision-making committee and assistant director of the sales centre of the Group. Mr. He has over 20 years of extensive and solid experience in the industries of retail sale and manufacture of home electrical appliances, was named as Top Ten Persons of Brand Building in China for Year 2005 (2005年中國品牌建設十大人物) and Ten Outstanding Brand Managers in China for Year 2007 (2007年中國十大傑出品牌經理人), and was awarded Advertisers' Great Wall Award – Meritorious Figure Award for Year 2011 (廣告主長城獎－2011年度人物功勛獎). Mr. He is currently a director and the chairman of the board of Sanlian Commercial Co., Ltd. (a company listed on the Shanghai Stock Exchange).

Directors and Senior Management Profile

Mr. MU Gui Xian, aged 43, has been re-designated as the Senior Vice President of the Group since March 2012, mainly responsible for the operation and management of the after-sales system of the Group. Before the re-designation, Mr. Mu was the Vice President of the Group. He has over 20 years of experience in sales and marketing of retail business. He is also a director of various subsidiaries of the Company. Mr. Mu joined the Group in 2001 and had previously held positions as assistant director of the management centre, general manager of the store management centre, general manager of Region 1 of the Northern China Region, general manager of Northern China Region, general manager of the telecommunication subsidiary and the president of GOME-on-line of the Group. Mr. Mu was named as one of the 100 Influential Persons of the Mobile Phone Industry in China for Year 2008 (2008年度中國手機界影響力100人). In 2011, Mr. Mu being a core ERP project team leading member of the Group, successfully launched the ERP system on-line, the Group was awarded the China Chamber of Commerce Science and Technology Award – National Commercial Technology Progress Award Grand Prize for 2012 (2012年度中國商業聯合會科學技術獎－全國商業科技進步獎特等獎) for its ERP project in December 2012 under the Nationwide E-commerce Supply Chain Integration and Application (超大型連鎖零售電子商務一體化及高效供需鏈應用綜合系統工程) category by the China Chamber of Commerce.

Mr. GUO Jun, aged 44, has been re-designated as the senior vice president of the Group since January 2016. He is mainly responsible for the overall operation and management of the operating system of the Group and is one of the important decision makers in relation to business operations and development strategies of the Group. Mr. Guo was graduated from the Ningxia University (寧夏大學) majoring in electronic commerce and obtained an Executive MBA (EMBA) from China Europe International Business School (中歐國際工商學院) in 2015. Before the re-designation, Mr. Guo had been the vice president of the Group since April 2013 and received the 2013 Outstanding Vice President Award. In addition, since joined the Group in 2005, Mr. Guo was responsible for the establishment of various branches across the nation and had previously held positions as the acting general manager of Shenzhen GOME, acting general manager of the Southern China Region, director of sales and procurement at the headquarter of China Paradise, general manager of Fujian Region and director of the home appliance business centre of the headquarter. He is familiar with the market environments of various regions and has repeatedly reached new heights in sales records.

Mr. MA Hai Lin, aged 47, graduated from Beijing Normal University (北京師範大學) in 1991. He was re-designated as the vice president of GOME Appliance at the end of 2013 and was mainly responsible for the operation and management of the operation system, including the first-tier market store operation centre, chain development centre, customer service centre, information centre, design and renovation department and micro shops department of GOME Appliance. Mr. Ma joined the Group in 2007 and was the operating director of Northern China Region, director of store operating centre of the Group and general manager of Dalian branch of GOME Appliance prior to the re-designation. Mr. Ma has over 20 years of experience in China and foreign retail industry, and possesses a keen observation and prospective ability over the retail industry.

The board of directors (the "Directors") of the Company (the "Board") have pleasure in submitting its report and the audited financial statements of GOME Electrical Appliances Holding Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the retailing of home appliances and consumer electronic products in China. The Group's revenue is mainly derived from business activities in the Mainland China. An analysis of the Group's income for the year is set out in note 5 to the financial statements on page 128.

FINANCIAL STATEMENTS

The results of the Group for the year are set out in the Consolidated Statement of Profit or Loss on page 83 and Consolidated Statement of Comprehensive Income on page 84.

The state of affairs of the Group as at 31 December 2015 is set out in the Consolidated Statement of Financial Position on pages 85 to 86.

The cash flows of the Group for the year are set out in the Consolidated Statement of Cash Flows on pages 89 to 90.

SHARE CAPITAL

Details of the movement in share capital of the Company are set out in note 28 to the financial statements on page 157.

DIVIDENDS

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 amount 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) in aggregate.

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

ANNUAL GENERAL MEETING

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

RESERVES

The amounts and particulars of material transfers to and from reserves of the Company and of the Group during the year are set out in note 39 to the financial statements on page 179 and in the consolidated statement of changes in equity.

As at 31 December 2015, the Company's reserves available for distribution to shareholders of the Company amounted to RMB284,486,000 (2014: RMB310,933,000) of which RMB208,416,000 has been proposed for the Final Dividend for the year.

PROPERTY, PLANT AND EQUIPMENT

The movements in property and equipment during the year are set out in note 12 to the financial statements on pages 138 to 139.

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases for the year attributable to the Group's major suppliers are as follows:

– the largest supplier	9.80%
– five largest suppliers combined	42.95%

None of the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in the major suppliers noted above.

The business of the Group is principally engaged in retail business and the percentage of turnover for the year attributable to the Group's five largest customers was less than 30% of the Group's total turnover.

DONATIONS

During the year, the Group has made charitable and other donations in Hong Kong and China totaling RMB560,000.

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

Executive Director

Mr. ZOU Xiao Chun

Non-Executive Directors

Mr. ZHANG Da Zhong	
Ms. HUANG Xiu Hong	(appointed with effect from 24 June 2015)
Mr. YU Sing Wong	(appointed with effect from 24 June 2015)
Mr. ZHU Jia	(resigned on 28 January 2015)
Ms. WANG Li Hong	(resigned on 28 January 2015)

Independent Non-Executive Directors

Mr. LEE Kong Wai, Conway	
Mr. NG Wai Hung	
Ms. LIU Hong Yu	
Mr. WANG Gao	(appointed with effect from 24 June 2015)
Mr. SZE Tsai Ping, Michael	(retired on 24 June 2015)
Mr. CHAN Yuk Sang	(retired on 24 June 2015)

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the transactions which are disclosed in notes 22 and 34 to the financial statements on page 153, and pages 164 to 166 respectively and in the section headed "Connected Transactions" hereinbelow, there were no contracts of significance, to which any member of the Group was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year, no Director of the Company was interested in any business (other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or any member of the Group) which were considered to compete or were likely to compete, whether directly or indirectly, with the businesses of the Group.

However, during the year, Mr. Wong Kwong Yu ("Mr. Wong"), Ms. Du Juan, being the spouse of Mr. Wong, and Ms. Huang Xiu Hong, (who was elected as director of the Company on 24 June 2015) being a sister of Mr. Wong, remained as directors of certain subsidiaries of the Company had beneficial interest or held directorship or otherwise had control in companies which operate an electrical appliances and consumer electronics products retail network under the trademark of "GOME Electrical Appliances", and related operation, mainly in cities other than the designated cities of the PRC in which the Group already operates (the "Non-listed GOME Group").

On 29 July 2004 and 28 February 2006, Mr. Wong and the Company entered into non-competition undertakings to govern competitions between the Group and the Non-listed GOME Group. Pursuant to the terms of the non-competition undertakings (i) the Group is restricted from carrying on retail business of electrical appliances and consumer electronics products by whatever means (whether through conventional retail stores or non-conventional modes of business (including online sales)) in areas where the Non-listed GOME Group operated the retail business of electrical appliances and consumer electronics products under the "GOME" brand name as at 3 June 2004; and (ii) reciprocally, the Non-listed GOME Group is restricted from carrying on the retail business of electrical appliances and consumer electronics products by whatever means (whether through conventional retail stores or non-conventional modes of business (including online sales)) in areas where the Group operated the retail business of electrical appliances and consumer electronics products under the "GOME" brand name as at 3 June 2004. In May 2012, pursuant to the subscription of a 40% interest in GOME-on-line by the Non-listed GOME Group, Mr. Wong has granted to the Group a waiver from compliance with the restriction set out in (i) above (excluding conventional mode of business). The effect is that the Group is able to operate its non-conventional modes of business via GOME-on-line with no geographical restriction.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2015, the interests and short positions of the Directors and chief executive of the Company (the "Chief Executive") in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Long positions in the shares, the underlying shares and debentures of the Company

Name of Directors/ Chief Executive	Personal interest	Interest of spouse	Corporate interest	Trustee	Total	Approximate % shareholding
Wang Jun Zhou	10,187,000 *(Note 1)*	–	–	–	10,187,000	0.06

Notes:

1. The relevant interest represented 10,187,000 shares issuable upon exercise of the Options granted to the Chief Executive pursuant to the Share Option Scheme. These Options were held by the Chief Executive beneficially.

Short positions in the shares, the underlying shares and debentures of the Company

Save as disclosed above, as at 31 December 2015, none of the Directors, Chief Executive or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

DIRECTORS' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At the annual general meeting of the Company held on 15 April 2005, the Company adopted a share option scheme (the "Share Option Scheme") pursuant to which the Board may grant share options to subscribe for shares of the Company (the "Shares") to employees, executives and officers of the Group and such other persons as referred to in the Share Option Scheme whom the Board considers will contribute or have contributed to the Group (the "Participants") to provide them with incentives and rewards for their contribution to the Group *(Note)*. On 7 July 2009, share options to subscribe for an aggregate of 383,000,000 Shares had been granted pursuant to the Share Option Scheme. Save for the Share Option Scheme, the Company has no other share option scheme.

At no time during the year was the Company, any of its holding companies or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Note: The Share Option Scheme has expired on 14 April 2015, accordingly save for the 85,550,000 options (representing approximately 0.38% of the issued share capital of the Company as at 31 March 2016) that have been granted before the expiry date but not yet exercised, there is no more Share available for issue under the Share Option Scheme.

Options granted under the Share Option Scheme remain valid until 15 November 2016 in accordance with the terms of the Share Option Scheme and the terms of their grant.

SHARE OPTION SCHEME

The Share Option Scheme has expired on 14 April 2015. As at 31 December 2015, Options to subscribe for an aggregate of 91,077,000 Shares of the Company granted before the expiry date pursuant to the Share Option Scheme were outstanding. Details of which were as follows:

Name of grantee	Date of grant	Exercise price per Share HK$	Number of Options: As at 1 January 2015	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	As at 31 December 2015 *(Note 1)*	Price of Shares for Options exercised during the year *(Note 5)* HK$
Chief Executive								
Wang Jun Zhou	7 July 2009	1.90	10,187,000	–	–	–	10,187,000	–
Other employees	7 July 2009	1.90	85,904,000	–	(2,345,000)	(2,669,000)	80,890,000	2.14
						(Note 4)		
Total			96,091,000	–	(2,345,000)	(2,669,000)	91,077,000	

Notes:

1. On 5 December 2011, a resolution was passed by the shareholders of the Company to amend the terms of the Options granted and the terms of the Share Option Scheme. On 31 August 2012 and 23 June 2015 resolutions were passed by the Board to further amend the terms of the Options granted. As at 31 December 2015, the revised terms would have the following effects:

    a. 91,077,000 vested Options will become lapsed and ceased to have any further effect after 15 November 2016.

    b. In addition to the changing of the exercise periods of the Options, performance targets were added as a new condition for the exercise of the unvested Options above. Such performance targets are to be determined based on the weighted average of revenue and profits generated, new stores opened, special projects and other administrative work undertaken by the grantee, the compliance of the relevant internal and external law and regulations by the grantee and by reference to his/her seniority and job functions within the Group. Any grantee whose performance is assessed to be short of the performance target will have his/her number of unvested Options for vesting in the forthcoming exercise period adjusted downward and cancelled in proportion to the shortfall of his performance assessment to the performance target when such Options are vested.

2. The fair value of Options granted on 7 July 2009 under the Share Option Scheme, determined by using the Binomial Model value model, was approximately RMB296.45 million. The significant inputs into the model were the exercise price of HK$1.90, expected volatility and historical volatility of 63%, expected dividend yield rate of 1.2% and annual risk-free interest rate of 2.565%. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

3. As at 31 December 2015, all the Options granted have been vested.

4. 2,669,000 Options were lapsed during the year ended 31 December 2015.

5. The price of Shares disclosed for the Options exercised during the year is the weighted average of the closing price, quoted on the Hong Kong Stock Exchange immediately before the date of exercise of Options.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below and Mr. Wong's interest in the 5,500,000,000 Consideration Shares and Warrants convertible into 2,500,000,000 Underlying Shares as disclosed under the paragraph headed "3. SHAREHOLDING STRUCTURE BEFORE AND AFTER COMPLETION" in the "Letter from the Board" in the circular of the Company dated 24 December 2015, so far as is known to any Director or Chief Executive, as at 31 December 2015, other than the Directors or the Chief Executive as disclosed above, the following persons had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholder	Nature	Number of ordinary Shares held	Approximate % of shareholding
Mr. Wong *(Note 1)*	Long position	5,500,503,338	32.43
Ms. Du Juan *(Note 2)*	Long position	5,500,503,338	32.43
Shinning Crown Holdings Inc. *(Note 3)*	Long position	4,619,779,938	27.24

Notes:

(1) Of these 5,500,503,338 Shares, 4,619,779,938 Shares were held by Shinning Crown Holdings Inc. and 634,016,736 Shares were held by Shine Group Limited (both companies are 100% beneficially owned by Mr. Wong), and 240,955,927 Shares were held by Smart Captain Holdings Limited and 5,750,737 Shares were held by Wan Sheng Yuan Asset Management Company Limited (both companies are 100% beneficially owned by Ms. Du Juan, the spouse of Mr. Wong).

(2) Ms. Du Juan is the spouse of Mr. Wong. The aforesaid Shares that Mr. Wong and Ms. Du Juan are deemed to be interested refer to the same parcel of Shares.

(3) Shinning Crown Holdings Inc. is 100% beneficially owned by Mr. Wong.

SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2015 are set out in note 1 to the financial statements on pages 91 to 97.

CONNECTED TRANSACTIONS

During the year, the Group had the following transactions and arrangements with connected persons (as defined in the Listing Rules) of the Company which are required to be reported in this annual report in compliance with the disclosure requirements under Chapter 14A of the Listing Rules:

(1) The Master Merchandise Purchase Agreement

On 5 March 2013, 國美電器零售有限公司 ("GOME Electrical Appliances Retail Co., Ltd." or "GOME Retail") and 北京國美鋭動電子商務有限公司 ("Beijing GOME Ruidong e-Commerce Co., Ltd." or "GOME Ruidong") (Companies being indirectly owned by Mr. Wong and his associates and thus are connected persons of the Company) 庫巴科技（北京）有限公司 ("Kuba Technology (Beijing) Co., Ltd." or "Kuba"), 國美在線電子商務有限公司 ("GOME-on-line e-Commerce Co., Ltd." or "GOME-on-line") (companies with 60% equity interest held by the Group and the remaining 40% equity interest held by GOME Ruidong and thus are connected persons of the Company) and 國美電器有限公司 ("GOME Appliance Company Limited" or "GOME Appliance") (being an indirectly wholly-owned subsidiary of the Company) entered into an agreement (the "2013 Master Merchandise Purchase Agreement"), pursuant to which GOME Ruidong and the Parent Group agreed to, at the request of the Group (including Kuba and GOME-on-line) from time to time, supply general merchandise (including but not limited to electrical appliances and consumer electronics products) to the Group (including Kuba and GOME-on-line) on an at-cost basis for a period of three years from 1 January 2013 to 31 December 2015, subject to the annual caps of the transaction amounts (excluding value added tax) for the three financial years ended 31 December 2013, 2014 and 2015 not exceeding RMB5 billion, RMB6.5 billion and RMB8 billion, respectively. During the year, the total transaction amounts under the 2013 Master Merchandise Purchase Agreement was approximately RMB1,023.62 million.

On 30 December 2015, the Group entered into a transitional agreement (the "2016 Transitional Master Merchandise Purchase Agreement") as transitional arrangements for the Group to continue its operations under the 2013 Master Merchandise Purchase Agreement pending approval by the independent shareholders of, among other things, the acquisition of Artway Development Limited by the Company (the "Acquisition") at the special general meeting (the "Acquisition SGM"). The 2016 Transitional Master Merchandise Purchase Agreement has expired on 29 February 2016.

On 25 January 2016, GOME Appliance, GOME-on-line, GOME Retail and GOME Ruidong entered into the 2016 Master Merchandise Purchase Agreement to renew the 2016 Transitional Master Merchandise Purchase Agreement and the 2013 Master Merchandise Purchase Agreement, pursuant to which GOME Retail and GOME Ruidong agreed to, and will procure other members of the Parent Group to, at the request of GOME Appliance or GOME-on-line from time to time, supply general merchandise (including but not limited to electrical appliances and consumer electronics products) to GOME Appliance or GOME-on-line on an at-cost basis for a period of three years from 1 January 2016 to 31 December 2018, subject to the annual caps of the transaction amounts (excluding value added tax) for the three financial years ending 31 December 2016, 2017 and 2018 not exceeding RMB6 billion, RMB7 billion and RMB8 billion, respectively. The resolutions in relation to the 2016 Master Merchandise Purchase Agreement and the annual caps were approved by the independent shareholders of the Company at the special general meeting held on 29 February 2016.

(2) The Master Merchandise Supply Agreement

On 5 March 2013, GOME Appliance, Kuba, GOME-on-line and GOME Retail entered into an agreement (the "2013 Master Merchandise Supply Agreement), pursuant to which the Group agreed to, at the request of Kuba, GOME-on-line or the Parent Group from time to time, supply general merchandise (including but not limited to electrical appliances and consumer electronics products) to Kuba, GOME-on-line and the Parent Group on an at-cost basis for a period of three years from 1 January 2013 to 31 December 2015, subject to the annual caps of the transaction amounts (excluding value added tax) for the three financial years ended 31 December 2013, 2014 and 2015 not exceeding RMB5 billion,RMB6.5 billion and RMB8 billion, respectively. During the year, the total transaction amounts under the 2013 Master Merchandise Supply Agreement was approximately RMB6,293.47 million.

On 30 December 2015, the Group entered into a transitional agreement (the "2016 Transitional Master Merchandise Supply Agreement") as transitional arrangements for the Group to continue its operations under the 2013 Master Merchandise Supply Agreement pending approval by the independent shareholders of, among other things, the Acquisition at the Acquisition SGM. The 2016 Transitional Master Merchandise Supply Agreement has expired on 29 February 2016.

On 25 January 2016, GOME Appliance, GOME-on-line, GOME Retail and GOME Ruidong entered into the 2016 Master Merchandise Supply Agreement to renew the 2016 Transitional Master Merchandise Supply Agreement and the 2013 Master Merchandise Supply Agreement, pursuant to which GOME Appliance agreed to, and will procure other members of the Group to, at the request of GOME-on-line, GOME Retail or GOME Ruidong from time to time, supply general merchandise (including but not limited to electrical appliances and consumer electronics products) to GOME-on-line, GOME Retail or GOME Ruidong on an at-cost basis for a period of three years from 1 January 2016 to 31 December 2018, subject to the annual caps of the transaction amounts (excluding value added tax) for the three financial years ending 31 December 2016, 2017 and 2018 not exceeding RMB6 billion, RMB7 billion and RMB8 billion, respectively. The resolutions in relation to the 2016 Master Merchandise Supply Agreement and the annual caps were approved by the independent shareholders of the Company at the special general meeting held on 29 February 2016.

(3) The First Logistics Services Agreement

On 5 March 2013, GOME Appliance, Kuba and GOME-on-line entered into a logistics services agreement (the "2013 First Logistics Services Agreement") in relation to the provision of logistics services by the Group to Kuba and GOME-on-line (including provision of warehouse and delivery services for general merchandise to end customers) for a period of three years from 1 January 2013 to 31 December 2015, subject to the annual caps of the transaction amounts (excluding value added tax) for the three financial years ended 31 December 2013, 2014 and 2015 not exceeding RMB150 million, RMB150 million and RMB150 million, respectively. During the year, the total transaction amounts under the 2013 First Logistics Services Agreement was approximately RMB18.10 million.

On 30 December 2015, GOME Appliance and GOME-on-line entered into the 2016 First Logistics Services Agreement to renew the 2013 First Logistics Services Agreement, pursuant to which GOME Appliance agreed to, and will procure other members of the Group to, at the request of GOME-on-line from time to time, provide logistics services (including delivery of general merchandise to end customers) for a period of three years from 1 January 2016 to 31 December 2018, subject to the annual caps of the transaction amounts (excluding value added tax) for the three financial years ending 31 December 2016, 2017 and 2018 not exceeding RMB900 million, RMB900 million and RMB900 million, respectively.

(4) The Second Logistics Services Agreement

On 5 March 2013, GOME Ruidong, Kuba and GOME-on-line entered into a logistics services agreement (the "2013 Second Logistics Services Agreement") in relation to the provision of logistics services by GOME Ruidong and the Parent Group to Kuba and GOME-on-line (including provision of warehouse and delivery services for general merchandise to end customers) for a period of three years from 1 January 2013 to 31 December 2015, subject to the annual caps of the transaction amounts (excluding value added tax) for the three financial years ended 31 December 2013, 2014 and 2015 not exceeding RMB150 million, RMB150 million and RMB150 million, respectively. During the year, the total transaction amounts under the 2013 Second Logistics Services Agreement was approximately RMB6.53 million.

On 30 December 2015, GOME Ruidong, 安迅物流有限公司 ("Anxun Logistics Co., Ltd." or "Anxun Logistics"), a company owned by Mr. Wong and his associates and thus, a connected person of the Company, GOME Appliance and GOME-on-line entered into the 2016 Second Logistics Services Agreement to renew the 2013 Second Logistics Services Agreement, pursuant to which GOME Ruidong and Anxun Logistics agreed to, and will procure other members of the Parent Group to, at the request of GOME-on-line and GOME Appliance from time to time, provide logistics services (including delivery of general merchandise to end customers of GOME-on-line and retail stores of GOME Appliance) for a period of three years from 1 January 2016 to 31 December 2018, subject to the annual caps of the transaction amounts (excluding value added tax) for the three financial years ending 31 December 2016, 2017 and 2018 not exceeding RMB900 million, RMB900 million and RMB900 million, respectively.

(5) The First Warehouse Services Agreement

On 30 December 2015, GOME Appliance, GOME-on-line and GOME Retail entered into the 2016 First Warehouse Services Agreement, pursuant to which GOME Appliance agreed to, and will procure other members of the Group to, at the request of GOME-on-line and GOME Retail from time to time, provide warehousing services (including storage of general merchandise) to GOME-on-line and GOME Retail for a period of three years from 1 January 2016 to 31 December 2018, subject to the annual caps of the transaction amounts (excluding value added tax) for the three financial years ending 31 December 2016, 2017 and 2018 not exceeding RMB900 million, RMB900 million and RMB900 million, respectively.

(6) The Second Warehouse Services Agreement

On 30 December 2015, GOME Retail, GOME-on-line and GOME Appliance entered into the 2016 Second Warehouse Services Agreement, pursuant to which GOME Retail agreed to, and will procure other members of the Parent Group to, at the request of GOME-on-line and GOME Appliance from time to time, provide warehousing services (including storage of general merchandise) to GOME-on-line and GOME Appliance for a period of three years from 1 January 2016 to 31 December 2018, subject to the annual caps of the transaction amounts (excluding value added tax) for the three financial years ending 31 December 2016, 2017 and 2018 not exceeding RMB900 million, RMB900 million and RMB900 million, respectively.

(7) The First After-Sales Services Agreement

On 5 March 2013, GOME Appliance, Kuba and GOME-on-line entered into an after-sales services agreement (the "2013 First After-Sales Services Agreement") in relation to the provision of after-sales services (including repairs, maintenance and customer service of general merchandise to end customers) by the Group to Kuba and GOME-on-line for a period of three years from 1 January 2013 to 31 December 2015, subject to the annual caps of the transaction amounts (excluding value added tax) for the three financial years ended 31 December 2013, 2014 and 2015 not exceeding RMB150 million, RMB150 million and RMB150 million, respectively. During the year, the total transaction amounts under the 2013 First After-Sales Services Agreement was approximately RMB2.48 million.

On 30 December 2015, GOME Appliance and GOME-on-line entered into the 2016 First After-Sales Services Agreement to renew the 2013 First After-Sales Services Agreement, pursuant to which GOME Appliance agreed to, and will procure other members of the Group to, at the request of GOME-on-line from time to time, provide after-sales services (including repairs, maintenance and customer service of general merchandise to end customers) to GOME-on-line for a period of three years from 1 January 2016 to 31 December 2018, subject to the annual caps of the transaction amounts (excluding value added tax) for the three financial years ending 31 December 2016, 2017 and 2018 not exceeding RMB150 million, RMB150 million and RMB150 million, respectively.

(8) The Second After-Sales Services Agreement

On 5 March 2013, GOME Ruidong, Kuba and GOME-on-line entered into an after-sales services agreement (the "2013 Second After-Sales Services Agreement") in relation to the provision of after-sales services (including repairs, maintenance and customer service of general merchandise to end customers) by GOME Ruidong and the Parent Group to Kuba and GOME-on-line for a period of three years from 1 January 2013 to 31 December 2015, subject to the annual caps of the transaction amounts (excluding value added tax) for the three financial years ended 31 December 2013, 2014 and 2015 not exceeding RMB150 million, RMB150 million and RMB150 million, respectively. During the year, the total transaction amounts under the 2013 Second After-Sales Services Agreement was approximately RMB0.21 million.

On 30 December 2015, GOME Ruidong and GOME-on-line entered into the 2016 Second After-Sales Services Agreement to renew the 2013 Second After-Sales Services Agreement, pursuant to which GOME Ruidong agreed to, and will procure other members of the Parent Group to, at the request of GOME-on-line from time to time, provide after-sales services (including repairs, maintenance and customer service of general merchandise to end customers) to GOME-on-line for a period of three years from 1 January 2016 to 31 December 2018, subject to the annual caps of the transaction amounts (excluding value added tax) for the three financial years ending 31 December 2016, 2017 and 2018 not exceeding RMB150 million, RMB150 million and RMB150 million, respectively.

(9) Purchasing Service Agreement

On 17 December 2012, 昆明恒達物流有限公司 ("Kunming Hengda Logistics Company Limited" or "Kunming Hengda"), 西寧國美電器有限公司 ("Xining GOME Appliance Company Limited" or "Xining GOME"), 天津鵬盛物流有限公司 ("Tianjin Pengsheng Logistics Company Limited" or "Tianjin Pengsheng") and 昆明國美物流有限公司 ("Kunming GOME Logistics Company Limited" or "Kunming Logistics"), all being indirect wholly-owned subsidiaries of the Company, entered into a purchasing service agreement (the "2012 Purchasing Service

Agreement") with GOME Retail, 南寧國美物流有限公司 ("Nanning GOME Logistics Co., Ltd.") and 天津國美恒信物流有限公司 ("Tianjin GOME Hengxin Logistics Co., Ltd."), all being indirectly owned by Mr. Wong and his associates thus, are connected persons of the Company, pursuant to which Kunming Hengda, Xining GOME, Tianjin Pengsheng and Kunming Logistics agreed to provide and to procure other members of the Group to provide purchasing services to the Parent Group for a period of three years from 1 January 2013 to 31 December 2015, subject to the annual caps of the purchasing service fee for the three financial years ended 31 December 2013, 2014 and 2015 not exceeding RMB150 million, RMB150 million and 150 million, respectively. During the year, the purchasing service fee under the 2012 Purchasing Service Agreement was approximately RMB150 million.

The Parent Group has now attained a much larger procurement scale as compared to the purchasing service was first provided and it has established its own procurement capability and is capable to procure on an individual and independent basis without any reliance on the Group especially for regional procurement in areas in which it operates. Therefore, the Board has decided not to renew the 2012 Purchasing Service Agreement upon its expiry on 31 December 2015.

(10) The Management Agreement

The Parent Group is managed by the same management team of the Group for purpose of unified brand building, market information exchange and resources sharing. The Group charged the Parent Group a management fee at the rate of 0.75% of the total revenue of the Parent Group if the revenue is equal to or less than RMB5 billion or at the rate of 0.6% if the revenue exceeds RMB5 billion which is determined with reference to the expected expenses to be allocated to the Parent Group by the head office of the Group and the expected revenue to be generated from the Parent Group.

On 17 December 2012, 濟南萬盛源經濟諮詢有限公司 ("Jinan Wansheng Yuan Economic Consulting Company Limited" or "Jinan Wansheng"), 天津國美商業管理諮詢有限公司 ("Tianjin GOME Commercial Consultancy Company Limited" or "Tianjin Consultancy"), 昆明勤安商業管理諮詢有限公司 ("Kunming Qinan Commercial Consultancy Company Limited" or "Kunming Qinan") and 蘭州恒達商業管理諮詢有限公司 ("Lanzhou Hengda Commercial Consultancy Company Limited" or "Lanzhou Hengda"), all being indirect wholly-owned subsidiaries of the Company, entered into an agreement (the "2012 Management Agreement") with GOME Retail, pursuant to which Jinan Wansheng, Tianjin Consultancy, Kunming Qinan and Lanzhou Hengda agreed to provide and to procure other members of the Group to provide management services to the Parent Group for a period of three years from 1 January 2013 to 31 December 2015 subject to the annual caps of the management fees for the three financial years ended 31 December 2013, 2014 and 2015 not exceeding RMB100 million, RMB100 million and RMB100 million, respectively. During the year, the management fee under the 2012 Management Agreement was approximately RMB100 million.

On 24 December 2015, Jinan Wansheng, Tianjin Consultancy, Kunming Qinan and GOME Retail entered into the 2015 Management Agreement to renew the 2012 Management Agreement, pursuant to which Jinan Wansheng, Tianjin Consultancy and Kunming Qinan agreed to provide and to procure other members of the Group to provide management services to the Parent Group for a period of one year from 1 January 2016 to 31 December 2016. The annual cap of the management fee under the 2015 Management Agreement is RMB100 million.

(11) Lease Agreements

On 17 November 2014, The Group has entered into a number of lease agreements with 北京鵬潤地產控股有限公司 ("Beijing Pengrun Property Co., Ltd." or "Beijing Pengrun Property"), being indirectly owned by Mr. Wong and his associates and thus, a connected person of the Company, to lease certain properties in the Pengrun Building as the office of the Group in Beijing (the "Pengrun Lease Agreements"). The Pengrun Lease Agreements have terms that have expired on 31 December 2015. The annual cap of rent (including management fee) payable by the Group for the year ended 31 December 2015 would be a sum of approximately RMB116.99 million. During the year, the total rental expense was approximately RMB116.99 million.

On 17 November 2014, GOME Appliance leased from 北京國美電器有限公司 ("Beijing GOME Electrical Appliance Co., Ltd." or "Beijing GOME"), being indirectly owned by Mr. Wong and his associates and thus, a connected person of the Company, the property located at No. A7, North Lane, Xibahe, Chaoyang District, Beijing ("the Xibahe Property") for use as a retail store of the Group (the "Xibahe Lease Agreement"). The Xibahe Lease Agreement has terms that have expired on 31 December 2015. The annual cap of rent payable by the Group for the year ended 31 December 2015 would be a sum of approximately RMB15.77 million. During the year, the total rental expense was approximately RMB15.77 million.

As those leases were due to expire on 31 December 2015, the Group has entered into new lease agreements (the "2016 Pengrun Lease Agreements" and the "2016 Xibahe Lease Agreement") to renew the leases for the said properties on 30 December 2015.

Pursuant to the terms of the 2016 Pengrun Lease Agreements, GOME Appliance and GOME-on-line will lease from 國美地產投股有限公司 ("GOME Property Co., Ltd." or "GOME Property") (formerly known as Beijing Pengrun Property) certain properties in the Pengrun Building as the head office of the Group in Beijing. The 2016 Pengrun Lease Agreements have a term of 1 year from 1 January 2016 to 31 December 2016. The annual cap of rent (including management fee) payable by the Group for the year ending 31 December 2016 would be a sum of approximately RMB113.28 million.

Pursuant to the terms of the 2016 Xibahe Lease Agreement, GOME Appliance will lease from Beijing GOME the Xibahe Property for use as a retail store of the Group for a term of 1 year from 1 January 2016 to 31 December 2016. The annual cap of rent payable by the Group for the year ending 31 December 2016 would be a sum of approximately RMB15.77 million.

All independent non-executive Directors have reviewed the continuing connected transactions as set out in paragraphs (1) to (11) above (collectively, the "Continuing Connected Transactions") and confirmed that they were entered into:

1. in the ordinary and usual course of business of the Group;

2. either on normal commercial terms or on terms not less favourable to the Group than terms available to or from independent third parties; and

3. in accordance with the relevant agreement(s) governing the above-mentioned continuing connected transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Furthermore, the auditors of the Company have confirmed to the Board that the above-mentioned Continuing Connected Transactions:

1. have been approved by the Board;

2. are in accordance with the pricing policies of the Group where such transactions involved the provision of goods or services by the Group;

3. have been entered into in accordance with the relevant agreements governing such transactions; and

4. have not exceed the respective caps stated in the relevant announcements.

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. The remuneration package inclusive of bonus and share option scheme offered to all employees including Directors is determined with reference to their performance and the prevailing salary levels in the market.

PENSION SCHEME

Particulars of the Group's pension schemes are set out in note 9 to the financial statements on page 134.

COMMITMENTS

Details of commitments are set out in note 33 to the financial statements on pages 162 to 163.

INDEPENDENCE CONFIRMATION

The Company has received from each of the independent non-executive Directors a confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board is satisfied with the independence of each of the independent non-executive Directors.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance and has complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Further information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 67 to 80.

EXCHANGE RATES EXPOSURE

Details of the exchange rates exposure are set out in note 37 to the financial statements on page 172.

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.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Save for the share options as set out above and in note 29 to the financial statements, the Company had no outstanding convertible securities, options, warrants or other similar rights as at 31 December 2015.

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

The information required for disclosure under Rules 13.20 of the Listing Rules in relation to the Company's advance to an entity is as follows:

During the year ended 31 December 2015, Tianjin Consultancy had advances in the aggregate amount of RMB3.6 billion (as at 31 December 2014: RMB3.6 billion) (the "Advance") to 北京戰聖投資有限公司 ("Beijing Zhansheng Investment Co., Ltd." or "Beijing Zhansheng"), a third party independent of each of the Company and its connected persons (within the meaning of the Listing Rules), through 興業銀行股份有限公司北京分行 ("Beijing Branch of Industrial Bank Co., Ltd" or the "Lending Bank") pursuant to the loan agreement entered into between Tianjin Consultancy, Beijing Zhansheng and the Lending Bank on 14 December 2007. The Advance was used by Beijing Zhansheng for the sole purpose of acquisition of the entire 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 Advance is a secured loan. The Advance (original entered in 2007 and subsequently renewed in 2008, 2009, 2011 and 2012) was extended in December 2015 for a period from 4 December 2015 to 3 June 2017 and the interest was 5.225%. As at 31 December 2015, the aggregate Advance was RMB3.6 billion and the Advance represented approximately 8.66% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period are set out in note 38 to the financial statements on page 177.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five years is set out on page 3.

RISK FACTORS

Details of the risks associated with the operation of the Group are set out in the risk factors section on page 64 to 66.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-laws of the Company or the laws of Bermuda requiring the Company to offer new shares to the existing shareholders of the Company in proportion to their respective shareholders if new shares are issued.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year.

AUDITORS

Ernst & Young retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Ernst & Young as auditors of the Company will be proposed at the forthcoming Annual General Meeting of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the year, the Company made contribution to the matters of environmental, social and governance, details of which are as follows:

Environmental Protection

Environmental protection is a key focus for the Group. The conscientious use of resources and adoption of related best practices across the Group's businesses underlie its commitment to safeguarding the environment. The Group encourages environmental protection by promoting awareness of the issue amongst its employees. It also complies with relevant environmental legislation.

An ever-improving management system, enhanced monitoring of activities and procedures, energy conversation and environmental protection are strongly promoted.

Compliance with Laws and Regulations

The Group has established procedures in place to ensure that its operations comply with applicable laws, rules and regulations. The audit committee of the Company is delegated by the Board to monitor the Group's policies and practices for achieving compliance with legal and other regulatory requirements, and such policies and practices are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operating units whenever necessary.

As far as the Company is aware, the Group has complied in all material respects with laws and regulations that have a significant impact on the Group's business and operations.

Workplace Quality

The Group is an equal opportunity employer and does not discriminate on the basis of any personal characteristics. It has employee handbooks outlining terms and conditions of employment, expectations for employees' conduct and behaviour, and employees' rights and benefits. The Group also establishes and implements policies that promote a harmonious and respectful workplace.

The Group believes that employees are the most valuable assets of an enterprise and regards human resources as its corporate wealth. The Group provides on-the-job training and development opportunities to enhance its employees' career progression. Through different types of training, staff's knowledge of corporate operations as well as their occupational and management skills are enhanced. The Group also organises staff-friendly activities for employees, such as outings, to promote staff relationships and physical fitness.

Health and Safety

The Group prides itself on providing a safe, effective and congenial work environment and it values the health and well-being of its staff. Adequate arrangements, training and guidelines have been implemented to ensure its working environment is healthy and safe. The Group provides communications on health and safety matters and other programmes to employees in order to raise their awareness of such issues and enhance their related behavior.

Training and Development

The Group is committed to the professional and personal development and growth of all employees and considers training and development a critical continuous process. Many on the-job and other training courses and programmes are provided to help employees maintain and develop their skills and professionalism. Structured training programmes including seminars are offered to staff with the objective of grooming and unleashing their full potential, supporting, organisational development and facilitating team synergies. Employees are encouraged to take advantage of these programmes in order to equip themselves with the skills and knowledge for expanded career opportunities within the Group.

Commitment to Quality

The Group has made relentless efforts in delivering premium products and highly tailored services. Looking forward to 2016, the Company will continue with its research and innovation to enrich the Group's products.

The Company will also ensure the quality and safety of its products and place customers' needs at its priority in order to maintain its competitive advantage and to increase shareholders' value further.

Management of Supply Chain

The Group adheres to open, fair and transparent criteria in selecting suppliers and service providers, and has established a supplier evaluation system in which vendors' price, quality, cost, delivery and after-sales service are assessed. The Group will carry out long-term monitoring of suppliers' quality and conduct regular reviews of all suppliers as well as casual examinations of different suppliers to ensure the sustainable quality of material supplies and services it receives.

On behalf of the Board

Zhang Da Zhong
Chairman

Hong Kong, 31 March 2016

Risk Factors

The Group's businesses, financial condition, results of operations or growth prospects may be affected by risks and uncertainties pertaining to the Group's businesses. The factors set out below are those that the Group believes could affect the Group's businesses, financial condition, results of operations or growth prospects. These factors are by no means exhaustive or comprehensive, and there may be other factors in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future. In addition, this Annual Report does not constitute a recommendation or advice for you to invest in the shares of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the shares of the Company.

RISKS ASSOCIATED WITH THE GROUP'S BUSINESS

Economic conditions

We are a lending chain-store retailer of home appliances and consumer electronic products in China and our turnover is particularly sensitive to changes in the economic conditions and PRC consumer confidence. Consumer confidence is affected by, among other factors, general business conditions, stock market and real estate market conditions, as well as by current and expected future global or regional macroeconomic conditions. We cannot assure you that consumer demand will not be impacted by the continuing weakness in the global economic condition or any future deterioration of economic condition in the PRC.

Credit terms

The Group relies on the credit terms contained in the supply agreements with its suppliers and the credit terms of its banking facilities. Pursuant to these supply agreements, most of the suppliers, according to the contracts, have granted favourable credit terms in exchange for, among other things, receiving bills from the Group's banks for settlement of the invoices. The issuing banks currently require upfront pledges over the Group's accounts with such banks and with the remainder to be settled upon the expiry of such bank bills. The Group relies heavily on these favourable credit terms granted by the suppliers and issuing banks in order to conserve its working capital. In the event that the suppliers or issuing banks are unable or unwilling to offer these favourable credit terms to the Group, the operations and profitability of the Group may be adversely affected.

Terms of the supply agreements

One of the competitive strengths of the Group is its ability to offer products at competitive prices. Pursuant to most of the supply agreements between the Group and its suppliers, these suppliers have undertaken to guarantee the gross profit margin of the Group with respect to specific products supplied and sold and to offer the lowest product prices to the Group within specific locations where the Group operates. However, there is no guarantee that the Group will be able to secure these favourable terms with its suppliers after the expiry of the existing supply agreements. In the event that the Group is unable to maintain its leading position and scale of operations in the PRC retail market of electrical appliances and consumer electronics products, the suppliers may not offer the same terms to the Group after the expiry of the existing supply agreements. In such event, the business performance and profitability of the Group may be adversely affected.

Reliance on key management personnel

The success of the Group in expanding its growth in operations and maintaining growth in its profitability relies on the strategy and vision of its key management, efforts of key members of the management and their experience in the PRC electrical appliance and consumer electronics products retail market. The unanticipated resignation or departure of any of these key management members of the Group could have a material adverse impact on the operations of the Group. There is no assurance that the Group will be able to manage its business by retaining its existing management team and by attracting additional qualified employees.

Location of outlets and lease renewal

One of the key factors in the success of the Group is its ability to establish its retail outlets at suitable and convenient locations where there is high pedestrian traffic and good accessibility (whether by public transportation or other means). During the year ended 31 December 2015, most of the retail outlets leased by the Group were with a term of 5 to 10 years. Given the scarcity of retail premises at these suitable and convenient locations, there is no assurance that the Group will be able to find premises suitable for its retail operations or to lease them on commercially acceptable terms. In the event that there is any material difficulty in finding retail premises at suitable locations or securing the leasing of such premises on commercially acceptable terms, the Group's expansion plans and business performance may be adversely affected.

Intensified competition between traditional retailers and online retailers

The competition of the retail business in China is severe. The Group faces pressure arising from the competition with traditional store retailers, online retailers, suppliers and other retailers. Such pressure may affect the income and profitability of the Group. The competition between the Group and local, regional, domestic or even international chain retailers is not only limited to business, but also extends to the areas of consumers, talents, site of stores, products and other important aspects. At the same time, the suppliers of the Group also supply their products and services to consumers directly. The competitors of the Group are similar to us in terms of their market shares in the retail markets of home appliances and consumer electronic products and their financial resources, therefore, the Group may have to further lower the retail prices in order to increase our market share and attract more consumers. The adjustment of retail price may affect the operation results of the Group.

The operation of the ERP information management system

The inventory management, delivery and other operating segments of the Group are largely dependent on the ERP information management system of the Group. If the system of the Group does not operate smoothly or encounters interruption during operation, the business and operation of the Group may be affected.

ERP information management system is the basis for the efficient operation of the Group. To a large extent, the Group relies on such system to manage the processes such as the recording and execution of orders, pricing and monitoring inventory level and restocking. If the ERP information management system does not reach the expected results during operation or fails to meet the requirements arising from the continuous development of business, the business of the Group may be affected, which in turn may dampen our sales, increase our expenses and costs and lead to under-stock or over-stock and may have an adverse effect on the Group's business and operation results.

RISKS ASSOCIATED WITH THE PRC

Changing economic, political and social conditions or government policies in the PRC

While the PRC economy has experienced significant growth in the past 20 years, such growth has been uneven, both geographically and among the various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy but may also have a negative effect on the Group's operations. For example, the Group's financial condition and operating results may be adversely affected by the PRC government's control over capital investments or any changes in tax regulations or foreign exchange controls that are applicable to it.

Although in recent years the PRC government has implemented measures emphasising the utilisation of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of productive assets in the PRC is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating the development of industries in the PRC by imposing top-down policies. It also exercises significant control over PRC economic growth through the allocation of resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. There is no assurance that future changes in the PRC's political, economic and social conditions, laws, regulations and policies will not have a material adverse effect on the Group's current or future business, results of operations or financial condition.

Changes in foreign exchange regulations and fluctuation of RMB

All of the operating revenues of the Group are denominated in RMB. In order to fund its foreign currency needs, including its payment of dividends to shareholders of the Company, a portion of the Group's RMB-denominated revenue must be converted into Hong Kong dollars. Under relevant PRC foreign exchange laws and regulations, payment of current account items, including profit distributions and interest payments are permitted to be made in foreign currencies without prior government approval but are subject to certain procedural requirements. Strict foreign exchange control continues to apply to capital account transactions, which must be approved by and/or registered with the PRC State Administration of Foreign Exchange, or SAFE. Under the current foreign exchange control system, there is no guarantee that sufficient foreign currency will be available at a given exchange rate to the Group to enable it to fund its foreign currency needs or to pay dividends declared.

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 (the "CG 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").

DIRECTORS' SECURITIES TRANSACTIONS

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.

BOARD OF DIRECTORS

Board composition

During the year ended 31 December 2015 and up to the date of issue of this Annual Report, the Board comprises the following executive Director, non-executive Directors and independent non-executive Directors:

Mr. Zhang Da Zhong	*(Non-executive Director and Chairman)*
Mr. Zou Xiao Chun	*(Executive Director)*
Ms. Huang Xiu Hong	*(Non-executive Director) (appointed with effect from 24 June 2015)*
Mr. Yu Sing Wong	*(Non-executive Director) (appointed with effect from 24 June 2015)*
Mr. Lee Kong Wai, Conway	*(Independent non-executive Director)*
Mr. Ng Wai Hung	*(Independent non-executive Director)*
Ms. Liu Hong Yu	*(Independent non-executive Director)*
Mr. Wang Gao	*(Independent non-executive Director) (appointed with effect from 24 June 2015)*
Mr. Zhu Jia	*(Non-executive Director) (resigned on 28 January 2015)*
Ms. Wang Li Hong	*(Non-executive Director) (resigned on 28 January 2015)*
Mr. Sze Tsai Ping, Michael	*(Independent non-executive Director) (retired on 24 June 2015)*
Mr. Chan Yuk Sang	*(Independent non-executive Director) (retired on 24 June 2015)*

The biographical details of the current Board members are set out on pages 40 to 43 of this Annual Report.

Each of Ms. Huang Xiu Hong and Mr. Yu Sing Wong, both being a non-executive Director, Ms. Liu Hong Yu and Mr. Wang Gao, both being an independent non-executive Director, was re-elected or appointed at the Year 2015 Annual General Meeting of the Company with a specific term of 3 years from 24 June 2015. Each of Mr. Zou Xiao Chun, being an executive Director, Mr. Zhang Da Zhong, being a non-executive Director, Mr. Lee Kong Wai, Conway and Mr. Ng Wai Hung, both being an independent non-executive Director, was re-elected at the Year 2013 Annual General Meeting of the Company with a specific term of 3 years from 10 June 2013. The Board has confirmed with each of the independent non-executive Director as to his/her independence with reference to the factors as set out in Rule 3.13 of the Listing Rules. The Board is satisfied with the independence of the independent non-executive Directors.

Roles and functions

The Board is responsible for formulating strategic business development, reviewing and monitoring business performance of the Group, approving major funding and investment proposals as well as preparing and approving financial statements of the Group. The Board gives clear directions as to the powers delegated to the management for the administrative and management functions of the Group.

Board meetings and general meetings

The Board meets regularly at least once a quarter and additional meetings are convened as and when the Board considers necessary. In 2015, 9 Board meetings (including 4 regular Board meetings) and 2 general meetings of the Company were held. Details of the Directors' attendance records during the year are as follows:

Directors	Special General Meeting held on 24 June 2015 Attendance	Annual General Meeting held on 24 June 2015 Attendance	Board Meeting Attendance
Mr. Zhang Da Zhong	1/1	1/1	9/9 (4/4)*
Mr. Zou Xiao Chun	1/1	1/1	9/9 (4/4)*
Ms. Huang Xiu Hong****	0/1	0/1	5/9 (2/4)*
Mr. Yu Sing Wong****	0/1	0/1	5/9 (2/4)*
Mr. Lee Kong Wai, Conway	1/1	1/1	9/9 (4/4)*
Mr. Ng Wai Hung	1/1	1/1	9/9 (4/4)*
Ms. Liu Hong Yu	1/1	1/1	9/9 (4/4)*
Mr. Wang Gao****	0/1	0/1	5/9 (2/4)*
Mr. Zhu Jia**	0/1	0/1	1/9 (0/4)*
Ms. Wang Li Hong**	0/1	0/1	1/9 (0/4)*
Mr. Sze Tsai Ping, Michael***	0/1	1/1	4/9 (2/4)*
Mr. Chan Yuk Sang***	0/1	1/1	4/9 (2/4)*

* *Regular Board meetings – apart from all regular Board meetings, the Board also met from time to time to discuss the day-to-day operations and other affairs.*

** *As disclosed in the announcement of the Company dated 28 January 2015, Mr. Zhu Jia and Ms. Wang Li Hong resigned as non-executive Directors. Therefore, they did not attend any general meetings and Board meetings held subsequently.*

*** *As disclosed in the announcement of the Company dated 24 June 2015, Mr. Sze Tsai Ping, Michael and Mr. Chan Yuk Sang retired as independent non-executive Directors. Therefore, they did not attend the special general meeting and Board meetings held subsequently.*

**** *Ms. Huang Xiu Hung and Mr. Yu Sing Wong were appointed as non-executive Directors and Mr. Wang Gao was appointed as an independent non-executive Director with effect from the conclusion of the annual general meeting of the Company held on 24 June 2015. Therefore, they did not attend any general meetings and Board meetings held prior to their appointments.*

Board members were provided with complete, adequate and timely information to allow them to fulfill their duties properly. Code provision A.1.3 of the CG Code requires that notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. Notices of all 4 regular Board meetings during the year under review were sent to all Directors in compliance with the said requirement. Agenda accompanying Board papers relating to all 4 regular Board meetings during the year under review were sent to all Directors at least 3 days respectively prior to such meeting in compliance with the CG Code.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1 of the CG Code, the roles of the chairman and chief executive officer of a listed company should be separated and should not be performed by the same individual. The Company was in compliance with code provision A.2.1 of the CG Code during the review period. Mr. Zhang Da Zhong served as the chairman of the Company, primarily responsible for providing leadership to the Board. During the year under review, Mr. Wang Jun Zhou was the president of the Company, undertaking the duties of the chief executive officer of the Company to oversee the business of the Group and executing decisions of the Board.

Directors' Trainings

As an internal routine, during the year under review, the Company provided the Directors, the management and other relevant departments of the Company with the following trainings to keep them abreast of their responsibilities and roles under the relevant laws and regulations as well as various internal control systems for compliance purposes:

1. Annual in-house training conducted by external counsel in December 2015 on, among others, directors' responsibilities, connected transactions as well as the listing rules matters for 2 hours (the "Annual In-house Training").

2. Subject to participation quotas available to the Company, the Company from time to time invited the Directors, the management and the relevant staffs of the Company to attend seminars given by external professional firms and regulators.

As an internal routine, the Company also provides each new Director with a comprehensive training on duties and responsibilities of directors of Hong Kong listed companies conducts by external counsel after their appointment (the "Upfront Directors' Training") and the various updated internal guidelines of the Company for compliance purposes.

Details of trainings received by each Director during the year under review are set out below:

Names of Directors		Details of trainings
Mr. Zhang Da Zhong	–	Attended the Annual In-house Training.
Mr. Zou Xiao Chun	–	Attended the Annual In-house Training.
Ms. Huang Xiu Hong	–	Attended the Upfront Directors' Training and the Annual In-house Training.
Mr. Yu Sing Wong	–	Attended the Upfront Directors' Training and the Annual In-house Training.
Mr. Lee Kong Wai, Conway	–	Attended the Annual In-house Training.
	–	Attended the training on Continuing Obligations of a Hong Kong Listed Company and its Directors for 1.5 hours in March 2015.
	–	Attended the training on Introduction to the Rules relating to Spin offs and Environmental, Social and Governance Guide organized by Sit, Fung, Kwong & Shum (a law firm in Hong Kong) for 1 hour in June 2015.
	–	Attended the training on 2015 Legal and Regulatory Update organized by Freshfields Bruckhaus Deringer (an international law firm) in October 2015.
	–	Studied the 21st Century Director journals issue 16-18, judges' report on Corporate Governance and Connected Transaction under Chapter 14A and percentage ratios under Chapter 14 of main board listing rules etc., for a total of 9.5 hours.
Mr. Ng Wai Hung	–	Attended the Annual In-house Training.
	–	Attended the training on Market Misconduct organized by Lex Omnibus Limited for 3.25 hours in May 2015.
	–	Attended the training on Risk Management & Cloud Computing organized by Hong Kong Academy of Law Limited for 3.5 hours in June 2015.
	–	Attended the training on Asset Tracing Remedies in the BVI and Cayman Courts organized by Lex Omnibus Limited for 3.25 hours in July 2015.
	–	Attend the training on How to Handle SFC Investigation organized by Lex Omnibus Limited for 3.25 hours in July 2015.
	–	Attended the training on International Finance Law and Regulation organized by Lex Omnibus Limited for 3.25 hours in September 2015.
Ms. Liu Hong Yu	–	Attended the Annual In-house Training.
	–	Attended the 2 days training on Independent Director for Listed Companies organised by the Shanghai Stock Exchange in October 2015.
Mr. Wang Gao	–	Attended the Upfront Directors' Training and the Annual In-house Training.
Mr. Zhu Jia*	–	Nil.
Ms. Wang Li Hong*	–	Nil.
Mr. Sze Tsai Ping, Michael*	–	Nil.
Mr. Chan Yuk Sang*	–	Nil.

* *As disclosed in the announcements of the Company dated 28 January 2015 and 24 June 2015, Mr. Zhu Jia, Ms. Wang Li Hong, Mr. Sze Tsai Ping, Michael and Mr. Chan Yuk Sang resigned or retired as non-executive Directors and independent non-executive Directors. Therefore, they did not attend the Annual In-house Training.*

BOARD COMMITTEES

During the year under review, the Board had the following committees:

1. Remuneration Committee;
2. Nomination Committee;
3. Independent Committee; and
4. Audit Committee.

Remuneration Committee

The Remuneration Committee was established on 10 November 2005 with terms of reference substantially the same as those contained in paragraph B.1.2 of the CG Code. During the year ended 31 December 2015, a majority of the members of the Remuneration Committee are independent non-executive Directors and the Remuneration Committee comprised the following members:

Mr. Ng Wai Hung	*(Independent non-executive Director and the chairman of the Remuneration Committee)*
Mr. Lee Kong Wai, Conway	*(Independent non-executive Director)*
Ms. Liu Hong Yu	*(Independent non-executive Director) (appointed with effect from 24 August 2015)*
Mr. Zou Xiao Chun	*(Executive Director) (appointed with effect from 24 August 2015)*
Ms. Huang Xiu Hong	*(Non-executive Director) (appointed with effect from 24 August 2015)*
Mr. Sze Tsai Ping, Michael	*(Independent non-executive Director) (retired on 24 June 2015)*
Mr. Chan Yuk Sang	*(Independent non-executive Director) (retired on 24 June 2015)*
Mr. Zhu Jia	*(Non-executive Director) (resigned on 28 January 2015)*

The Remuneration Committee, among other matters, was primarily responsible for the following duties during the year under review:

1. to make recommendations to the Board on the Company's policy and structure for all remunerations of Directors and senior management and on the establishment of formal and transparent procedures for developing policy on all such remunerations;

2. to determine, with delegated responsibility, the remuneration packages of individual executive Director and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and to make recommendations to the Board on the remuneration of non-executive Directors and independent non-executive Directors, having regard to salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

3. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

4. to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

5. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

6. to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

The Remuneration Committee shall meet at least once each year. During the year ended 31 December 2015, the Remuneration Committee, among other matters, approved and recommended the terms and remunerations of the non-executive Directors and independent non-executive Directors for re-election, reviewed and adjusted the remuneration for the Directors as well as the annual vesting of the granted share options under the Share Option Scheme.

During the year under review, the Remuneration Committee had held 2 meetings. Attendance records of the members of the Remuneration Committee of such meetings are as follows:

Committee members	**Attendance**
Mr. Ng Wai Hung	2/2
Mr. Lee Kong Wai, Conway	2/2
Ms. Liu Hong Yu**	0/2
Mr. Zou Xiao Chun**	0/2
Ms. Huang Xiu Hong**	0/2
Mr. Sze Tsai Ping, Michael	2/2
Mr. Chan Yuk Sang	2/2
Mr. Zhu Jia*	0/2

* *Mr. Zhu Jia resigned as a Director and member of Remuneration Committee with effect from 28 January 2015 and therefore did not attend the meetings of the Remuneration Committee held subsequent to his resignation.*

** *Ms. Liu Hong Yu, Mr. Zou Xiao Chun and Ms. Huang Xiu Hong were appointed as Remuneration Committee members with effect from 24 August 2015. Therefore, they did not attend the meetings of Remuneration Committee prior to their appointment.*

Nomination Committee

The Nomination Committee was established on 10 November 2005 with terms of reference substantially the same as those contained in paragraph A.5.2 of the CG Code. During the year ended 31 December 2015, a majority of the members of the Nomination Committee are independent non-executive Directors and the Nomination Committee comprised the following members:

Mr. Wang Gao	*(Independent non-executive Director and the chairman of the Nomination Committee) (appointed with effect from 24 August 2015)*
Mr. Lee Kong Wai, Conway	*(Independent non-executive Director) (ceased to be a member of Nomination Committee on 24 August 2015)*
Mr. Ng Wai Hung	*(Independent non-executive Director)*
Ms. Liu Hong Yu	*(Independent non-executive Director) (appointed with effect from 24 August 2015)*
Mr. Zou Xiao Chun	*(Executive Director)*
Ms. Huang Xiu Hong	*(Non-executive Director) (appointed with effect from 24 August 2015)*
Mr. Chan Yuk Sang	*(Independent non-executive Director) (retired on 24 June 2015)*
Mr. Sze Tsai Ping, Michael	*(Independent non-executive Director) (retired on 24 June 2015)*
Mr. Zhu Jia	*(Non-executive Director) (resigned on 28 January 2015)*

The Nomination Committee, among other matters, was primarily responsible for the following duties during the year under review:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on selection of individuals nominated for directorships;

3. to assess the independence of independent non-executive Directors, having regard to the requirements under the applicable laws, rules and regulations; and

4. to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors and, in particular, the chairman of the Board and the President of the Company.

The Nomination Committee shall meet at least once each year.

During the year under review, the Nomination Committee, among other matters, assessed the continuous independence of the independent non-executive Directors, reviewed the structure, size and composition of the Board and considered and recommended appointment and re-election of Directors.

During the year under review, 3 meetings of Nomination Committee were held. Attendance records of the members of the Nomination Committee of such meetings are as follows:

Committee members	Attendance
Mr. Wang Gao**	0/3
Mr. Lee Kong Wai, Conway	3/3
Mr. Ng Wai Hung	3/3
Ms. Liu Hong Yu**	0/3
Mr. Zou Xiao Chun	3/3
Ms. Huang Xiu Hong**	0/3
Mr. Chan Yuk Sang	3/3
Mr. Sze Tsai Ping, Michael	3/3
Mr. Zhu Jia*	0/3

* *Mr. Zhu Jia resigned as a Director and member of Nomination Committee with effect from 28 January 2015 and therefore did not attend the meetings of the Nomination Committee held subsequent to his resignation.*

** *Mr. Wang Gao, Ms. Liu Hong Yu and Ms. Huang Xiu Hong were appointed as chairman and members of Nomination Committee with effect from 24 August 2015. Therefore, they did not attend meetings of Nomination Committee prior to their appointment.*

In selecting a suitable candidate to become a member of the Board, the Board will consider various criteria such as education, qualification, experience and reputation of such candidate.

Pursuant to Bye-law 99(A) of the Company's Bye-laws, at each annual general meeting of the Company, at least one third of the Directors for the time being shall retire from office, except for the director holding the office as the chairman or managing director of the Company. Pursuant to the code provision A.4.2 of the CG Code, every director appointed should be subject to retirement by rotation at least once every three years. The Company has reviewed its Bye-laws and the Private Act adopted by the Company in Bermuda in 1992 with reference to the code provision A.4.2 of the CG Code and noted that section 4(e) of the Private Act stipulates that any chairman or managing director of the Company shall not be subject to retirement by rotation under the Bye-laws of the Company. In the circumstances, any proposed amendments to the Company's Bye-laws shall take into account the provisions of the Company's Private Act which the Company is subject to.

The Board has adopted a Board Diversity Policy (the "Policy"):

1. The Policy aims to set out the approach to achieve diversity in the Board.

2. The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance.

3. The Company recognizes and embraces the benefits of having a diverse Board, and sees diversity at the Board level as an essential element in maintaining a competitive advantage. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the

selected candidates will bring to the Board. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The benefits of diversity continue to influence succession planning and is a key selection criteria for the Board.

4. The Nomination Committee will review this Policy, as appropriate, to ensure the effectiveness of this Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

Independent Committee

The Independent Committee was established by the Board on 21 August 2009. During the year ended 31 December 2015, the Independent Committee comprised the following members:

Mr. Zhang Da Zhong	*(Non-executive Director and the chairman of the Independent Committee)*
Mr. Lee Kong Wai, Conway	*(Independent non-executive Director)*
Mr. Ng Wai Hung	*(Independent non-executive Director)*
Ms. Liu Hong Yu	*(Independent non-executive Director) (appointed with effect from 24 August 2015)*
Mr. Wang Gao	*(Independent non-executive Director) (appointed with effect from 24 August 2015)*
Mr. Sze Tsai Ping, Michael	*(Independent non-executive Director) (retired on 24 June 2015)*
Mr. Chan Yuk Sang	*(Independent non-executive Director) (retired on 24 June 2015)*
Mr. Zhu Jia	*(Non-executive Director) (resigned on 28 January 2015)*
Ms. Wang Li Hong	*(Non-executive Director) (resigned on 28 January 2015)*

The Independent Committee, among other matters, was primarily responsible for the following duties during the year under review:

1. to evaluate, assess and advise on the material connected transactions of the Group before execution;

2. to oversee the execution and performance of the material connected transactions of the Group;

3. to devise and review the internal control systems, policies and/or procedures relating to connected transaction management of the Group;

4. to monitor the compliance of material connected transactions of the Group with the applicable law and regulations;

5. to devise and review the internal control systems, policies and/or procedures of the Group generally;

6. to report to the Board on all matters relating to connected transactions and internal control matters of the Group; and

7. to consider other matters and/or special projects as assigned and authorized by the Board.

During the year under review, the Independent Committee, among other matters, considered and approved new continuing connected transactions, the major and connected transaction and whitewash waiver as well as renewal of a number of existing continuing connected transactions of the Group.

During the year under review, 4 meetings of Independent Committee were held. Attendance records of the members of the Independent Committee of such meetings are as follows:

Committee members	Attendance
Mr. Zhang Da Zhong	4/4
Mr. Lee Kong Wai, Conway	4/4
Mr. Ng Wai Hung	4/4
Ms. Liu Hong Yu***	2/4
Mr. Wang Gao***	2/4
Mr. Sze Tsai Ping, Michael**	1/4
Mr. Chan Yuk Sang**	1/4
Mr. Zhu Jia*	0/4
Ms. Wang Li Hong*	0/4

* *Mr. Zhu Jia and Ms. Wang Li Hong resigned as Directors and members of Independent Committee with effect from 28 January 2015 and therefore did not attend the meetings of the Independent Committee held subsequent to their resignation.*

** *Mr. Sze Tsai Ping, Michael and Mr. Chan Yuk Sang retired as Directors and members of Independent Committee with effect from 24 June 2015 and therefore did not attend the meetings of the Independent Committee held subsequent to their resignation.*

*** *Ms. Liu Hong Yu and Mr. Wang Gao were appointed as Independent Committee members with effect from 24 August 2015. Therefore, they did not attend meetings of Independent Committee prior to their appointment.*

Accountability and Audit

The Directors have acknowledged by issuing a management representation letter to the Auditors that they bear the ultimate responsibility of preparing the financial statements of the Group.

Audit Committee

The Audit Committee was established in 2004. During the year ended 31 December 2015, the Audit Committee comprised the following members:

Mr. Lee Kong Wai, Conway	*(Independent non-executive Director and the chairman of the Audit Committee)*
Mr. Ng Wai Hung	*(Independent non-executive Director)*
Ms. Liu Hong Yu	*(Independent non-executive Director) (appointed with effect from 24 August 2015)*
Mr. Yu Sing Wong	*(Non-executive Director) (appointed with effect from 24 August 2015)*
Mr. Sze Tsai Ping, Michael	*(Independent non-executive Director) (retired on 24 June 2015)*
Mr. Chan Yuk Sang	*(Independent non-executive Director) (retired on 24 June 2015)*

The Audit Committee has adopted written terms of reference substantially the same as those contained in paragraph C.3.3 of the CG Code.

The Audit Committee is primarily responsible for, among others, the following duties during the year under review:

1. to make recommendation to the Board on the appointment, re-appointment and removal of the external auditor, to approve the remuneration and terms of engagement of the external auditor and to deal with any questions of resignation or dismissal of that auditor;

2. to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;

3. to develop and implement policy on the engagement of an external auditor to supply non-audit services;

4. to monitor integrity of the financial statements, annual reports and interim reports of the Company and to review significant financial reporting judgments contained in them;

5. to review the Company's financial controls, internal control and risk management systems;

6. to discuss the system of internal control with the management and ensure that the management has discharged its duty to have an effective internal control system;

7. to review the Group's financial and accounting policies and practices; and

8. to review the external auditor's management letter, any material queries raised by the auditor to the management in respect of the accounting records, financial accounts or systems of control and management's response, and to ensure that the Board provides a timely response to the issues raised.

The Audit Committee shall meet at least twice each year. In 2015, 5 Audit Committee meetings were held for, among other matters, considering the annual results of the Group for the financial year ended 31 December 2014, the quarterly results of the Group for the three months ended 31 March 2015, the interim results of the Group for the six months ended 30 June 2015 and the quarterly results of the Group for the nine months ended 30 September 2015, discussing with the auditors of the Company on internal control, auditors' independence, auditors' remuneration and the scope of work in relation to the annual audit and reviewing the continuing connected transactions of the Group.

Attendance records of the Audit Committee members during the year are as follows:

Committee members	Attendance
Mr. Lee Kong Wai, Conway	5/5
Mr. Ng Wai Hung	5/5
Ms. Liu Hong Yu**	3/5
Mr. Yu Sing Wong**	3/5
Mr. Sze Tsai Ping, Michael*	2/5
Mr. Chan Yuk Sang*	2/5

* *Mr. Sze Tsai Ping, Michael and Mr. Chan Yuk Sang retired as Directors and members of Audit Committee with effect from 24 June 2015 and therefore did not attend the meetings of the Audit Committee held subsequent to their resignation.*

** *Ms. Liu Hong Yu and Mr. Yu Sing Wong were appointed as Audit Committee members with effect from 24 August 2015. Therefore, they did not attend meetings of Audit Committee prior to their appointment.*

The amount of audit fees payable to Ernst & Young, the auditors of the Company, for the year ended 31 December 2015 was RMB9,000,000 (2014: RMB6,100,000). The amount of remuneration payable to the auditors of the Company relating to non-audit services for the year ended 31 December 2015 was RMB877,000 (2014: RMB540,000). The Audit Committee is of the view that the auditors' independence was not affected by the provision of such non-audit related services to the Group.

Pursuant to the Bye-laws of the Company, the terms of appointment of the auditors of the Company will expire at the end of the AGM to be held in 2016. The Audit Committee has recommended to the Board that Ernst & Young be nominated for re-appointment as the auditors of the Company at the AGM to be held in 2016.

INTERNAL CONTROLS AND RISKS MANAGEMENT

Management had implemented a system of internal controls and risks management to provide reasonable assurance that the Group's assets are safeguarded, proper accounting records are maintained, appropriate legislation and regulations are compiled with, reliable financial information are provided for management and publication purposes and investment and business risks affecting the Group are identified and managed. The Group has put in place an internal control system based on various control points with an aim to prevent employees from exploiting system loop holes. In addition, the Group tasked a specialized surveillance team, which is highly independent, highly focused and empowered with sufficient authority, to deter unethical and illegal activities such as fraud, embezzlement, malpractice, misconduct, unauthorized partnerships and acquiescence. The Group set up an internal audit system to monitor the execution of the financial policies, improve financial control and prevent financial risks, directly reporting to the headquarter.

The Board had reviewed the effectiveness of the Group's internal control and risk management systems for the year 2015 and is satisfied that, based on information furnished to it and on its own observations, the present internal control systems of the Group are satisfactory.

COMPANY SECRETARY

During the year under review, the Company Secretary was Mr. Szeto King Pui, Albert who was not an employee of the Company and was a partner of an external law firm. The primary corporate contact person at the Company for the Company Secretary is Mr. Cheng Yik, Eric, the Financial Controller of the Company. The Company Secretary had complied with Rule 3.29 of the Listing Rules in respect of professional training during the year under review.

COMMUNICATION WITH SHAREHOLDERS

The Company is committed to ensuring shareholders' interest. To this end, the Company communicates with its shareholders through various channels, including annual general meetings, special general meetings, annual, interim and quarterly reports, notices of general meetings and circulars sent to shareholders by post, announcements on the website of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), and press releases and other corporate communications available on the Company's website. The Company has established the practice, on a voluntary basis, of publishing quarterly results of the Group on the website of the Hong Kong Stock Exchange to provide better disclosure to the financial market and to the existing and potential shareholders of the business performance of the Group.

Registered shareholders are notified by post of the shareholders' meetings. Any registered shareholder is entitled to attend and vote at the annual general meeting and the special general meeting, provided that his/her/its shares have been fully paid up and recorded in the register of members of the Company.

SHAREHOLDERS' RIGHTS

Right to convene a special general meeting

Pursuant to section 74 of the Bermuda Companies Act 1981 which the Company is subject to, shareholder(s) of the Company holding not less than 10% of the paid up capital of the Company carrying voting right at the general meetings of the Company, are entitled to make a requisition to the Board to convene a special general meeting of the Company ("SGM"), and the Board shall forthwith proceed to convene an SGM upon such requisition.

The SGM requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists.

If the Board does not within twenty one days from the date of the deposit of the requisition proceed duly to convene an SGM, the requisitionists, or any of them representing more than one half of the total voting rights of all of such requisitionists, may themselves convene an SGM, but any SGM so convened shall not be held after the expiration of three months from the date of the deposit of such requisition.

The SGM convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which the SGMs are to be convened by the Board. Any reasonable expenses incurred by the requisitionists by reason of the failure of the Board duly to convene an SGM shall be repaid to the requisitionists by the Company.

Right to propose resolutions at general meetings

Pursuant to sections 79 and 80 of the Bermuda Companies Act 1981 which the Company is subject to, shareholder(s) holding not less than 5% of the total voting rights of the Company or not less than 100 shareholders, are entitled to make a requisition to the Company to give shareholders notice of any resolution which may properly be moved and is intended to be moved at the next annual general meeting of the Company, provided that:

(1) a copy of the requisition signed by the requisitionists, or two or more copies which between them contain the signatures of all the requisitionists, is deposited at the registered office of the Company, not less than six weeks before the next annual general meeting; and

(2) there is deposited or tendered with the requisition a sum reasonably sufficient to meet the Company's expenses in giving effect thereto.

Right to nominate directors for election at general meetings

Pursuant to Bye-law 103 of the Company's Bye-laws, whenever the appointment/election of director(s) is considered at a general meeting by any of the above requisitions or otherwise, if a shareholder who is qualified to attend and vote at the general meeting convened to deal with appointment/election of director(s) wishes to propose a person who is not a retiring director at such general meeting for appointment or election as a director, such shareholder shall deposit or lodge a written notice of the intention to propose a person for election or appointment as a director, together with the written notice by the person nominated of his willingness to be elected or appointed as a director, at the head office or registered office of the Company at least seven days prior to the date of such general meeting, provided that such written notices shall not be lodged earlier than the day after the dispatch of the notice of the general meeting appointed for such election.

Disclaimers

Contents of this section headed "Shareholders' Rights" are for reference and disclosure compliance purposes only, do not represent and should not be regarded as legal or other professional advice to the shareholders from the Company. Shareholders should seek their independent legal or other professional advice as to their rights as shareholders of the Company. The Company disclaims all liabilities and losses incurred by its shareholders in reliance on any contents of this section headed "Shareholders' Rights".

CONSTITUTIONAL DOCUMENTS

During 2015, there was no significant change to the Company's Bye-laws or Memorandum of Association.

PROCEDURES FOR PUTTING ENQUIRIES TO THE BOARD

Shareholders may put enquiries to the Board in writing by addressing the same to the Board by post or delivery to Suite 2915, 29th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong or email to info@gome.com.hk.

INVESTOR RELATIONS

The Company regards the communication with institutional investors as important means to enhance the transparency of the Company and collect views and feedbacks from institutional investors. During the year under review, the Directors and senior management of the Company participated in numerous road shows and investment conferences. In addition, the Company also maintains regular communication with the media through press conferences, news releases to the media and on the Company's website, and answering enquiries from the media.

Shareholders, investors and the media can make enquiries to the Company through the following means:

	BEIJING	HONG KONG
Telephone number:	+86 10 5928 8815	+852 2122 9133
By post:	18/F, Block B, Eagle Plaza No. 26 Xiaoyun Road Chao Yang District Beijing, China	Suite 2915, 29th Floor Two International Finance Centre 8 Finance Street, Central Hong Kong, China
Attention:	Investor Relations Department	Corporate Finance & Development Department
By email:	ir@gome.com.cn	info@gome.com.hk

Independent Auditors' Report

EY 安永

Ernst & Young
22nd CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
Tel: +852 2846 9888
Fax: +852 2868 4432
www.ey.com

To the members of GOME Electrical Appliances Holding Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of GOME Electrical Appliances Holding Limited (the "Company") and its subsidiaries set out on pages 83 to 179, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Independent Auditors' Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong
31 March 2016

Consolidated Statement of Profit or Loss

	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	10	**(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	31	**(271,469)**	(261,602)
		936,494	1,018,168
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
– Basic		**RMB7.1 fen**	RMB7.6 fen
– Diluted		**RMB7.1 fen**	RMB7.6 fen

Consolidated Statement of Comprehensive Income

	Notes	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	*16*	**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	*31*	**(271,469)**	(261,602)
		1,152,778	1,113,505

Consolidated Statement of Financial Position

	Notes	31 December 2015 RMB'000	31 December 2014 RMB'000
NON-CURRENT ASSETS			
Property and equipment	12	**4,393,245**	4,417,234
Investment properties	13	**599,832**	601,224
Goodwill	14	**7,145,117**	7,145,117
Other intangible assets	15	**242,363**	265,801
Other investments	16	**595,013**	217,350
Lease prepayments and deposits	17	**1,423,833**	311,128
Deferred tax assets	18	**40,140**	31,795
Total non-current assets		**14,439,543**	12,989,649
CURRENT ASSETS			
Inventories	19	**10,176,004**	10,926,399
Trade and bills receivables	20	**189,439**	267,694
Prepayments, deposits and other receivables	21	**4,245,343**	4,797,960
Due from related companies	22	**189,694**	227,964
Equity investments at fair value through profit or loss	23	**1,029,142**	–
Pledged deposits	24	**3,880,903**	6,072,895
Cash and cash equivalents	24	**7,437,717**	8,794,112
Total current assets		**27,148,242**	31,087,024
CURRENT LIABILITIES			
Trade and bills payables	25	**19,290,931**	20,880,430
Customers' deposits, other payables and accruals	26	**2,591,986**	2,425,413
Interest-bearing bank loans	27	**971,512**	3,425,950
Due to related companies	22	**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)

	Notes	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	*18*	**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	*28*	**423,268**	423,221
Reserves	*30*	**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

Zhang Da Zhong
Director

Zou Xiao Chun
Director

Consolidated Statement of Changes in Equity

		Attributable to owners of the parent												
	Notes	Issued capital RMB'000 Note 28	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Share option reserve RMB'000	Asset revaluation reserve RMB'000	Other investment revaluation reserve RMB'000	Statutory reserves RMB'000 Note 30	Exchange fluctuation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2014		421,551	9,461,244	657	(851,561)	157,953	117,468	41,040	1,441,972	(163,859)	5,300,789	15,927,254	(609,796)	15,317,458
Profit for the year		–	–	–	–	–	–	–	–	–	1,279,770	1,279,770	(261,602)	1,018,168
Other comprehensive income for the year:														
Changes in fair value of other investments	16	–	–	–	–	–	–	82,350	–	–	–	82,350	–	82,350
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	12,987	–	12,987	–	12,987
Total comprehensive income for the year		–	–	–	–	–	–	82,350	–	12,987	1,279,770	1,375,107	(261,602)	1,113,505
2013 scrip dividend paid in shares		3,149	161,375	–	–	–	–	–	–	–	(164,524)	–	–	–
2013 scrip dividend paid in cash		–	–	–	–	–	–	–	–	–	(103,219)	(103,219)	–	(103,219)
Repurchase of shares		(1,479)	(79,526)	–	–	–	–	–	–	–	–	(81,005)	–	(81,005)
Equity-settled share option arrangements	29	–	–	–	–	5,083	–	–	–	–	–	5,083	–	5,083
Transfer to statutory reserves		–	–	–	–	–	–	–	69,292	–	(69,292)	–	–	–
2013 cash dividend paid		–	–	–	–	–	–	–	–	–	(173,649)	(173,649)	–	(173,649)
2014 interim dividend paid		–	–	–	–	–	–	–	–	–	(277,044)	(277,044)	–	(277,044)
Compensation received		–	–	–	233,389	–	–	–	–	–	–	233,389	–	233,389
Wind-up of subsidiaries		–	–	–	–	–	–	–	(5,672)	–	5,672	–	–	–
At 31 December 2014		423,221	9,543,093	657	(618,172)	163,036	117,468	123,390	1,505,592	(150,872)	5,798,503#	16,905,916	(871,398)	16,034,518

Retained profits have been adjusted for the proposed 2014 final dividend in accordance with the current year's presentation, which is described in note 2.2 to the financial statements.

Consolidated Statement of Changes in Equity (Continued)

	Notes	Attributable to owners of the parent												
		Issued capital RMB'000 Note 28	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Share option reserve RMB'000	Asset revaluation reserve# RMB'000	Other investment revaluation reserve RMB'000	Statutory reserves RMB'000 Note 30	Exchange fluctuation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2015		423,221	9,543,093	657	(618,172)	163,036	117,468	123,390	1,505,592	(150,872)	5,798,503	16,905,916	(871,398)	16,034,518
Profit for the year		–	–	–	–	–	–	–	–	–	1,207,963	1,207,963	(271,469)	936,494
Other comprehensive income for the year:														
Changes in fair value of other investments	16	–	–	–	–	–	–	212,992	–	–	–	212,992	–	212,992
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	3,292	–	3,292	–	3,292
Total comprehensive income for the year		–	–	–	–	–	–	212,992	–	3,292	1,207,963	1,424,247	(271,469)	1,152,778
Establishment of a subsidiary		–	–	–	–	–	–	–	–	–	–	–	5,280	5,280
Exercise of share options		47	5,025	–	–	(1,555)	–	–	–	–	–	3,517	–	3,517
Equity-settled share option arrangements	29	–	–	–	–	1,902	–	–	–	–	–	1,902	–	1,902
Transfer to statutory reserves		–	–	–	–	–	–	–	129,318	–	(129,318)	–	–	–
2014 dividend paid	32	–	–	–	–	–	–	–	–	–	(234,864)	(234,864)	–	(234,864)
2015 interim dividend paid	32	–	–	–	–	–	–	–	–	–	(274,769)	(274,769)	–	(274,769)
Wind-up of subsidiaries		–	–	–	–	–	–	–	(2,754)	–	2,754	–	–	–
At 31 December 2015		423,268	9,548,118*	657*	(618,172)*	163,383*	117,468*	336,382*	1,632,156*	(147,580)*	6,370,269*	17,825,949	(1,137,587)	16,688,362

The asset revaluation reserve arose from changes in use from owner-occupied properties to investment properties carried at fair value.

* These reserve accounts comprise the consolidated reserves of RMB17,402,681,000 (2014: RMB16,482,695,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,576,751**	1,580,144
Adjustments for:			
Finance income	*7*	**(253,999)**	(302,026)
Finance costs	*7*	**43,226**	46,111
Loss on equity investments at fair value through profit or loss	*6*	**206,758**	–
Impairment provision for items of property and equipment	*6*	**12,695**	10,464
Net fair value (gain)/loss on investment properties	*6*	**(9,534)**	3,738
Loss on disposal of items of property and equipment	*6*	**7,957**	9,216
Depreciation	*6*	**500,978**	555,868
Amortisation of intangible assets	*6*	**23,438**	23,438
Equity-settled share option expense	*29*	**1,902**	5,083
Gain on compensation received		**–**	(100,102)
		2,110,172	1,831,934
Decrease in lease prepayments and deposits		**30,023**	3,849
Decrease/(increase) in inventories		**750,395**	(2,705,665)
Decrease/(increase) in trade and bills receivables		**78,255**	(22,202)
Increase in prepayments, deposits and other receivables		**(859,356)**	(1,074,621)
Decrease/(increase) in due from related companies		**38,270**	(104,790)
Decrease/(increase) in pledged deposits		**247,865**	(153,565)
(Decrease)/increase in trade and bills payables		**(1,589,499)**	2,802,941
Increase in customers' deposits, other payables and accruals		**166,573**	391,177
Increase in due to related companies		**506,936**	57,071
Cash generated from operations		**1,479,634**	1,026,129
Interest received		**253,999**	324,141
Income tax paid		**(420,906)**	(488,950)
Net cash flows from operating activities		**1,312,727**	861,320

Consolidated Statement of Cash Flows (Continued)

	Notes	2015 RMB'000	2014 RMB'000
Net cash flows from operating activities		**1,312,727**	861,320
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment		**(566,786)**	(629,604)
Proceeds from disposal of items of property and equipment		**80,071**	71,490
Prepaid land lease payments		**(1,142,728)**	–
Purchases of equity investments at fair value through profit or loss		**(1,235,900)**	–
Purchases of other investments		**(164,671)**	–
Refund/(prepayment) for shares subscription		**1,411,973**	(1,411,973)
Net cash flows used in investing activities		**(1,618,041)**	(1,970,087)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of shares		**–**	(81,005)
Capital injection from non-controlling shareholders		**5,280**	–
Exercise of share options		**3,517**	–
Compensation from shareholders received		**–**	333,491
New bank loans	*27*	**2,694**	3,435,526
Decrease in pledged deposits for bank loans	*24*	**1,944,127**	487,465
Repayment of bank loans	*27*	**(2,469,729)**	(2,698,635)
Dividends paid		**(509,633)**	(553,912)
Interest paid		**(43,226)**	(40,687)
Net cash flows (used in)/from financing activities		**(1,066,970)**	882,243
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,372,284)**	(226,524)
Cash and cash equivalents at beginning of year		**8,794,112**	9,015,813
Effect of foreign exchange rate changes, net		**15,889**	4,823
CASH AND CASH EQUIVALENTS AT END OF YEAR		**7,437,717**	8,794,112
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*24*	**6,835,713**	8,468,197
Non-pledged time deposits with original maturity of less than three months when acquired	*24*	**602,004**	325,915
		7,437,717	8,794,112

1. CORPORATE AND GROUP INFORMATION

GOME Electrical Appliances Holding Limited (the "Company") 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 Company and its subsidiaries (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").

Information about subsidiaries

Particulars of the principal subsidiaries are as follows:

Company name	Place of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Capital Automation (BVI) Limited	British Virgin Islands/ Hong Kong	US$50,000	100	–	Investment holding
Grand Hope Investment Limited	British Virgin Islands/ Hong Kong	US$1 million	100	–	Investment holding
China Paradise Electronics Retail Limited	Cayman Islands	HK$235,662,979	100	–	Investment holding
China Eagle Management Limited	Hong Kong	HK$10,000	100	–	Note (v)
Hong Kong Punching Centre Limited	Hong Kong	HK$100,000	–	100	Property holding
Ocean Town Int'l Inc.	British Virgin Islands/ Hong Kong	US$50,000	–	100	Investment holding
Gome Appliance Company Limited (viii) 國美電器有限公司	PRC	RMB1 billion	–	100	Note (vi)
Tianjin Gome Electrical Appliance Company Limited (i) 天津國美電器有限公司	PRC	RMB40 million	–	100	Note (iii)

Notes to Financial Statements

31 December 2015

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Company name	Place of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Chongqing Gome Electrical Appliance Company Limited (i) 重慶國美電器有限公司	PRC	RMB20 million	–	100	Note (iii)
Chengdu Gome Electrical Appliance Company Limited (i) 成都國美電器有限公司	PRC	RMB20 million	–	100	Note (iii)
Xi'an Gome Electrical Appliance Company Limited (i) 西安國美電器有限公司	PRC	RMB10 million	–	100	Note (iii)
Kunming Gome Electrical Appliance Company Limited (i) 昆明國美電器有限公司	PRC	RMB10 million	–	100	Note (iii)
Shenzhen Gome Electrical Appliance Company Limited (i) 深圳國美電器有限公司	PRC	RMB10 million	–	100	Note (iii)
Fuzhou Gome Electrical Appliance Company Limited (i) 福州國美電器有限公司	PRC	RMB10 million	–	100	Note (iii)
Guangzhou Gome Electrical Appliance Company Limited (i) 廣州市國美電器有限公司	PRC	RMB10 million	–	100	Note (iii)
Wuhan Gome Electrical Appliance Company Limited (i) 武漢國美電器有限公司	PRC	RMB10 million	–	100	Note (iii)
Shenyang Gome Electrical Appliance Company Limited (i) 瀋陽國美電器有限公司	PRC	RMB10 million	–	100	Note (iii)

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Company name	Place of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Jinan Gome Electrical Appliance Company Limited (i) 濟南國美電器有限公司	PRC	RMB10 million	–	100	Note (iii)
Qingdao Gome Electrical Appliance Company Limited (i) 青島國美電器有限公司	PRC	RMB10 million	–	100	Note (iii)
Tianjin Gome Commercial Consultancy Company Limited (i) 天津國美商業管理諮詢有限公司	PRC	RMB3 million	–	100	Note (v)
Kunming Gome Logistics Company Limited (i) 昆明國美物流有限公司	PRC	RMB8 million	–	100	Note (iv)
Quanzhou Pengrun Gome Electrical Appliance Company Limited (i) 泉州鵬潤國美電器有限公司	PRC	RMB5 million	–	100	Note (iii)
Changzhou Jintaiyang Zhizun Electrical Appliance Company Limited (i) 常州金太陽至尊電器有限公司	PRC	RMB50 million	–	100	Note (iii)
Gansu Gome Electrical Appliance Company Limited (i) 甘肅國美電器有限公司	PRC	RMB5 million	–	100	Note (iii)
Beijing Pengze Real Estate Company Limited (i) 北京鵬澤置業有限公司	PRC	RMB10 million	–	100	Property holding
Shenyang Pengrun Gome Electrical Appliance Company Limited (i) 瀋陽鵬潤國美電器有限公司	PRC	RMB10 million	–	100	Note (iii)

Notes to Financial Statements

31 December 2015

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Company name	Place of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Kunming Qin'an Commercial Management Consultancy Company Limited (i) 昆明勤安商業管理諮詢有限公司	PRC	RMB6 million	–	100	Note (v)
Jiangsu Pengrun Gome Electrical Appliance Company Limited (i) 江蘇鵬潤國美電器有限公司	PRC	RMB20 million	–	100	Note (iii)
Eagle Electrical Appliance Company Limited (i) 鵬潤電器有限公司	PRC	RMB100 million	–	100	Investment holding
Shenzhen eHome Commercial Chain Company Limited (i) 深圳易好家商業連鎖有限公司	PRC	RMB20 million	–	100	Note (iii)
Gansu Gome Logistics Company Limited (i) 甘肅國美物流有限公司	PRC	RMB10 million	–	100	Note (iv)
Nanjing Pengze Investment Company Limited (i) 南京鵬澤投資有限公司	PRC	RMB156 million	–	100	Property holding
Yongle (China) Electronics Retail Company Limited (ii) 永樂(中國)電器銷售有限公司	PRC	RMB220 million	–	100	Note (iii)
Guangdong Yongle Electronics Retail Company Limited (i) 廣東永樂家用電器有限公司	PRC	RMB30 million	–	100	Note (iii)
Henan Yongle Electronics Retail Company Limited (i) 河南永樂生活電器有限公司	PRC	RMB20 million	–	100	Note (iii)

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Company name	Place of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Jiangsu Yongle Electronics Retail Company Limited (i) 江蘇永樂家用電器有限公司	PRC	RMB10 million	–	100	Note (iii)
Shanghai Yongle Communication Equipment Company Limited (i) 上海永樂通訊設備有限公司	PRC	RMB10 million	–	100	Note (iii)
Sichuan Yongle Electronics Retail Company Limited (i) 四川永樂家用電器有限公司	PRC	RMB20 million	–	100	Note (iii)
Xiamen Yongle Siwen Electronics Retail Company Limited (i) 廈門永樂思文家電有限公司	PRC	RMB10 million	–	100	Note (iii)
Zhejiang Yongle Electronics Retail Company Limited (i) 浙江永樂家用電器有限公司	PRC	RMB15 million	–	100	Note (iii)
Shaanxi Cellstar Telecommunication Retail Chain Company Limited (i) 陜西蜂星電訊零售連鎖有限責任公司	PRC	RMB10 million	–	100	Note (vii)
Shandong Longji Island Construction Company Limited (i) 山東龍脊島建設有限公司	PRC	RMB10 million	–	100	Investment holding
Tianjin Pengze Logistics Company Limited (i) (viii) 天津鵬澤物流有限公司	PRC	US$50 million	–	100	Note (iv)

Notes to Financial Statements

31 December 2015

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Company name	Place of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Xining Gome Electrical Appliance Company Limited (i) 西寧國美電器有限公司	PRC	RMB5 million	–	100	Note (iii)/(iv)
Beijing Dazhong Hengxin Ruida Logistics Company Limited (i) 北京市大中恒信瑞達商貿有限公司	PRC	RMB200 million	–	100	Note (iv)
Tianjin Hengxin Ruida Logistics Company Limited (i) 天津恒信瑞達物流有限公司	PRC	RMB20 million	–	100	Note (iv)
Kuba Technology (Beijing) Co., Ltd. ("Kuba") (i) 庫巴科技(北京)有限公司	PRC	RMB83 million	–	60	Note (ix)
GOME-on-line e-Commerce Co., Ltd. ("GOME-on-line") (i) 國美在線電子商務有限公司	PRC	RMB83 million	–	60	Note (ix)
GOME Japan Company Limited	Japan	JPY200 million	–	51	Note (ix)
Beijing Dazhong Home Appliances Retail Co., Ltd. (i) 北京市大中家用電器連鎖銷售有限公司	PRC	RMB200 million	–	100	Note (iii)
GOME International Trading Company Limited 國美海外購有限公司	Hong Kong	HK$1	–	100	Note (ix)
Shantou Shengyuan Yuexin Technology Co., Ltd. (i) 汕頭盛源悅信科技有限公司	PRC	USD30 million	–	100	Notes (iv)/(v)

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Notes:

(i) Registered as private companies with limited liability under PRC law

(ii) Registered as a Sino-foreign equity joint venture under PRC law

(iii) Retailing of electrical appliances and consumer electronic products

(iv) Provision of logistics and procurement services

(v) Provision of business management services

(vi) Investment holding and retailing of electrical appliances and consumer electronic products

(vii) Retailing of mobile phones and accessories

(viii) Registered as wholly-foreign-owned enterprises under PRC law. The respective registered capital of these subsidiaries has been fully paid up

(ix) Online retailing of electrical appliances and consumer electronic products

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 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.

2.2 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.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 9	*Financial Instruments*[3]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[6]
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 1	*Disclosure Initiative*[1]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[1]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	*Amendments to a number of IFRSs*[1]
IFRS 16	*Lease*[4]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[2]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2017

3 Effective for annual periods beginning on or after 1 January 2018

4 Effective for annual periods beginning on or after 1 January 2019

5 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

6 No mandatory effective date yet determined but is available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

Notes to Financial Statements

31 December 2015

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. During 2015, the Group performed a high-level assessment of the impact of the adoption of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of IFRS 9 are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of IFRS 9.

The amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

The amendments to IFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in IFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In July 2015, the ISAB issued an amendment to IFRS 15 regarding a one-year deferral of the mandatory effective date of IFRS 15 to 1 January 2018. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in IAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Notes to Financial Statements

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person,

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property and equipment and depreciation

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life as follows:

Buildings	20 to 40 years
Leasehold improvements	The shorter of the remaining lease terms and five years, whichever is shorter
Equipment and fixtures	4 to 15 years
Motor vehicles	5 years

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents the Group's enterprise operating systems under construction, which are stated at cost less any impairment loss, and are not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property and equipment and depreciation" above.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property and equipment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables, available-for-sale financial investments and financial assets at fair value through profit and loss, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the other investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the other investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively, and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Available-for-sale financial investments *(Continued)*

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as other expenses in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

Notes to Financial Statements

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets' original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, financial liabilities included in customers' deposits, other payables and accruals, amounts due to related companies and interest-bearing bank loans.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement

The subsequent measurement of financial liability depends on the classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories comprise merchandise purchased for resale and consumables and are stated at the lower of cost and net realisable value.

Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- Income from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

- Income from suppliers comprising promotion income, management fee income, display space leasing fees and product listing fees is recognised according to the underlying contract terms when these services have been rendered in accordance therewith;

- Management and purchasing service fee income, management fee income for air-conditioner installation and other service fee income are recognised when such services have been rendered;

- Rental income is recognised on a time proportion basis over the lease terms;

- Interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

- Dividend income is recognised when the shareholders' right to receive payment has been established.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 29 to the financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market condition or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Other employee benefits

Salaries, bonuses, paid annual leave and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to defined contribution retirement plans are recognised as an expense in the statement of profit or loss as incurred.

Pursuant to the relevant PRC laws and regulations, the employees of the Group's PRC subsidiaries are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of the salaries of their employees to the central pension scheme. The only obligation of these subsidiaries with respect to the central pension scheme is the ongoing required contributions. Contributions made to the retirement benefit scheme are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Renminbi ("RMB"), which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates ruling at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on retranslation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Renminbi at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Renminbi at the weighted average exchange rates for the year.

Notes to Financial Statements

31 December 2015

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Inventories

The Group does not have a general provisioning policy on inventories based on ageing given the nature of inventories and the purchase return or exchange protections from suppliers. However, operational procedures are in place to monitor this risk as the majority of the Group's working capital is devoted to inventories. The Company reviews its inventory ageing on a periodical basis and compares the carrying values of the aged inventories with their respective net realisable values. The purpose is to ascertain whether allowance is required to be made in the financial statements for any obsolete and slow-moving inventories. In addition, physical counts are carried out on a periodical basis in order to determine whether allowance is needed in respect of any missing, obsolete or defective inventories identified.

Operating lease commitments – Group as lessee

The Group has entered into commercial property leases for its retail business. The Group has determined that the lessor retains all the significant risks and rewards of relevant properties and so accounts for them as operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Judgements *(Continued)*

Tax provisions

Determining tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions, and tax provisions are set up accordingly. The tax treatment of such transactions is assessed periodically to take into account all the changes in the tax legislation and practices.

Consolidation of Beijing Dazhong Home Appliances Retail Co., Ltd. ("Dazhong Appliances"), of which the Group is not the legal owner

The Group considers that it controls Dazhong Appliances even though it does not own any equity interest or voting rights. Pursuant to a series of agreements entered into between the Group ("the investor") and Beijing Zhansheng Investment Co., Ltd., the legal owner of Dazhong Appliances, the investor is responsible for the management and operation of Dazhong Appliances and has the rights to direct the relevant activities of it. In addition, the investor is exposed to variable returns from its involvement with Dazhong Appliances and has the ability to use its power over Dazhong Appliances to affect the amount of the investor's returns.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2015 was RMB7,145,117,000 (2014: RMB7,145,117,000). Further details are given in note 14.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties as at 31 December 2015 was RMB599, 832,000 (2014: RMB601,224,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 13 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment of all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to tax losses at 31 December 2015 was RMB11,280,000 (2014: RMB5,467,000). The amount of unrecognised tax losses at 31 December 2015 was RMB5,287,938,000 (2014: RMB4,360,400,000). Further details are given in note 18 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Impairment of available-for-sale financial assets

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the statement of profit or loss. As at 31 December 2015, the carrying amount of available-for-sale financial assets was RMB595,013,000 (2014: RMB217,350,000). Further details are given in note 16 to the financial statements.

Assessment of useful lives of property and equipment

The Group has estimated the useful lives of the property and equipment to be 4 to 40 years. Depreciation of items of property and equipment is calculated on the straight-line basis over their expected useful lives. The carrying amount of items of property and equipment as at 31 December 2015 was RMB4,393,245,000 (2014: RMB4,417,234,000). Further details are given in note 12 to 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.

Notes to Financial Statements

31 December 2015

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.

4. OPERATING SEGMENT INFORMATION *(Continued)*

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.

(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.

Notes to Financial Statements

31 December 2015

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	*13*	**9,534**	–
Compensation received		**–**	100,102
		9,534	100,102
		1,994,026	2,162,584

Notes:

(i) The Non-listed GOME Group is defined in note 34(a) to the financial statements.

(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	*12*	**500,978**	555,868
Amortisation of intangible assets	*15, (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*	**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 *(note 8)*:			
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, 13*	**(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).

Notes to Financial Statements

31 December 2015

7. FINANCE (COSTS)/INCOME

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

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

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2015 RMB'000	2014 RMB'000
Fees	**2,640**	3,967
Other emoluments:		
Salaries, allowances and other expense	**1,812**	2,483
Equity-settled share option expense	**216**	8
Pension scheme contributions	**43**	39
	2,071	2,530

During the year 2009, certain directors and chief executive were granted share options in respect of their services to the Group under the share option scheme of the Company, further details of which are set out in note 29 to the financial statements. The fair value of these options, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	Notes	2015 RMB'000	2014 RMB'000
Mr. Sze Tsai Ping, Michael	*(ii)*	**232**	475
Mr. Chan Yuk Sang	*(ii)*	**232**	475
Mr. Lee Kong Wai, Conway		**402**	475
Mr. Ng Wai Hung		**402**	475
Ms. Liu Hong Yu		**399**	475
Mr. Wang Gao	*(iii)*	**167**	–
		1,834	2,375

Notes:

(i) There was no other emolument payable to the independent non-executive directors during the year (2014: Nil).

(ii) Mr. Sze Tsai Ping, Michael and Mr. Chan Yuk Sang retired as independent non-executive directors of the Company on 24 June 2015.

(iii) Mr. Wang Gao was appointed as an independent non-executive director of the Company with effect from 24 June 2015.

Notes to Financial Statements

31 December 2015

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(b) Executive directors, non-executive directors and the chief executive

2015	Notes	Fees RMB'000	Salaries, allowances and other expense RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:						
Mr. Zou Xiao Chun		–	322	–	–	322
		–	322	–	–	322
Non-executive directors:						
Mr. Zhu Jia	*(i)*	35	–	–	–	35
Ms. Wang Li Hong	*(i)*	35	–	–	–	35
Mr. Zhang Da Zhong		402	–	–	–	402
Ms. Huang Xiu Hong	*(ii)*	167	–	–	–	167
Mr. Yu Sing Wong	*(ii)*	167	–	–	–	167
		806	–	–	–	806
Chief executive:						
Mr. Wang Jun Zhou		–	1,490	216	43	1,749
		806	1,812	216	43	2,877

Notes:

(i) Mr. Zhu Jia and Ms. Wang Li Hong resigned as non-executive directors of the Company on 28 January 2015.

(ii) Ms. Huang Xiu Hong and Mr. Yu Sing Wong were appointed as non-executive directors of the Company with effect from 24 June 2015.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(b) Executive directors, non-executive directors and the chief executive *(Continued)*

2014	**Note**	Fees RMB'000	Salaries, allowances and other expense RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:						
Mr. Zou Xiao Chun		–	886	–	–	886
		–	886	–	–	886
Non-executive directors:						
Mr. Zhang Da Zhong		475	–	–	–	475
Mr. Zhu Jia		475	–	–	–	475
Ms. Wang Li Hong		475	–	–	–	475
Mr. Cheung Leong	*(i)*	167	–	–	–	167
		1,592	–	–	–	1,592
Chief executive:						
Mr. Wang Jun Zhou		–	1,597	8	39	1,644
		1,592	2,483	8	39	4,122

Note:

(i) Mr. Cheung Leong resigned as a non-executive director with effect from 8 May 2014.

Notes to Financial Statements

31 December 2015

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(c) Five highest paid individuals

The five highest paid individuals during the year included the chief executive (2014: the chief executive). Details of the director and the chief executive's remuneration are set out above. Details of the remuneration for the year of the remaining four (2014: four) highest paid individuals who are neither a director nor the chief executive of the Group are as follows:

	2015 RMB'000	2014 RMB'000
Salaries, allowances and other expense	**5,542**	5,392
Pension scheme contributions	**154**	140
Equity-settled share option expense	**509**	22
	6,205	5,554

The number of non-director and non-chief-executive highest paid individuals whose remuneration fell within the following bands is as follows:

	Number of individuals	
	2015	2014
HK$1,500,001 to HK$2,000,000 (equivalent to RMB1,207,501 to RMB1,610,000)	**4**	4
	4	4

9. PENSION SCHEMES

All the PRC subsidiaries of the Group are required to participate in the employee retirement benefit schemes operated by the relevant local government authorities in the PRC. The PRC government is responsible for the pension liability to these retired employees. The Group is required to make contributions for those employees who are registered as permanent residents in the PRC and are within the scope of the relevant PRC regulations at rates ranging from 20% to 22.5% of the employees' salaries for the years ended 31 December 2015 and 2014.

All the Hong Kong subsidiaries of the Group are required to participate in the MPF scheme under the Mandatory Provident Fund Schemes Ordinance in Hong Kong. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. The Group is required to make contributions for those employees who are registered as permanent residents in Hong Kong and are within the scope of the relevant Hong Kong regulations at the lesser of HK$1,500 and 5% of the employees' salaries for the years ended 31 December 2015 and 2014.

The Group's contributions to pension schemes for the year ended 31 December 2015 amounted to approximately RMB486,924,000 (2014: RMB443,520,000).

10. INCOME TAX EXPENSE

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

	2015 **RMB'000**	2014 RMB'000
Current income tax	**651,977**	552,481
Deferred income tax *(note 18)*	**(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 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.

Notes to Financial Statements

31 December 2015

10. INCOME TAX EXPENSE *(Continued)*

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).

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

10. INCOME TAX EXPENSE *(Continued)*

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.

11. 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 **RMB'000**	2014 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 **'000**	2014 '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

Notes to Financial Statements

31 December 2015

12. PROPERTY AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Equipment and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2015						
At 31 December 2014 and 1 January 2015:						
Cost	3,690,192	1,927,122	1,521,006	90,050	93,255	7,321,625
Accumulated depreciation and impairment	(674,633)	(1,258,010)	(898,093)	(73,655)	–	(2,904,391)
Net carrying amount	3,015,559	669,112	622,913	16,395	93,255	4,417,234
At 1 January 2015, net of accumulated depreciation and impairment:	3,015,559	669,112	622,913	16,395	93,255	4,417,234
Additions	–	238,557	159,667	11,474	157,088	566,786
Disposals	–	(72,900)	(12,840)	(2,288)	–	(88,028)
Impairment	–	(12,695)	–	–	–	(12,695)
Depreciation provided during the year	(128,214)	(135,595)	(228,336)	(8,833)	–	(500,978)
Transfers from investment properties	10,926	–	–	–	–	10,926
Transfers from construction in progress	–	–	84,030	–	(84,030)	–
At 31 December 2015, net of accumulated depreciation and impairment	2,898,271	686,479	625,434	16,748	166,313	4,393,245
At 31 December 2015:						
Cost	3,701,118	2,071,229	1,671,219	91,913	166,313	7,701,792
Accumulated depreciation and impairment	(802,847)	(1,384,750)	(1,045,785)	(75,165)	–	(3,308,547)
Net carrying amount	2,898,271	686,479	625,434	16,748	166,313	4,393,245

12. PROPERTY AND EQUIPMENT *(Continued)*

	Buildings RMB'000	Leasehold improvements RMB'000	Equipment and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2014						
At 31 December 2013 and 1 January 2014:						
Cost	3,346,349	1,758,651	1,542,349	96,771	430	6,744,550
Accumulated depreciation and impairment	(576,742)	(1,150,275)	(845,398)	(77,365)	–	(2,649,780)
Net carrying amount	2,769,607	608,376	696,951	19,406	430	4,094,770
At 1 January 2014, net of accumulated depreciation and impairment:	2,769,607	608,376	696,951	19,406	430	4,094,770
Additions	–	344,429	79,300	5,371	196,559	625,659
Disposals	–	(58,970)	(21,321)	(415)	–	(80,706)
Impairment	–	(10,464)	–	–	–	(10,464)
Depreciation provided during the year	(97,891)	(214,259)	(235,751)	(7,967)	–	(555,868)
Transfers from investment properties	343,843	–	–	–	–	343,843
Transfers from construction in progress	–	–	103,734	–	(103,734)	–
At 31 December 2014, net of accumulated depreciation and impairment	3,015,559	669,112	622,913	16,395	93,255	4,417,234
At 31 December 2014:						
Cost	3,690,192	1,927,122	1,521,006	90,050	93,255	7,321,625
Accumulated depreciation and impairment	(674,633)	(1,258,010)	(898,093)	(73,655)	–	(2,904,391)
Net carrying amount	3,015,559	669,112	622,913	16,395	93,255	4,417,234

Certain of the buildings of the Group in Mainland China were pledged as security for bills payable (note 25) and interest-bearing bank loans (note 27) of the Group as at 31 December 2015. The aggregate carrying value of the pledged buildings attributable to the Group as at 31 December 2015 amounted to RMB1,164,024,000 (31 December 2014: RMB1,027,907,000).

The recoverable amount was nil for those impaired assets as at 31 December 2015.

Notes to Financial Statements

31 December 2015

13. INVESTMENT PROPERTIES

	2015 RMB'000	2014 RMB'000
Carrying amount at 1 January	**601,224**	948,805
Net gain/(loss) from a fair value adjustment	**9,534**	(3,738)
Transfer to owner-occupied properties *(note 12)*	**(10,926)**	(343,843)
Carrying amount at 31 December	**599,832**	601,224

Investment properties comprised commercial properties in Mainland China and an industrial property and a car park in Hong Kong that are leased to third parties.

Investment properties are stated at fair value, which has been determined with reference to the valuations performed by Beijing North Asia Asset Assessment Firm (Special General Partnership) and B.I. Appraisals Limited, independent firms of professionally qualified valuers, on the income approach and direct comparison approach, as at 31 December 2015. The fair value represents the amount of market value at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation. The Group's management has discussions with the valuer on the valuation assumptions and valuation results once a year when the valuation is performed for annual financial reporting purpose.

As at 31 December 2015, investment properties of approximately RMB30,412,000 (31 December 2014: RMB26,034,000) are located in Hong Kong under medium term leases and investment properties of approximately RMB569,420,000 (31 December 2014: RMB575,190,000) are located in Mainland China under medium term leases.

Certain of the investment properties of the Group in Mainland China were pledged as security for bills payable (note 25) and interest-bearing bank loans (note 27) of the Group as at 31 December 2015. The aggregate fair value of the the Group's pledged investment properties as at 31 December 2015 amounted to RMB369,986,000 (31 December 2014: RMB433,096,000).

13. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2015 using			
	Quoted price in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Commercial properties	–	–	569,420	569,420
Industrial property and a car park	–	–	30,412	30,412
	–	–	599,832	599,832

	Fair value measurement as at 31 December 2014 using			
	Quoted price in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Commercial properties	–	–	575,190	575,190
Industrial property and a car park	–	–	26,034	26,034
	–	–	601,224	601,224

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2014: Nil).

Notes to Financial Statements

31 December 2015

13. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy *(Continued)*

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties RMB'000	Industrial property and a car park RMB'000
Carrying amount at 1 January 2014	925,219	23,586
Net (loss)/gain from a fair value adjustment recognised in other income and gains in profit or loss	(6,186)	2,448
Transfer to owner-occupied properties	(343,843)	–
Carrying amount at 31 December 2014 and 1 January 2015	575,190	26,034
Net gain from a fair value adjustment recognised in other income and gains in profit or loss	**5,156**	**4,378**
Transfer to owner-occupied properties	**(10,926)**	**–**
Carrying amount at 31 December 2015	**569,420**	**30,412**

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation technique	Significant unobservable inputs	Range 2015	Range 2014
Commercial properties	Income approach	Estimated rental value (RMB per square meter and per month)	**37.5 – 240.0**	35.0 – 161.3
		Rental growth (per annum)	**2% – 3%**	1% – 2%
		Long term vacancy rate	**3% – 5%**	5% – 10%
		Discount rate	**6%**	5% – 7%

	Valuation technique	Significant unobservable inputs	Unit price 2015	Unit price 2014
Industrial property and a car park	Direct comparison approach	Market value (RMB per square meter)	**22,974**	19,667

13. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy *(Continued)*

Under the income approach, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

A significant increase or decrease in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase or decrease in the fair value of the investment properties. A significant increase or decrease in the long term vacancy rate and the discount rate in isolation would result in a significant decrease or increase in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and an opposite change in the discount rate and long term vacancy rate.

Under the direct comparison approach, fair value is estimated by making reference to comparable sale evidence as available in the relevant market by taking into account the current rent and license fee passing and the reversionary income potential of the property. A significant increase or decrease in the market value would result in a significant increase or decrease in the fair value of the investment properties.

14. GOODWILL

	2015 **RMB'000**	2014 RMB'000
At 1 January and 31 December:		
Cost	**7,170,907**	7,170,907
Accumulated impairment	**(25,790)**	(25,790)
Net carrying amount	**7,145,117**	7,145,117
Cost at 1 January and 31 December net of accumulated impairment	**7,145,117**	7,145,117

Notes to Financial Statements

31 December 2015

14. GOODWILL *(Continued)*

Impairment testing of goodwill

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2015 RMB'000	2014 RMB'000
China Paradise Electronics Retail Limited ("China Paradise") 永樂（中國）電器銷售有限公司	**3,920,393**	3,920,393
Beijing Dazhong Home Appliances Retail Company Limited 北京市大中家用電器連鎖銷售有限公司	**3,130,136**	3,130,136
Shaanxi Cellstar Telecommunication Retail Chain Company Limited 陝西蜂星電訊零售連鎖有限責任公司	**60,428**	60,428
Shenzhen Gome Electrical Appliances Company Limited and Guangzhou Gome Electrical Appliances Company Limited 深圳國美電器有限公司和廣州市國美電器有限公司	**22,986**	22,986
Shandong Longji Island Construction Company Limited 山東龍脊島建設有限公司	**8,000**	8,000
Wuhan Gome Electrical Appliances Company Limited 武漢國美電器有限公司	**7,300**	7,300
Jiangsu Pengrun Gome Electrical Appliance Company Limited and Nanjing Pengze Investment Company Limited 江蘇鵬潤國美電器有限公司和南京鵬澤投資有限公司	**5,874**	5,874
Beijing Huihai Tianyun Commercial Consultancy Co., Ltd. ("Huihai") 北京匯海天韻商務諮詢有限公司	**15,790**	15,790
	7,170,907	7,170,907
Impairment	**(25,790)**	(25,790)
	7,145,117	7,145,117

The recoverable amount of each cash-generating unit has been determined based on a value in use calculation. To calculate this, cash flow projections are prepared based on financial budgets as approved by management which cover a period of five years. The after-tax discount rate applied to the cash flow projections was 13.34% (2014: 13.86%).

The growth rate used to extrapolate the cash flows of the cash-generating units beyond the five-year period is 3% (2014: 3%). Management believes that this growth rate is conservative and reliable for the purpose of this impairment testing.

14. GOODWILL *(Continued)*

Key assumptions used in the value in use calculations

The following describes the key assumptions of the cash flow projections.

Store revenue:	the basis used to determine the future earnings potential are historical sales and average and expected growth rates of the retail market in the PRC.
Gross margins:	the gross margins are based on the average gross margin achieved in the past five years.
Expenses:	the value assigned to the key assumptions reflects past experience and management's commitment to maintain the Group's operating expenses to an acceptable level.
Discount rates:	the discount rates used are before tax and reflect management's estimate of the risks specific to each unit. In determining appropriate discount rates for each unit, regard has been given to the applicable borrowing rate of the Group in the current year.

Sensitivity to changes in assumptions

With regard to the assessment of the values in use of the respective cash-generating units, management believes that no reasonably possible change in any of the above key assumptions would cause the respective carrying values, including goodwill, of the cash-generating units to exceed the respective recoverable amounts.

Notes to Financial Statements

31 December 2015

15. OTHER INTANGIBLE ASSETS

	Trademarks RMB'000
31 December 2015	
At 31 December 2014 and 1 January 2015:	
Cost	**440,959**
Accumulated amortisation	**(175,158)**
Net carrying amount	**265,801**
Cost at 1 January 2015, net of accumulated amortisation	**265,801**
Amortisation provided during the year	**(23,438)**
At 31 December 2015	**242,363**
At 31 December 2015:	
Cost	**440,959**
Accumulated amortisation	**(198,596)**
Net carrying amount	**242,363**
31 December 2014	
At 31 December 2013 and 1 January 2014:	
Cost	440,959
Accumulated amortisation	(151,720)
Net carrying amount	289,239
Cost at 1 January 2014, net of accumulated amortisation	289,239
Amortisation provided during the year	(23,438)
At 31 December 2014	265,801
At 31 December 2014:	
Cost	440,959
Accumulated amortisation	(175,158)
Net carrying amount	265,801

Note:

The cost mainly represents the fair value of the trademark arising from the acquisition of 常州金太陽至尊電器有限公司 ("Changzhou Jintaiyang Zhizun Home Appliance Co., Ltd.") of RMB25,915,000 in 2005, the fair value of the trademark arising from the acquisition of China Paradise of RMB129,000,000 in 2006 and the fair value of the trademark arising from the acquisition of the retailing business of Beijing Dazhong Home Appliances Retail Company Limited of RMB284,319,000, which are amortised on the straight-line basis over management's estimate of their useful lives of 10 years, 20 years and 20 years, respectively.

16. OTHER INVESTMENTS

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

During 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). 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 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.

Notes to Financial Statements

31 December 2015

17. LEASE PREPAYMENTS AND DEPOSITS

	Notes	2015 RMB'000	2014 RMB'000
Prepaid land lease payments	*(i)*	**1,149,667**	35,753
Rental prepayments and deposits	*(ii)*	**274,166**	275,375
		1,423,833	311,128

Notes:

(i) Prepaid land lease payments

	Note	2015 RMB'000	2014 RMB'000
Carrying amount at 1 January		**36,930**	38,107
Additions		**1,142,728**	–
Recognised during the year		**(1,979)**	(1,177)
Carrying amount at 31 December		**1,177,679**	36,930
Current portion included in prepayments, deposits and other receivables.	*21*	**(28,012)**	(1,177)
Non-current portion		**1,149,667**	35,753

The leasehold land is held under medium term leases and situate in Mainland China.

(ii) The balances at 31 December 2015 and 2014 represented the non-current portion of rental prepayments and deposits.

18. DEFERRED TAX

	Note	Balance at 1 January 2015 RMB'000	Recognised in the consolidated statement of profit or loss RMB'000	Balance at 31 December 2015 RMB'000
Deferred tax assets:				
Tax losses	*(i)*	5,467	5,813	11,280
Fair value adjustment on investment properties		3,515	2,532	6,047
Fair value adjustment on transfer of owner-occupied properties to investment properties		22,813	–	22,813
		31,795	8,345	40,140
Deferred tax liabilities:				
Fair value adjustment arising from acquisition of subsidiaries		106,568	(7,196)	99,372
Fair value adjustment on investment properties		17,275	3,821	21,096
Fair value adjustment on transfer of own-occupied properties to investment properties		39,155	–	39,155
		162,998	(3,375)	159,623

Notes to Financial Statements

31 December 2015

18. DEFERRED TAX *(Continued)*

	Note	Balance at 1 January 2014 RMB'000	Recognised in the consolidated statement of profit or loss RMB'000	Balance at 31 December 2014 RMB'000
Deferred tax assets:				
Tax losses	*(i)*	23,703	(18,236)	5,467
Fair value adjustment on investment properties		4,072	(557)	3,515
Fair value adjustment on transfer of own-occupied properties to investment properties		22,813	–	22,813
		50,588	(18,793)	31,795
Deferred tax liabilities:				
Fair value adjustment on acquisition		113,762	(7,194)	106,568
Fair value adjustment on investment properties		19,379	(2,104)	17,275
Fair value adjustment on transfer of own-occupied properties to investment properties		39,155	–	39,155
		172,296	(9,298)	162,998

Note:

(i) The Group has not recognised deferred tax assets in respect of tax losses arising in Hong Kong of RMB617 million (2014: RMB509 million), that are available indefinitely, and in the PRC of RMB4,671 million (2014: RMB3,851 million), that will expire in one to five years, as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

At 31 December 2015, no deferred tax has 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. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

There are no income tax consequences attaching to the payments of dividends by the Company to its shareholders.

19. INVENTORIES

	2015	2014
	RMB'000	RMB'000
Merchandise for resale	**10,026,078**	10,792,532
Consumables	**149,926**	133,867
	10,176,004	10,926,399

As at 31 December 2015, the Group's inventories amounting to RMB537 million (31 December 2014: RMB521 million) were pledged as security for the Group's bills payable (note 25).

20. 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

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.

Notes to Financial Statements

31 December 2015

20. TRADE AND BILLS RECEIVABLES *(Continued)*

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

The balances are unsecured and non-interest-bearing.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2015 RMB'000	2014 RMB'000
Prepayments		**831,985**	740,279
Advances to suppliers		**2,432,939**	1,722,515
Other deposits and receivables		**785,821**	755,430
Receivables from Wuhan Yinhe	*(i)*	**166,586**	166,586
Prepayment for share subscription		**–**	1,411,973
Current portion of prepaid land lease payments	*17*	**28,012**	1,177
		4,245,343	4,797,960

Note:

(i) On 13 July 2008, the Group entered into a sale and purchase agreement with 武漢銀鶴置業有限公司 ("Wuhan Yinhe Property Co., Ltd." or "Wuhan Yinhe"), an independent third party vendor, to acquire the first to the fourth floors of a commercial property located in Wuhan, Mainland China, at a total cash consideration of RMB214,629,000. Pursuant to the agreement, the Group paid an amount of RMB107,315,000, representing 50% of the total purchase consideration, to the vendor in 2008 and the remaining balance was payable upon the completion and handover of the property.

Due to the default of the vendor to fulfil its obligation under the sale and purchase agreement, on 6 July 2009, the Group applied to the Hubei Provincial People's High Court (the "Hubei Court") to freeze the assets of Wuhan Yinhe up to an amount of RMB135,808,000. On 21 July 2009, the court granted an injunction and froze the first, the second and the fourth floors of the property. In July 2010, the Group applied to the Hubei Court to freeze the third floor of the property and the Hubei Court granted an injunction on 23 July 2010.

On 30 July 2009, the Group filed a civil complaint against Wuhan Yinhe with the Hubei Court. On 25 November 2009, the Intermediate People's Court of Huanggang City, Hubei Province, issued the civil judgement and ordered that: (i) the sale and purchase agreement and its supplementary agreement are void; (ii) Wuhan Yinhe shall refund the consideration paid by the Group of RMB107,315,000 to the Group; (iii) Wuhan Yinhe shall pay interest of RMB5,638,000 and damages of RMB38,633,000 to the Group; and (iv) Wuhan Yinhe shall pay other damages to the Group in the amount of RMB15,000,000. Wuhan Yinhe did not raise any appeal within the time limit. The management of the Company has consulted the Group's PRC legal advisers and considers that the decision is final and binding. The aggregate amount of the compensation in items (iii) and (iv) above of approximately RMB59,271,000 has been recognised as income in the Group's statement of profit or loss for the year ended 31 December 2009.

In February 2010, the Group applied for enforcement of the court decision and the frozen properties were in the process of auction. However, the auctions have been aborted for three times because there was no offering from any bidder. As at 31 December 2015, this case was not settled and the court is assisting the mediation between the Group and Wuhan Yinhe.

As at 31 December 2015, in the opinion of management, the Group will be able to recover the receivables because the Group's legal rights were secured by the court decision and the market value of the property is higher than the outstanding receivable.

22. DUE FROM/TO RELATED COMPANIES

Due from Related Companies

	2015 RMB'000	2014 RMB'000
Management fee receivables from the Non-listed GOME Group*	**43,048**	71,410
Other receivables from the Non-listed GOME Group**	**146,646**	156,554
	189,694	227,964

* The balance mainly represented the management and purchasing service fees due from the Non-listed GOME Group (note 34(a)(ii)). The aforesaid balance was interest-free, unsecured and has no fixed terms of repayment.

Due to related Companies

	2015 RMB'000	2014 RMB'000
Payables to the Non-listed GOME Group **	**1,028,149**	521,213

** The balances mainly arose from the transactions with the Non-listed GOME Group (note 34(a)(i)). The aforesaid balances were interest-free, unsecured and have no fixed terms of repayment.

23. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2015 RMB'000	31 December 2014 RMB'000
Listed equity investments, at market value	**1,029,142**	–

During year 2015, the Group invested RMB1,236 million in stock market. These equity investments were classified as held for trading by management. As at the date of approval of these financial statements, the market value of these stocks was RMB880 million.

Notes to Financial Statements

31 December 2015

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		2015 RMB'000	2014 RMB'000
Cash and bank balances		**6,835,713**	8,468,197
Time deposits		**4,482,907**	6,398,810
		11,318,620	14,867,007
Less:	Pledged time deposits for bills payable	**(3,880,903)**	(4,128,768)
	Pledged time deposits for interest-bearing bank loans	**–**	(1,944,127)
		(3,880,903)	(6,072,895)
Cash and cash equivalents		**7,437,717**	8,794,112

At the end of the reporting period, the cash and bank balances and the time deposits of the Group denominated in RMB amounted to RMB11,014,524,000 (31 December 2014: RMB13,896,497,000). The RMB is not freely convertible into other currencies; however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

The bank balances of the Group earn interest at floating rates based on daily bank deposit rates. Short term deposits of the Group are made for varying periods of between one day and one year, and earn interest at the respective short term deposit rates. The bank balances and pledged time deposits are deposited with creditworthy banks with no recent history of default.

25. TRADE AND BILLS PAYABLES

	2015 **RMB'000**	2014 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 **RMB'000**	2014 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

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

(i) time deposits (note 24);

(ii) inventories (note 19);

(iii) buildings (note 12); and

(iv) investment properties (note 13).

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

Notes to Financial Statements

31 December 2015

26. CUSTOMERS' DEPOSITS, OTHER PAYABLES AND ACCRUALS

	2015 RMB'000	2014 RMB'000
Customers' deposits	**448,289**	515,845
Deferred revenue *(note)*	**79,411**	78,172
Other payables and accruals	**2,064,286**	1,831,396
	2,591,986	2,425,413

Note:

Deferred revenue refers to the accruals and release of the points in respect of a customer loyalty points programme operated by the Group. A reconciliation of the deferred revenue is as follows:

	2015 RMB'000	2014 RMB'000
At 1 January	**78,172**	70,128
Arising during the year	**772,539**	954,566
Revenue recognised on utilised points	**(707,985)**	(902,194)
Revenue recognised on expired points	**(63,315)**	(44,328)
At 31 December	**79,411**	78,172

27. INTEREST-BEARING BANK LOANS

	2015 RMB'000	2014 RMB'000
Bank loans – secured	**971,512**	3,425,950

The bank loans as at 31 December 2015 comprised bank loan of USD149,205,000 (equivalent to RMB968,818,000) bearing interest at 3-month LIBOR plus 1.8% and bank loan of JPY50,000,000 (equivalent to RMB2,694,000) bearing fixed interest at 0.53%. Certain of the bank loans are secured by the Group's buildings (note 12) and investment properties (note 13).

The carrying amounts of the bank loans approximate to their fair values.

28. ISSUED CAPITAL

Shares	2015 HKS'000	2014 HKS'000
Issued and fully paid: 16,961,573,422 (2014: 16,959,228,422) ordinary shares HK$0.025 each	**424,040**	423,981

A summary of movements in the Company's share capital is as follows:

Shares	Number of shares '000	HK$'000	Equivalent to RMB'000
At 1 January 2014	16,875,056	421,877	421,551
2013 scrip dividend paid	158,699	3,967	3,149
Shares repurchased	(74,527)	(1,863)	(1,479)
At 31 December 2014 and 1 January 2015	16,959,228	423,981	423,221
Share options exercised (note 29)	2,345	59	47
At 31 December 2015	16,961,573	424,040	423,268

29. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") which was adopted on 15 April 2005 (the "Adoption Date") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include employees, executives and officers of the Company (including executive and non-executive directors of the Company) or any of the subsidiaries and business consultants, business partners, suppliers, customers, agents, financial or legal advisers, debtors and creditors who the board of directors of the Company considers, in its sole discretion, will contribute or have contributed to the Company or any of the subsidiaries.

The Scheme shall be valid and effective for the period (the "Scheme Period") commencing on the Adoption Date and ending on the day immediately preceding the tenth anniversary of the Adoption Date (both dates inclusive). The options granted prior to the end of the Scheme Period but not yet exercised shall continue to be valid and exercisable in accordance with the Scheme.

Notes to Financial Statements

31 December 2015

29. SHARE OPTION SCHEME *(Continued)*

The maximum number of shares in respect of which options may be granted under the Scheme to any eligible participant shall not, in any 12-month period up to the offer date, exceed 1% of the number of shares of the Company in issue on the offer date. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding any independent non-executive director of the Company who is the relevant eligible participant). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and in any event such period of time shall not exceed a period of ten years commencing on the commencement date, being the date upon which the option is deemed to be granted and accepted.

The exercise price in relation to each option offered shall be determined by the board of directors of the Company in its absolute discretion but in any event must not be less than the highest of: (a) the official closing price of the shares as stated in the daily quotation sheet of the Stock Exchange on the offer date; (b) the average of the official closing prices of the shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the offer date; and (c) the nominal value of a share of the Company.

Share options do not confer right on the holders to dividends or to vote at shareholders' meetings.

According to the board resolution on 31 August 2012, changes were made to the Scheme including the exercise period of the share options and performance targets to vest the share options.

Upon the modification, the total increase in fair value of the then outstanding share options was approximately RMB6 million. This additional cost would be spread over the period from the date of modification until the vesting date of the modified award, which might not be the same as that of the original award.

29. SHARE OPTION SCHEME *(Continued)*

The following share options were outstanding under the Scheme during the year:

	2015 Weighted average exercise price HK$ per share	2015 Number of options '000	2014 Weighted average exercise price HK$ per share	2014 Number of options '000
At 1 January	**1.90**	**96,091**	1.90	97,952
Exercised during the year	**1.90**	**(2,345)**	1.90	–
Forfeited during the year	**1.90**	**–**	1.90	(1,360)
Expired during the year	**1.90**	**(2,669)**	1.90	(501)
At 31 December	**1.90**	**91,077**	1.90	96,091

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2015 Number of options '000	**Exercise price* HK$ per share**	**Exercise period**
91,077	1.90	On or before 15 November 2016

2014 Number of options '000	Exercise price* HK$ per share	Exercise period
88,351	1.90	On or before 15 November 2015
7,740	1.90	Between 15 May 2015 and 15 November 2015
96,091		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

29. SHARE OPTION SCHEME *(Continued)*

Share option expense of RMB1,902,000 was recognised during the year ended 31 December 2015 (2014: RMB5,083,000). The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2015 was HK$2.25 per share.

At the end of the reporting period, the Company had 91,077,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 91,077,000 additional ordinary shares of the Company and additional share capital of HK$2,277,000 (equivalent to approximately RMB1,908,000) and share premium of HK$170,769,000 (equivalent to approximately RMB143,071,000) (before issue expenses).

At the date of approval of these consolidated financial statements, the Company had 85,550,000 share options outstanding under the Scheme, which represented approximately 0.38% of the Company's shares in issue as at that date.

30. RESERVES

The movements in the reserves of the Group are set out in the consolidated statement of changes in equity of the financial statements.

Statutory reserves

Pursuant to the relevant PRC laws and regulations, Sino-foreign equity joint ventures registered in the PRC are required to transfer a certain percentage, as approved by the board of directors, of their profits after income tax, as determined in accordance with the PRC accounting rules and regulations, to the reserve funds, the enterprise expansion fund and the employee bonus and welfare fund. These funds are restricted as to use.

In accordance with the relevant PRC laws and regulations, each of Mainland China domestic companies is required to transfer 10% of the profit after income tax, as determined in accordance with the PRC accounting regulations, to the statutory common reserve fund, until the balance of the fund reaches 50% of its registered capital of these companies. Subject to certain restrictions as set out in the relevant PRC laws and regulations, the statutory common reserve fund may be used to offset against accumulated losses, if any.

Share option reserve

The share option reserve represents the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount may either be transferred to the share premium account when the related options are exercised, or be transferred to the retained earnings should the related options expire or be forfeited after the vesting date.

31. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2015	2014
Percentage of equity interest held by non-controlling interests:		
GOME-on-line	**40%**	40%

	2015 RMB'000	2014 RMB'000
Loss for the year allocated to non-controlling interests:		
GOME-on-line	**(266,752)**	(254,596)
Accumulated balances of non-controlling interests at the reporting dates:		
GOME-on-line	**(913,004)**	(646,252)

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

2015	**GOME-on-line RMB'000**
Revenue	**6,738,502**
Loss for the year	**(666,880)**
Total assets	**1,312,979**
Total liabilities	**(3,595,489)**
Net cash flows from operating activities	**146,223**
Net cash flows used in investing activities	**(106,770)**
Net increase in cash and cash equivalents	**39,453**

2014	GOME-on-line RMB'000
Revenue	3,947,877
Loss for the year	(636,491)
Total assets	968,935
Total liabilities	(2,584,564)
Net cash flows from operating activities	143,827
Net cash flows used in investing activities	(99,146)
Net increase in cash and cash equivalents	44,681

Notes to Financial Statements

31 December 2015

32. DIVIDENDS

	2015 RMB'000	2014 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: Cash dividend of 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.

33. OPERATING LEASE ARRANGEMENTS AND COMMITMENTS

(a) Operating lease arrangements

As lessee

The Group leases certain of its properties under operating lease arrangements. These have remaining lease terms ranging from 1 to 20 years and there are no restrictions placed upon the Group by entering into these lease agreements.

As at the end of the reporting period, the Group had the following minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 RMB'000	2014 RMB'000
Within one year	**3,092,860**	2,919,815
In the second to fifth years, inclusive	**8,507,126**	8,056,776
After five years	**3,675,363**	3,206,863
	15,275,349	14,183,454

33. OPERATING LEASE ARRANGEMENTS AND COMMITMENTS *(Continued)*

(a) Operating lease arrangements *(Continued)*

As lessor

The Group has leased its investment properties (note 13) and entered into commercial property sub-leases on its leased properties under operating lease arrangements. These non-cancellable leases have remaining terms ranging from 1 to 11 years. A majority of the Group's leases include a clause to enable upward revision of the rental charge on a regular basis according to prevailing market conditions. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of the reporting period, the Group had the following future minimum rentals receivable under non-cancellable operating leases:

	2015 RMB'000	2014 RMB'000
Within one year	**290,894**	206,838
In the second to fifth years, inclusive	**728,825**	536,495
After five years	**208,200**	151,681
	1,227,919	895,014

(b) Capital commitments

In addition to the operating lease commitments above, the Group had the following capital commitments at the end of the reporting period:

	2015 RMB'000	2014 RMB'000
Contracted, but not provided for:		
Construction of property and equipment	**70,658**	74,385

Notes to Financial Statements

31 December 2015

34. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances which are disclosed elsewhere in the financial statements, the Group had the following significant transactions with the related parties.

(a) The Group had the following ongoing transactions with related parties during the year:

	Notes	2015 RMB'000	2014 RMB'000
Sales to the Non-listed GOME Group*	*(i)*	**4,610,794**	1,523,642
Purchases from the Non-listed GOME Group	*(i)*	**1,023,620**	809,386
Provision of management and purchasing services to the Non-listed GOME Group	*(ii), 5*	**250,000**	250,000
Rental expenses and other expenses to Beijing Xinhengji** and the Non-listed GOME Group	*(iii)*	**132,760**	99,992
Service fee to GOME Ruidong (defined in (i) below)	*(iv)*	**6,737**	9,025

* 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." or "Beijing GOME"), 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.

** 北京新恒基房地產有限公司 ("Beijing Xinhengji Property Co., Ltd." or "Beijing Xinhengji") is owned by a close member of the family of Mr. Wong. In 2007, Beijing Xinhengji assigned ownership of a certain building area to Beijing Pengrun Property and also authorised Beijing Pengrun Property to manage and operate the building area, including receiving and collecting the rentals for this building area. Completion of registration of ownership assignment with the relevant PRC authorities is still pending.

34. RELATED PARTY TRANSACTIONS *(Continued)*

(a) The Group had the following ongoing transactions with related parties during the year: *(Continued)*

Notes:

(i) The sales and purchase transactions and the joint purchase transactions entered into between the Group and the Non-listed GOME Group in respect of the electrical appliances and consumer electronic products were conducted based on the actual purchase cost from the Group's third party suppliers.

On 5 March 2013, the Group entered into (1) the master merchandise purchase agreement for the supply of general merchandise (including electrical appliances and consumer electronic products) by 北京國美銳動電子商務有限公司 ("Beijing GOME Ruidong e-Commerce Co., Ltd." or "GOME Ruidong"), of which Mr. Wong has beneficial interest as an equity holder, and the Non-listed GOME Group to the Company's subsidiaries (including Kuba and GOME-on-line) for a period of three years from 1 January 2013 to 31 December 2015, subject to the annual caps of the transaction amounts (excluding value added tax) for the three years ended 31 December 2013, 2014 and 2015 not exceeding RMB5 billion, RMB6.5 billion and RMB8 billion, respectively, and (2) the master merchandise supply agreement for the supply of general merchandise (including electrical appliances and consumer electronics products) by the Group to the Non-listed GOME Group for a period of three years from 1 January 2013 to 31 December 2015, subject to the annual caps of the transaction amounts (excluding value added tax) for the three years ended 31 December 2013, 2014 and 2015 not exceeding RMB5 billion, RMB6.5 billion and RMB8 billion (including the transactions with Kuba and GOME-on-line which are defined as connected persons under the Listing Rules), respectively.

The transactions constitute continuing connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

(ii) The Group provides management services to the Non-listed GOME Group in respect of the retailing of electrical appliances and consumer electronic products. In addition, the Group negotiates with various suppliers for both the Group and the Non-listed GOME Group on a centralised basis.

On 17 December 2012, (1) the Group entered into a management agreement with the Non-listed GOME Group, pursuant to which the Group agreed to provide and to procure other members of the Group to provide management services for the business of retailing electrical appliances and consumer electronic products to the Non-listed GOME Group for a period of three years from 1 January 2013 to 31 December 2015; and (2) the Group entered into purchasing service agreement with the Non-listed GOME Group that the Group agreed to provide and to procure other members of the Group to provide purchasing services for the business of retailing electrical appliances and consumer electronic products to the Non-listed GOME Group for a period of three years from 1 January 2013 to 31 December 2015. The annual caps of the management service fee and the purchasing service fee are RMB100 million and RMB150 million, respectively.

The transactions constitute continuing connected transactions under the Listing Rules.

(iii) On 30 December 2015, the Group renewed the lease agreements with Beijing Pengrun Property and Beijing GOME with respect to the continuous use of the properties. During the year ended 31 December 2015, the rental expenses incurred by the Group payable to Beijing Pengrun Property and Beijing GOME amounted to RMB116,992,000 (2014: RMB84,224,000) and RMB15,768,000 (2014: RMB15,768,000), respectively.

The transactions constitute continuing connected transactions under the Listing Rules.

(iv) On 5 March 2013, the Group entered into (1) logistics services agreements for which GOME Ruidong and the Non-listed GOME Group would provide the logistics services (including warehousing and delivery of general merchandise to end customers) to Kuba and GOME on-line for a period of three years from 1 January 2013 to 31 December 2015, subject to the annual caps of the transaction amounts (excluding value added tax) for the three years ended 31 December 2013, 2014 and 2015 not exceeding RMB150 million, RMB150 million and RMB150 million, respectively, and (2) the after-sales services agreements for which GOME Ruidong and the Non-listed GOME Group would provide the after-sales services to Kuba and GOME on-line for a period of three years from 1 January 2013 to 31 December 2015, subject to the annual caps of the transaction amounts (excluding value added tax) for the three years ended 31 December 2013, 2014 and 2015 not exceeding RMB150 million, RMB150 million and RMB150 million, respectively.

The transactions constitute continuing connected transactions under the Listing Rules.

Notes to Financial Statements

31 December 2015

34. RELATED PARTY TRANSACTIONS *(Continued)*

(a) The Group had the following ongoing transactions with related parties during the year: *(Continued)*

All of the above related party transactions were determined by mutual agreements between the involved parties after taking into account prevailing market prices. The directors of the Company confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

(b) Commitments with related parties

As disclosed in note 34(a)(iii), the Group had rental commitments with Beijing Pengrun Property and Beijing GOME of RMB116,992,000 (31 December 2014: RMB116,992,000) and RMB15,768,000 (31 December 2014: RMB15,768,000) under non-cancellable operating leases falling due within one year.

(c) Compensation of key management personnel of the Group:

	2015 **RMB'000**	2014 RMB'000
Fees	**2,640**	3,967
Other emoluments:		
Salaries, allowances and other expense	**10,174**	8,884
Pension scheme contributions	**318**	210
Equity-settled share option expense	**838**	(483)
	13,970	12,578

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2015

Financial assets

	Loans and receivables RMB'000	Financial assets at fair value through profit or loss RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Other investments	–	–	595,013	595,013
Equity investments at fair value through profit or loss	–	1,029,142	–	1,029,142
Trade and bills receivables	189,439	–	–	189,439
Financial assets included in prepayments, deposits and other receivables	952,407	–	–	952,407
Due from related companies	189,694	–	–	189,694
Pledged deposits	3,880,903	–	–	3,880,903
Cash and cash equivalents	7,437,717	–	–	7,437,717
	12,650,160	1,029,142	595,013	14,274,315

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Interest-bearing bank loans	971,512
Trade and bills payables	19,290,931
Financial liabilities included in customers' deposits, other payables and accruals	1,602,084
Due to related companies	1,028,149
	22,892,676

Notes to Financial Statements

31 December 2015

35. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2014

Financial assets

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Other investments	–	217,350	217,350
Trade and bills receivables	267,694	–	267,694
Financial assets included in prepayments, deposits and other receivables	922,016	–	922,016
Due from related companies	227,964	–	227,964
Pledged deposits	6,072,895	–	6,072,895
Cash and cash equivalents	8,794,112	–	8,794,112
	16,284,681	217,350	16,502,031

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Interest-bearing bank loans	3,425,950
Trade and bills payables	20,880,430
Financial liabilities included in customers' deposits, other payables and accruals	715,005
Due to related companies	521,213
	25,542,598

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Other investments	**595,013**	217,350	**595,013**	217,350
Equity investments at fair value through profit or loss	**1,029,142**	–	**1,029,142**	–
	1,624,155	217,350	**1,624,155**	217,350

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to related companies and interest-bearing bank loans approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation process and results are discussed with the Audit Committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of listed equity investments are based on quoted market prices.

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Other investments	**595,013**	**–**	**–**	**595,013**
Equity investments at fair value through profit or loss	**1,029,142**	**–**	**–**	**1,029,142**
	1,624,155	**–**	**–**	**1,624,155**

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Other investments	217,350	–	–	217,350

During the year ended 31 December 2015, there were no transfers into or out of Level 1 and Level 2, and no transfers into or out of Level 3.

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 31 December 2015 and 31 December 2014.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than other investments, comprise cash and cash equivalents, pledged deposits and interest-bearing bank loans. The main purpose of these financial instruments is to provide finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, other receivables and payables and amounts due from/to related companies, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the debt obligations with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. As at 31 December 2015, the Group had bank borrowings of RMB971,512,000 with floating interest rates (2014: RMB3,425,950,000).

The following table demonstrates the sensitivity to a reasonably possible change in the interest rate with all other variables held constant, of the Group's profit before tax (due to changes in finance costs).

	Increase/ (decrease) in basis point	**(Decrease)/ increase in profit before tax RMB'000**
2015		
If interest rate increases by	**5**	**(1,158)**
If interest rate decreases by	**(5)**	**1,158**

	Increase/ (decrease) in basis point	(Decrease)/ increase in profit before tax RMB'000
2014		
If interest rate increases by	5	(2,306)
If interest rate decreases by	(5)	2,306

Notes to Financial Statements

31 December 2015

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk

As at 31 December 2015, the Group had cash and bank deposits of RMB304,096,000 (2014: RMB970,510,000) and interest-bearing bank loans of RMB971,512,000 (2014: RMB3,425,950,000), which were denominated in foreign currencies, mainly in USD and the Hong Kong dollar.

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rate of USD and the Hong Kong dollar with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities). Other components of equity would not change.

	Increase/ (decrease) in foreign currency rate	**Increase/ (decrease) in profit before tax RMB'000**
2015		
If RMB weakens against USD	**5%**	**(37,818)**
If RMB strengthens against USD	**(5%)**	**37,818**
If RMB weakens against HK$	**5%**	**3,852**
If RMB strengthens against HK$	**(5%)**	**(3,852)**

	Increase/ (decrease) in foreign currency rate	Increase/ (decrease) in profit before tax RMB'000
2014		
If RMB weakens against USD	5%	(128,441)
If RMB strengthens against USD	(5%)	128,441
If RMB weakens against the HK$	5%	5,669
If RMB strengthens against the HK$	(5%)	(5,669)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

The Group trades on credit only with third parties who have an established trading history with the Group and who have no history of default. It is the Group's policy that new customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in note 20 to the financial statements.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, pledged deposits, other receivables and amounts due from related companies, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial instruments. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty and by geographical region. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different geographical regions.

Liquidity risk

The Group monitors its risk to a shortage of funds based on the maturity of its financial instruments, financial assets and liabilities and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of trade and bills payables and interest-bearing bank loans. As at 31 December 2015, the Group had trade and bills payables amounting to RMB19,290,931,000 (31 December 2014: RMB20,880,430,000). In addition, as at 31 December 2015, the Group had interest-bearing bank loans amounting to RMB971,512,000 (31 December 2014: RMB3,425,950,000) which will mature within 12 months. Management has reviewed the Group's working capital and capital expenditure requirements and determined that the Group has no significant liquidity risk.

The table below summarises the maturity profile of the Group's financial liabilities at the end of the reporting period, based on contractual undiscounted payments.

Notes to Financial Statements

31 December 2015

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

	Within 1 year RMB'000
2015	
Interest-bearing bank loans	**971,512**
Trade and bills payables	**19,290,931**
Financial liabilities included in customers' deposits, other payables and accruals	**1,602,084**
Due to related companies	**1,028,149**
	22,892,676

	Within 1 year RMB'000
2014	
Interest-bearing bank loans	3,425,950
Trade and bills payables	20,880,430
Financial liabilities included in customers' deposits, other payables and accruals	715,005
Due to related companies	521,213
	25,542,598

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from other investments (note 16) and also equity investments at fair value through profit or loss (note 23) as at 31 December 2015. The Group's listed investments are valued at market price as at 31 December 2015 and 31 December 2014.

The market equity indexes for the following stock exchanges, at the close of business of the nearest trading day in the year to the end of the reporting period, and its highest and lowest points during the year were as follows:

	31 December 2015	**High/low 2015**	31 December 2014	High/low 2014
Shanghai – A Share Index	**3,539**	**5,178/ 2,851**	3,389	3,389/ 2,084
Shenzhen – A Share Index	**12,665**	**18,212/ 9,260**	11,015	11,050/ 6,959
Hong Kong – Hang Seng Index	**21,914**	**28,589/ 20,368**	23,605	25,363/ 21,138

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Equity price risk *(Continued)*

The following table demonstrates the sensitivity to 10% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the other equity investments, the impact is deemed to be on the other investment revaluation reserve and no account is given for factors such as impairment which might impact on the statement of profit or loss.

	Carrying amount of equity investments RMB'000	Increase/ decrease in profit before tax RMB'000	Increase/ decrease in equity* RMB'000
2015			
Investments listed in:			
Shanghai – Available-for-sale	**595,013**	**–**	**59,501**
Shanghai and Shenzhen – Equity investments at fair value through profit or loss	**877,567**	**87,757**	**–**
Hong Kong – Equity investments at fair value through profit or loss	**151,575**	**15,158**	**–**
	1,624,155	**102,915**	**59,501**
2014			
Investments listed in:			
Shanghai – Available-for-sale	217,350	–	21,735
	217,350	–	21,735

* Excluding retained earnings

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

The primary objective of the Group's capital management is to ensure that the Group has healthy capital structure in order to support the Group's stability and growth.

The Group regularly reviews and manages its capital structure and makes adjustments to it, taking into consideration changes in economic conditions, future capital requirements of the Group, prevailing and projected profitability and operating cash flows, projected capital expenditures and projected strategic investment opportunities.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes interest-bearing bank loans, amounts due to related companies, trade and bills payables and customers' deposits, other payables and accruals, less cash and cash equivalents and pledged deposits. Capital includes the equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	2015 **RMB'000**	2014 RMB'000
Interest-bearing bank loans	**971,512**	3,425,950
Due to related companies	**1,028,149**	521,213
Trade and bills payables	**19,290,931**	20,880,430
Customers' deposits, other payables and accruals	**2,591,986**	2,425,413
Less: Cash and cash equivalents	**(7,437,717)**	(8,794,112)
Pledged deposits	**(3,880,903)**	(6,072,895)
Net debt	**12,563,958**	12,385,999
Equity attributable to owners of the parent	**17,825,949**	16,905,916
Total capital	**17,825,949**	16,905,916
Capital and net debt	**30,389,907**	29,291,915
Gearing ratio	**41%**	42%

38. 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.

Notes to Financial Statements

31 December 2015

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**5,389,943**	5,389,943
Total non-current assets	**5,389,943**	5,389,943
CURRENT ASSETS		
Amounts due from subsidiaries	**5,924,148**	5,996,694
Prepayments and other receivables	**3,337**	1,412,215
Equity investments at fair value through profit or loss	**151,575**	–
Cash and cash equivalents	**142,645**	964,068
Total current assets	**6,221,705**	8,372,977
CURRENT LIABILITIES		
Interest-bearing bank loans	**968,818**	3,425,950
Other payables and accruals	**6,753**	14,218
Amounts due to subsidiaries	**1,096,942**	762,589
Total current liabilities	**2,072,513**	4,202,757
NET CURRENT ASSETS	**4,149,192**	4,170,220
TOTAL ASSETS LESS CURRENT LIABILITIES	**9,539,135**	9,560,163
Net assets	**9,539,135**	9,560,163
EQUITY		
Issued capital	**423,268**	423,221
Reserves (note)	**9,115,867**	9,136,942
Total equity	**9,539,135**	9,560,163

Notes to Financial Statements

31 December 2015

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Contributed surplus RMB'000 Note (i)	Capital reserve RMB'000	Share option reserve RMB'000 Note (ii)	Exchange fluctuation reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2014	9,461,244	42,849	(1,063,814)	157,953	(49,695)	52,791	8,601,328
Issued script dividend	161,375	–	–	–	–	–	161,375
Share repurchase	(79,526)	–	–	–	–	–	(79,526)
Profit for the year and total comprehensive income for the year	–	–	–	–	–	492,337	492,337
2014 interim dividend paid	–	–	–	–	–	(277,044)	(277,044)
Compensation received	–	–	233,389	–	–	–	233,389
Equity-settled share option arrangements	–	–	–	5,083	–	–	5,083
At 31 December 2014 and 1 January 2015	**9,543,093**	**42,849**	**(830,425)**	**163,036**	**(49,695)**	**268,084**	**9,136,942**
Profit for the year and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**483,186**	**483,186**
Exercise of share options	**5,025**	**–**	**–**	**(1,555)**	**–**	**–**	**3,470**
2014 dividend paid	**–**	**–**	**–**	**–**	**–**	**(234,864)**	**(234,864)**
2015 interim dividend paid	**–**	**–**	**–**	**–**	**–**	**(274,769)**	**(274,769)**
Equity-settled share option arrangements	**–**	**–**	**–**	**1,902**	**–**	**–**	**1,902**
At 31 December 2015	**9,548,118**	**42,849**	**(830,425)**	**163,383**	**(49,695)**	**241,637**	**9,115,867**

Notes:

(i) The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued in exchange for the issued ordinary shares of Capital Automation (BVI) Limited and the value of net assets of the underlying subsidiaries acquired as at 27 March 1992. At the Group level, the contributed surplus is reclassified into various components of reserves of the underlying subsidiaries.

Under the Bermuda Companies Act 1981 (as amended), the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus, if:

(a) it is, or after the payment would be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued capital and share premium.

(ii) The share option reserve represents the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount may either be transferred to the share premium account when the related options are exercised, or be transferred to the retained earnings should the related options expire or be forfeited after the vesting date.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors of the Company on 31 March 2016.

Corporate Information

DIRECTORS

Executive Director

ZOU Xiao Chun

Non-executive Director

ZHANG Da Zhong *(Chairman)*
HUANG Xiu Hong
YU Sing Wong

Independent Non-executive Directors

LEE Kong Wai, Conway
NG Wai Hung
LIU Hong Yu
WANG Gao

COMPANY SECRETARY

SZETO King Pui, Albert

AUTHORISED REPRESENTATIVES

ZOU Xiao Chun
SZETO King Pui, Albert

PRINCIPAL BANKERS

China Construction Bank
CITIC Bank
Industrial Bank
China Merchant Bank
Bank of Shanghai

AUDITORS

Ernst & Young
Certified Public Accountants

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