

# 國美電器控股有限公司

GOME ELECTRICAL APPLIANCES HOLDING LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 493

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Interim Report 2008

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# Financial Highlights and Business Summary

## FINANCIAL HIGHLIGHTS

	<b>1H 2008</b> <i>RMBm</i>	1H 2007 <i>RMBm</i>	Percentage change (%)
Revenue	<b>24,874</b>	21,157	17.6%
Gross Profit	<b>2,375</b>	1,942	22.3%
Net Profit attributable to Equity Holders of the Company	<b>1,150</b>	395	191.1%
Earnings Per Share			
– Basic	<b>RMB8.9 fen</b>	RMB3.2 fen	178.1%
– Diluted	<b>RMB8.9 fen</b>	RMB3.2 fen	178.1%
Earnings Per Share, excluding the (loss) gain on the derivative component of convertible bonds and exchange difference	<b>RMB9.6 fen</b>	RMB6.8 fen	41.18%

## BUSINESS SUMMARY

- **Adheres to customer-oriented strategies**
- **Focuses on enhancing individual store operational quality**
- **Continues to improve chain store network**
- **Maintains faster growth in second-tier markets**

## 1. GROUP REVIEW

During the first half of 2008, the Group adhered to the development strategies that revolved around the interests of customers and placed importance on the operation capacity of individual stores, the sales performance of the second-tier markets and the growth of 3C products, as it continued to implement various measures, including sincere and long-term guarantee, the membership system and the extended warranty service. As a result, the Group has further improved its chain store network and maintained its absolute regional advantages, achieving good results for the period under review.

For the first half of 2008, the Group recorded revenue totaling RMB24,874 million, up 17.6% from the corresponding period in 2007. Net profit attributable to equity holders was RMB1,150 million, a 191.1% increase from the same period last year; or RMB1,234 million when excluding the non-operating loss arising from fair value adjustment on the derivative component of convertible bonds, exchange difference, representing a year-on-year increase of 46.8%. During the review period, the Group entered 16 cities and established 102 new stores. As at 30 June 2008, the Group's retail network covered 198 cities across the country and had a total of 828 stores. The total operating area amounted to 2.96 million square meters, a 12.2% increase year-on-year.

During the second quarter of the year, one-off incidents such as the earthquake in Sichuan in May and flooding in southern China have slowed down revenue growth. They also affected to a certain extent the overall growth in the reporting period, as well as the efficiency indicators related to sales.

On 1 March 2008, the Group acquired 10.69% of the total share capital of Sanlian Commercial Co., Ltd., or 27 million shares in total, at a price of RMB19.9 per share. The total cost of the acquisition was RMB537.3 million. Following the move, the Group has become the largest shareholder of Sanlian Commercial Co., Ltd.

On 26 February 2008, the Group replaced Dazhong's information system with success, in a move that marked the initial completion of its integration with Dazhong. Effects of the acquisition will emerge gradually.

As at 30 June 2008, the Group purchased through The Stock Exchange of Hong Kong Limited (the Exchange) 129,800,000 shares of the Company at a price of HK\$14.04 to HK\$17.86 per share. The purchase of the shares, which had a face value of HK\$0.1, amounted to approximately HK\$2.237 billion.

# Management Discussion and Analysis

## 2. BUSINESS REVIEW

**2.1** During the reporting period, the Group continued to develop its chain network and further improved its network coverage across the nation. As at 30 June 2008, the network coverage of the Group was as follows:

	<b>Group Total</b>	<b>GOME</b>	<b>China Paradise</b>	<b>Cellstar</b>
Flagship stores	<b>73</b>	53	20	–
Standard stores (including supermarkets)	<b>710</b>	556	154	–
Specialized stores	<b>45</b>	14	10	21
<b>Total</b>	<b>828</b>	623	184	21
<i>Among them</i>				
First-tier cities	<b>523</b>	366	144	13
Second-tier cities	<b>305</b>	257	40	8
Net increase in store number	<b>102</b>	97	7	-2
Number of shop closed	<b>37</b>	22	12	3
No. of totally entered cities	<b>198</b>	163	55	7
Among them				
First-tier cities	<b>27</b>	21	10	1
Second-tier cities	<b>171</b>	142	45	6
No. of newly entered cities	<b>16</b>	14	2	0

As at the end of 30 June 2008, the parent company had a total of 351 stores that were not within the structure of the Group (excluding stores in Hong Kong and Macau).

As at the end of the reporting period, the Group's individual stores had an average size of 3,600 square meters, and the Group's total operating area amounted to 2.96 million square meters, up 12.21% year-on-year. During the reporting period, the Group had 31 self-owned store properties out of the total 828 stores, which are all located in the central business districts of respective cities.

## Management Discussion and Analysis

A list of the Group's stores (as at 30 June 2008):

<b>Region</b>	<b>Flagship stores</b>	<b>Standard stores (including supermarkets)</b>	<b>Specialized stores</b>	<b>Total</b>
Beijing	8	52	1	61
Shanghai	11	46	6	63
Tianjin	6	34	1	41
Chengdu	4	54	–	58
Chongqing	3	27	–	30
Xián	2	20	21	43
Shenyang	3	20	–	23
Qingdao	2	23	1	26
Jinan	2	16	–	18
Shenzhen	3	64	1	68
Guangzhou	3	91	5	99
Wuhan	2	26	1	29
Kunming	3	15	2	20
Fuzhou	3	43	2	48
Xiamen	1	32	1	34
Hangzhou	2	15	3	20
Henan	1	27	–	28
Ningbo	1	3	–	4
Nanjing	1	22	–	23
Wuxi	2	5	–	7
Changzhou	1	10	–	11
Suzhou	2	12	–	14
Hefei	1	13	–	14
Xuzhou	1	11	–	12
Tangshan	–	15	–	15
Lanzhou	2	11	–	13
Wenzhou	3	3	–	6
<b>Total</b>	<b>73</b>	<b>710</b>	<b>45</b>	<b>828</b>

The management believes the coverage of the Group's retail network has far overtaken that of its rivals. It will further optimize its network in first-tier cities and improve its network in second-tier cities.

## 2.2 Store Leases

At the end of the reporting period, the Group had a total of 797 leased stores operated by the Group and the average remaining tenure of the leases was 6.4 years. During the period, the Group's rent constituted 3.92% of the total revenue, compared with 3.5% and 3.7% for the first half of 2007 and the whole of 2007 respectively. The rent-to-revenue ratio saw a slight increase, mainly due to the aforementioned one-off incidents. Notwithstanding the slowdown in revenue in the second quarter of the year, the Group was obliged to pay the rent as set out in contracts.

In a bid to mitigate the pressure from the rise in rental expenses, the Group has optimized the operation area of retail outlets without affecting the operational needs. It has also boosted efforts in leasing and sub-leasing stores. During the reporting period, income derived from sub-leasing totaled RMB91.99 million, compared with RMB0.254 million for the same period last year.

The management of the Group believes that although the property price would continue to go up, the growth would eventually slow down. Also, the change in rental expense as set out in contracts and the period of leases remained under effective control. With the expected growth of new stores and the management's efforts in improving the quality of the operation of stores, the management reckons the ratio of rental expenses on stores to sales revenue will become steady gradually. In addition, the continuous leasing and sub-leasing in the future will also help offset part of the Group's pressure from the surge in rent.

## 2.3 Enhancement of Operation Quality of Individual Stores

During the reporting period, the Group's same-store sales increased by 0.49% from the same period last year. The earthquake in Sichuan in May and flooding in southern China had a relatively larger impact on individual stores during the second quarter of the year. However, the growth momentum continued in the second-tier markets.

The management believes the improvement of the operation quality of individual stores embodies the Group's core strength. The Group will continue to strengthen store management, boost efforts in the showcase of differential products, seek to offer better customer-end service, open more flagship stores, and attach emphasis to a comprehensive supporting system in second-tier markets, all with a view to ensuring the consistent improvement in the operation quality of individual stores.

## 2.4 Progress of Important Issues

### 2.4.1 Expansion in Second Tier Markets

As at the end of the reporting period, the Group has entered 171 second-tier cities, representing 86.36% of the total number of cities the Group entered. In these markets, the Group had established a total of 305 stores, representing 36.84% of the total number of stores. These stores generated 22.67% of the total revenue. This represented a 3.26 percentage point increase from the 19.41% for the same period last year.

The management believes that the improvement and growing sophistication of the second-tier markets is important to the Group's future development. The Group will seek to further improve its network of second-tier markets, establish flagship stores in these markets, and put more efforts in various areas, including human resources, logistics and distribution, after-sale service and promotion, with a view to achieving rapid growth of the second-tier markets.

### 2.4.2 After-sale Service Arrangements

During the first half of 2008, the Group's Household Appliance Hospital garnered more attention through promotion initiatives. The total number of such hospitals rose from 12 at the end of 2007 to 44 at the end of the reporting period. To provide customers with even better installation and repair services, the Group set up an installation and repair team in the second half of 2007. Following the success of the trial, the Group introduced the initiative to some first-tier cities. As at the end of the reporting period, Guangzhou and Shenzhen had established their own installation and repair teams, which were launched in April and May respectively.

### 2.4.3 Extended Warranty Service

During the reporting period, the Group invested more efforts in promoting the extended warranty service. Proceeds from extended warranty stood at RMB40.56 million. During the reporting period, the participation rate of extended warranty for all types of products was 3.8%, representing an increase of 1.58 percentage points from 2.22% recorded for the same period in the previous year.



The management believes that although the Group has posted rapid growth in the services related to extended warranty, there is plenty of room for improvement in terms of the participation rate and the average individual price as compared with its overseas peers. In the future, the Group will make more efforts in promoting the service, with a view to encouraging balanced growth of the participation rate and the average cost of participation.

#### **2.4.4 Continuous Improvement of the Membership System**

During the reporting period, the Group continued to promote its membership system. As at the end of the reporting period, the total number of members reached more than 13.90 million, with card-holders of the silver category or a higher grade constituting 45.46% of the total. Member purchase accounted for 61% of the total sales and repeat purchase by members reached 34%.

In the latter half of 2008, the Group will enrich the content and functions of the membership system in a bid to facilitate the integration of promotion activities and member bonus point. The management believes this will lead to more effective promotion and raise the loyalty of members.

#### **2.4.5 Further Development of 3C Products**

During the reporting period, the Group actively worked with suppliers of renowned domestic and foreign brands so as to enhance the professional standard and sales ability of retail outlets of 3C products. In June 2008, the Group signed an exclusive cooperation agreement with BenQ Computer, under which the Group would be the exclusive retail partner of BenQ in the retail sector of mainland China. Meanwhile, since the telecommunication business has gone independent, it has become more professional and responsive to the market, thus promoting growth of various other businesses.

During the period, 3C products constituted 26.63% of the total revenue, the proportion in the same period of last year was 25.33%. The management believes the persistent increase indicates 3C products will be one of the Group's key growth drivers in the future.

## 3. FINANCIAL ANALYSIS

### 3.1 Financial Review

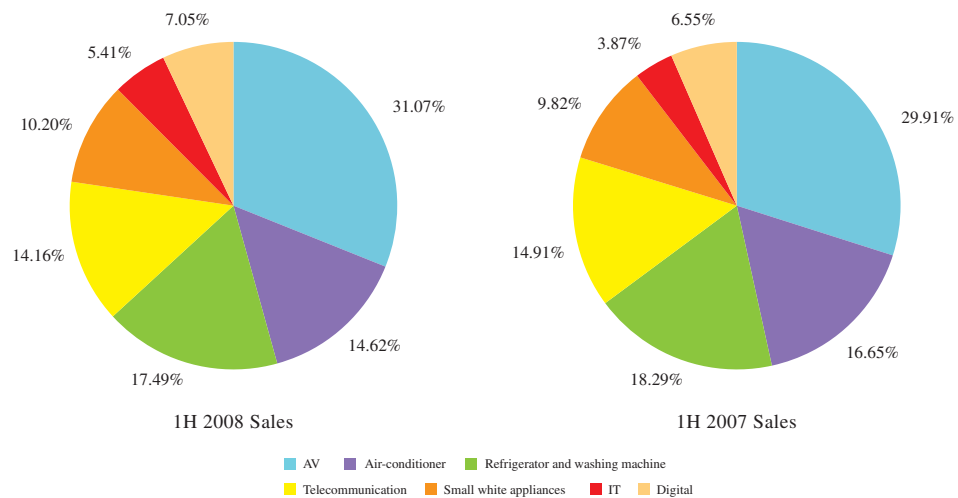
#### 3.1.1 Revenue

During the period under review, the Group's revenue reached RMB24,874 million, up 17.57% from RMB21,157 million recorded in the same period in 2007. During the reporting period, the Group had 489 stores which were qualified for same store comparison. Sales of these stores for the first half of 2008 grew 0.49% from the corresponding period in the previous year.

As at the end of the reporting period, the Group had 828 stores in total, compared with 654 as at the end of the same period last year. During the period, the Group's weighted average sales area was 2.85 million square meters, compared to 2.36 million square meters in the same period in 2007. Annualized sales per square meter in the reporting period was RMB17,437, a 3.13% drop from RMB18,000 for the same period in 2007.

The management believes the Group's efforts in improving its operation quality have started to pay off in view of the fact that despite the considerable impact of the short-term factors on sales, the Group continued to see growth of comparable individual stores and the effectiveness in improving quality of individual stores has been effecting.

Revenue of the Group by product category:



# Management Discussion and Analysis

### 3.1.2 Cost of Sales and Gross Profit

Cost of sales of the Group was approximately RMB22,499 million in the reporting period, compared with RMB19,215 million recorded in the same period in 2007. In the reporting period, gross profit from sales was approximately RMB2,375 million, compared with RMB1,942 million for the same period in the previous year. The gross profit margin went up to approximately 9.55% from 9.18% for the same period in the previous year.

The gross profit margins of various products are as follows:

<b>Category</b>	<b>1H 2008 Gross profit margin</b>	1H 2007 Gross profit margin
AV	<b>9.91%</b>	9.73%
Air-conditioner	<b>9.10%</b>	8.70%
Refrigerator and washing machine	<b>10.21%</b>	9.94%
Telecommunication	<b>7.45%</b>	6.87%
Small white appliances	<b>13.31%</b>	12.78%
IT	<b>5.39%</b>	4.00%
Digital	<b>9.19%</b>	8.64%
Total	<b>9.55%</b>	9.18%

### 3.1.3 Other Income

The Group's other income mainly came from suppliers. Following the optimization of contracts with suppliers, the revenue the Group generated from suppliers represented 4.94% of the total sales, a notable increase from the 4.66% for the same period in the previous year.

The following chart is a summary of other income:

<b>As a percentage of revenue</b>	<b>First half of 2008</b>	First half of 2007
Income from suppliers	<b>4.94%</b>	4.66%
Management fee from the Parent Group	<b>0.54%</b>	0.58%
Management fees for air-conditioner installation	<b>0.21%</b>	0.21%
Income from government subsidy	<b>0.07%</b>	0.1%
Rental income	<b>0.37%</b>	0%
Management income from Dazhong	<b>0.23%</b>	0%
Others	<b>0.42%</b>	0.19%
<b>Total</b>	<b>6.78%</b>	5.74%

### 3.1.4 Adjusted Gross Margin

During the reporting period, the adjusted gross margin of the Group's sales reached 16.33%, up 1.41% from the 14.92% recorded in the same period last year.

Adjusted gross margin = (gross profit + other income)/revenue

The management believes that the consistent rise in the adjusted gross margin indicates the Group's efforts in integrating resources, boosting the economies of scale, refining management and enhancing operation efficiency have been effective.

## Management Discussion and Analysis

### 3.1.5 Operating Expenses

The Group's operating expenses principally include selling and distribution costs, administrative expenses and other expenses. The following table sets out a breakdown of operating expenses as a percentage to sales for the reporting period and the corresponding period in the previous year:

Items	First half of 2008	First half of 2007
Selling and distribution costs	<b>8.70%</b>	7.97%
Administrative expenses	<b>1.51%</b>	1.79%
Other expenses	<b>1.01%</b>	0.93%
Total	<b>11.22%</b>	10.69%

#### 3.1.5.1 Selling and Distribution Costs

Selling and distribution costs of the Group primarily represent shops rental expenses, staff cost of sales-related staff, advertising, promotional expenses, and utility charges.

The following table illustrates the major selling and distribution costs items as a percentage to sales revenue:

Items	1H 2008	1H 2007
Rental	<b>3.92%</b>	3.50%
Salaries	<b>1.79%</b>	1.53%
Advertising expenses	<b>0.69%</b>	0.63%
Delivery expenses	<b>0.42%</b>	0.37%
Promotional expenses	<b>0.18%</b>	0.15%
Utility charges	<b>0.71%</b>	0.71%
Other	<b>0.99%</b>	1.08%
Total	<b>8.70%</b>	7.97%

Out of the selling and distribution costs during the reporting period, rental, salaries, advertising expenses, delivery and promotional expenses in aggregate accounted for 7% of the sales revenue, a notable rise from the 6.18% recorded in the corresponding period of last year. The change was mainly due to impact of the short-term factors in the second quarter, which slowed down the sales growth. However, the expenses have either been paid or are pending to be paid according to contracts.

#### 3.1.5.2 Administrative Expenses

With the expansion of the operation scale of the Group that brought about bigger economies of scale, the administrative expenses as a percentage of sales dropped to 1.51% in the reporting period from 1.79% in the same period last year.

#### 3.1.5.3 Other Expenses

The Group's operating expenses, which mainly comprise bank handling charges, exchange loss, additional tax and miscellaneous expenses, were approximately RMB250 million, compared with 196 million for the same period in the previous year.

The expense increased because more customers chose to pay by credit card during the period, which resulted in a surge in bank handling charges to RMB111 million, net exchange loss totaling RMB73 million, and additional tax amounting to RMB43 million.

#### **3.1.6 Finance Income, Net**

The net finance income of the Group for the reporting period and the corresponding period in 2007 amounted to RMB160 million and RMB78 million respectively.

#### **3.1.7 Non-operating Loss Arising from Fair Value Adjustment on the Derivative Component of Convertible Bonds**

During the period, non-operating loss arising from fair value adjustment on the derivative component of convertible bonds amounted to RMB11 million, compared with a loss of RMB411 million for the same period last year.

The management is of the view that part of the loss was a form of paper loss as opposed to expenses incurred from daily operation. Therefore, no payment is needed.

### **3.1.8 Profit before Tax**

During the reporting period, the Group's profit before tax was RMB1,420 million, compared with RMB561 million for the corresponding period in 2007.

### **3.1.9 Income Tax**

During the reporting period and the same period in 2007, income tax paid by the Group respectively amounted to RMB233 million and RMB151 million.

### **3.1.10 Profit Attributable to Equity Holdings of the Company**

As mentioned above, the Group's net profit attributable to equity holders for the reporting period and the corresponding period in the previous year respectively amounted to RMB1,150 million and RMB395 million. Therefore, the Group's basic earning per share for the reporting period was RMB8.9 fen, compared with RMB3.2 fen for the first six months of 2007 (after dividing the shares).

## **3.2 Financial Resources**

### **3.2.1 Cash and Cash Equivalents**

At the end of the reporting period, the Group's cash and cash equivalents amounted to RMB3,397 million, as compared with approximately RMB6,270 million recorded at the end of 2007. The sharp decrease in cash and cash equivalents was attributable mainly to repurchase of shares during the period and a large outflow of cash to facilitate entrusted loans.

### **3.2.2 Inventory**

As at the end of the reporting period, the Group's inventory amounted to RMB5,416 million, compared with RMB5,383 recorded as at 31 December 2007.

### **3.2.3 Prepayment, Deposits and Other Receivables**

As at the end of the reporting period, prepayment and other receivables of the Group amounted to RMB1,690 million, as compared with approximately RMB2,212 million as at 31 December 2007.

### **3.2.4 Trade and Bills Payables**

At the end of the reporting period, trade and bills payable of the Group reached RMB14,302 million, compared with RMB13,557 million recorded at the end of 2007. Accounts payable and bills payable turnover days were 113 days for the reporting period, slightly shorter than the 124 days for 2007.

### **3.2.5 Indebtedness and Leverage**

As at 30 June 2008, the Group's debt to equity ratio, expressed as a percentage of interest bearing external borrowings over owners' equity, was 40%, slightly lower than 46% at 30 June 2007.

### **3.2.6 Capital Expenditure**

During the reporting period and the corresponding period in 2007, capital expenditure incurred by the Group amounted to RMB777 million and RMB415 million respectively.

### **3.2.7 Cash Flow**

During the reporting period and the same period in 2007, net cash inflow from operating activities amounted to RMB2,263 million and RMB532 million respectively, while net cash outflow from investment activities amounted to RMB2,846 million and RMB482 million.

Cash inflow/(outflow) from financing activities of the Group during the reporting period totaled RMB(2,177) million; cash inflow from financing activities for the same period in 2007 stood at RMB5,818 million. The cash outflow from financing activities during the period was a result of share repurchase.

### **3.2.8 Pledged of Assets**

As at 30 June 2008, the Group's pledged time deposits amounted to RMB7,001 million. Pledged properties amounted to RMB1,027.85 million and pledged inventories amounted to RMB700 million.

## **3.3 Foreign Currencies and Treasury Policy**

All the Group's income and a majority of its expenses were denominated in Renminbi. However, as Renminbi has been appreciating against US Dollar, the Group's short-term US Dollar deposit has recorded an exchange loss in the reporting period. Yet the Group has not hedged its foreign exchange exposure but may consider doing so in future. The Group's treasury policy is that it will only manage such exposure (if any) when it posts significant potential financial impact on the Group.

The management of the Group estimates that less than 10% of the Group's current purchase is imported products, which are sourced indirectly from distributors in the PRC and the transactions are denominated in Renminbi.

## **3.4 Human Resources**

The Group had 49,687 employees as at 30 June 2008, compared with more than 38,000 as at 30 June 2007.



## 4. OUTLOOK AND PROSPECTS

As the leading retailer of household appliances in China, the Group has in the last two years led and promoted the large-scale consolidation of China's household appliance retail sector, thus consolidating the Group's market share and its absolute competitive advantages. Looking ahead, the Group still has to continue pushing itself to achieve growth, cater to market changes, strengthen its advantages in the mainland market, minimize the difference between its competitive advantages and its foreign rivals', and further enhance its market share.

In terms of network expansion, the Group will reinforce management of its flagship stores, and widen the scope of setting up flagship stores so that it covers not only first-tier markets but also second-tier ones. It will also seek improvement of the network of second-tier markets and implement the broad geographical development policy, with a view to maintaining the Group absolute competitive advantages in every region where it has operations.

On the retail front, the Group will continue to boost the operation quality of individual stores. The image of retail outlets will be spruced up by the new VI policy. Product variety will be enhanced and sales of related products improved by promoting changes to the display of retail outlets. In addition, the Group will retain and transfer salespersons around different outlets, and improve the staff evaluation system to boost sales ability of staff and raise customers' satisfaction level.

On the service front, the Group will establish more call centers and make better use of them, raise the overall service standard by surveying customers' satisfaction level, continue improving the details related to the implementation of the sincere and long-term guarantee system, and broaden the scope of service of such a system through various measures, such as quick refund and exchange policy, compensation for price difference, compensation offered through the issuing of advanced refund, and speedy refund for VIP customers. All these measures are set to enhance the brand's reputation and customer loyalty.

# Report on Review of Interim Financial Information



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To the board of directors of  
**Gome Electrical Appliances Holding Limited**  
*(Incorporated in Bermuda with limited liability)*

## INTRODUCTION

We have reviewed the interim financial information set out on pages 19 to 45 which comprises the interim condensed consolidated balance sheet of Gome Electrical Appliances Holding Limited as at 30 June 2008 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and the explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

# Report on Review of Interim Financial Information

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## **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

### **Ernst & Young**

*Certified Public Accountants*

Hong Kong

12 August 2008

# Interim Condensed Consolidated Income Statement

For the six-month period ended 30 June 2008

	Notes	For the six-month period ended 30 June	
		2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
<b>Revenue</b>	3(a)	<b>24,873,694</b>	21,157,226
Cost of sales		<b>(22,498,846)</b>	(19,215,392)
<b>Gross profit</b>		<b>2,374,848</b>	1,941,834
Other income and gain	3(b)	<b>1,686,836</b>	1,214,483
Selling and distribution costs		<b>(2,163,691)</b>	(1,687,040)
Administrative expenses		<b>(375,917)</b>	(379,512)
Other expenses		<b>(250,384)</b>	(196,028)
Profit from operating activities		<b>1,271,692</b>	893,737
Finance costs	6	<b>(108,851)</b>	(71,670)
Finance income	6	<b>268,952</b>	149,328
Loss on the derivative component of convertible bonds	19	<b>(11,400)</b>	(410,640)
<b>Profit before tax</b>	5	<b>1,420,393</b>	560,755
Tax	7	<b>(233,364)</b>	(151,412)
<b>Profit for the period</b>		<b>1,187,029</b>	409,343
Attributable to:			
Equity holders of the parent		<b>1,149,755</b>	395,391
Minority interests		<b>37,274</b>	13,952
		<b>1,187,029</b>	409,343
<b>Dividends</b>			
Interim	23	<b>344,486</b>	254,193
<b>Earnings per share attributable to ordinary equity holders of the parent</b>	8		
– Basic		<b>RMB8.9 fen</b>	RMB3.2 fen
– Diluted		<b>RMB8.9 fen</b>	RMB3.2 fen

# Interim Condensed Consolidated Balance Sheet

As at 30 June 2008

		<b>30 June 2008 (Unaudited) RMB'000</b>	31 December 2007 (Audited) RMB'000
	<i>Notes</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	<b>3,739,780</b>	3,144,458
Investment properties		<b>331,224</b>	331,680
Goodwill	10	<b>3,351,012</b>	3,343,012
Other intangible assets		<b>138,761</b>	143,867
Available-for-sale investments	11	<b>244,620</b>	–
Prepayments for acquisition of properties		<b>136,679</b>	138,300
Lease prepayments		<b>380,526</b>	342,744
Deferred tax assets		<b>47,415</b>	55,873
		<b>8,370,017</b>	7,499,934
<b>Current assets</b>			
Hong Kong listed investments, at fair value		<b>839</b>	1,058
Investment deposits		<b>30,000</b>	30,000
Designated loan	12	<b>3,000,000</b>	1,500,000
Inventories	13	<b>5,416,270</b>	5,383,039
Trade and bills receivables	14	<b>130,514</b>	97,719
Prepayments, deposits and other receivables	15	<b>1,690,312</b>	2,211,998
Due from related parties	16	<b>76,068</b>	79,024
Other financial assets		–	150,000
Pledged deposits	17	<b>7,001,485</b>	6,614,725
Cash and cash equivalents	17	<b>3,397,466</b>	6,269,996
		<b>20,742,954</b>	22,337,559
<b>TOTAL ASSETS</b>		<b>29,112,971</b>	29,837,493

# Interim Condensed Consolidated Balance Sheet (continued)

As at 30 June 2008

	Notes	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital	18	331,791	343,764
Reserves		7,981,601	9,630,586
Proposed dividend	23	344,486	328,629
		<b>8,657,878</b>	10,302,979
<b>Minority interests</b>		<b>126,942</b>	89,689
<b>Total equity</b>		<b>8,784,820</b>	10,392,668
<b>Non-current liabilities</b>			
Deferred tax liabilities		80,431	80,431
Convertible bonds	19	3,294,893	3,184,303
		<b>3,375,324</b>	3,264,734
<b>Current liabilities</b>			
Interest-bearing bank loans	20	200,000	300,000
Trade and bills payables	21	14,302,117	13,556,545
Customers' deposits, other payables and accruals		1,945,088	1,939,695
Tax payable		505,622	383,851
		<b>16,952,827</b>	16,180,091
<b>Total liabilities</b>		<b>20,328,151</b>	19,444,825
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>29,112,971</b>	29,837,493

Du Juan  
Director

Ng Kin Wah  
Director

# Interim Condensed Consolidated Statement of Changes in Equity

For the six-month period ended 30 June 2008

		Attributable to equity holders of the parent											
		Issued capital	Share premium	Contributed surplus	Capital reserve	Available-for-sale investment revaluation reserve	Statutory reserves	Exchange reserve	Retained earnings	Proposed dividend	Total	Minority interests	Total equity
Notes		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 January 2008</b>		<b>343,764</b>	<b>8,263,293</b>	<b>657</b>	<b>(216,966)</b>	<b>-</b>	<b>568,329</b>	<b>(80,593)</b>	<b>1,095,866</b>	<b>328,629</b>	<b>10,302,979</b>	<b>89,689</b>	<b>10,392,668</b>
Changes in fair value of available-for-sale investments		11	-	-	-	(298,172)	-	-	-	-	(298,172)	-	(298,172)
Exchange realignment			-	-	-	-	-	(112,313)	-	-	(112,313)	-	(112,313)
Total income and expense for the period recognised directly in equity			-	-	-	(298,172)	-	(112,313)	-	-	(410,485)	-	(410,485)
Profit for the period			-	-	-	-	-	-	1,149,755	-	1,149,755	37,274	1,187,029
Total income and expense for the period			-	-	-	(298,172)	-	(112,313)	1,149,755	-	739,270	37,274	776,544
Repurchase and cancellation of shares		18	(11,973)	(2,055,584)	-	-	-	-	-	-	(2,067,557)	-	(2,067,557)
Disposal of a jointly-controlled entity			-	-	-	-	(210)	-	-	-	(210)	(21)	(231)
Dividends paid		23	-	-	-	-	-	-	12,025	(328,629)	(316,604)	-	(316,604)
Proposed 2008 interim dividend		23	-	-	-	-	-	-	(344,486)	344,486	-	-	-
<b>At 30 June 2008 (unaudited)</b>		<b>331,791</b>	<b>6,207,709*</b>	<b>657*</b>	<b>(216,966)*</b>	<b>(298,172)*</b>	<b>568,119*</b>	<b>(192,906)*</b>	<b>1,913,160*</b>	<b>344,486</b>	<b>8,657,878</b>	<b>126,942</b>	<b>8,784,820</b>
At 1 January 2007		317,009	5,235,209	657	(1,632,736)	-	368,800	1,639	750,910	110,118	5,151,606	88,783	5,240,389
Exchange realignment			-	-	-	-	-	(44,138)	-	-	(44,138)	-	(44,138)
Total income and expense for the period recognised directly in equity			-	-	-	-	-	(44,138)	-	-	(44,138)	-	(44,138)
Profit for the period			-	-	-	-	-	-	395,391	-	395,391	13,952	409,343
Total income and expense for the period			-	-	-	-	-	(44,138)	395,391	-	351,253	13,952	365,205
Acquisition of outstanding interests of China Paradise			1,343	110,092	-	-	-	-	-	-	111,435	(33,642)	77,793
Acquisition of minority interests			-	-	-	-	-	-	-	-	-	(5,980)	(5,980)
Shares issued upon conversion of convertible bonds			8,908	827,594	-	-	-	-	-	-	836,502	-	836,502
Issue of 2014 Convertible Bonds			-	-	-	1,415,770	-	-	-	-	1,415,770	-	1,415,770
Issue of new shares			10,780	1,422,960	-	-	-	-	-	-	1,433,740	-	1,433,740
Share issue expenses			-	(1,434)	-	-	-	-	-	-	(1,434)	-	(1,434)
Dividends paid			-	-	-	-	-	-	-	(110,118)	(110,118)	-	(110,118)
Proposed 2007 interim dividend			-	-	-	-	-	-	(254,193)	254,193	-	-	-
<b>At 30 June 2007 (unaudited)</b>		<b>338,040</b>	<b>7,594,421</b>	<b>657</b>	<b>(216,966)</b>	<b>-</b>	<b>368,800</b>	<b>(42,499)</b>	<b>892,108</b>	<b>254,193</b>	<b>9,188,754</b>	<b>63,113</b>	<b>9,251,867</b>

\* These reserve accounts comprise the consolidated reserves of RMB7,981,601,000 in the interim condensed consolidated balance sheet as at 30 June 2008.

# Interim Condensed Consolidated Cash Flow Statement

For the six-month period ended 30 June 2008

	Notes	For the six-month period ended 30 June	
		2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>1,420,393</b>	560,755
Adjustments for:			
Finance income	6	<b>(268,952)</b>	(149,328)
Finance costs	6	<b>108,851</b>	71,670
Loss on the derivative component of convertible bonds	19	<b>11,400</b>	410,640
Fair value adjustment to Hong Kong listed investments		<b>219</b>	27
Depreciation	5	<b>154,155</b>	132,134
Loss/(gain) on disposal of items of property, plant and equipment	5	<b>(671)</b>	4,577
Gain on disposal of a jointly-controlled entity		<b>(3)</b>	–
Amortisation of lease prepayments	5	<b>3,507</b>	4,584
Amortisation of intangible assets	5	<b>5,106</b>	4,521
		<b>1,434,005</b>	1,039,580
Increase in lease prepayments		<b>(37,782)</b>	(151,787)
Decrease/(increase) in inventories		<b>(33,231)</b>	191,194
Increase in trade and bills receivables		<b>(32,795)</b>	(4,275)
(Increase)/decrease in prepayments, deposits and other receivables		<b>599,861</b>	(189,398)
Decrease in amounts due from related parties		<b>2,956</b>	109,724
Decrease in other financial assets		<b>150,000</b>	–
Increase in pledged deposits		<b>(386,760)</b>	(2,904,220)
Increase in trade and bills payables		<b>745,572</b>	2,541,171
Increase in customers' deposits, other payables and accruals		<b>49,854</b>	108,868
Decrease in an amount due to a related party		<b>–</b>	(120,326)
<b>Cash generated from operations</b>		<b>2,491,680</b>	620,531
Interest received		<b>190,633</b>	116,438
Dividends paid		<b>(316,604)</b>	(110,118)
PRC income tax paid		<b>(103,135)</b>	(94,427)
<b>Net cash inflow from operating activities</b>		<b>2,262,574</b>	532,424



# Interim Condensed Consolidated Cash Flow Statement (continued)

For the six-month period ended 30 June 2008

		For the six-month period ended 30 June	
	Notes	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
<b>Net cash inflow from operating activities</b>		<b>2,262,574</b>	532,424
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		(776,616)	(414,568)
Proceeds from disposal of items of property, plant and equipment		16,349	5,091
Acquisition of available-for-sale investments		(542,792)	–
Acquisition of a subsidiary	22	(8,000)	–
Payment of outstanding considerations for business combinations		(35,000)	(59,300)
Designated loan	12	(1,500,000)	–
Acquisition of minority interests		–	(13,158)
Net cash outflow from investing activities		<b>(2,846,059)</b>	(481,935)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		–	1,433,740
Share issue expenses		–	(1,434)
Repurchase of shares	18	(2,067,557)	–
Issue of convertible bonds		–	4,600,000
Transaction costs for issuing convertible bonds		–	(71,860)
New bank loans		100,000	200,000
Repayment of bank loans		(200,000)	(319,330)
Interest paid		(9,661)	(22,620)
Net cash inflow/(outflow) from financing activities		<b>(2,177,218)</b>	5,818,496
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(2,760,703)</b>	5,868,985
Cash and cash equivalents at beginning of the period		6,269,996	1,451,837
Exchange differences		(111,827)	(53,028)
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>		<b>3,397,466</b>	7,267,794
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		3,322,957	2,802,589
Non-pledged time deposits with original maturity of less than three months when acquired		74,509	4,465,205
Cash and cash equivalents	17	<b>3,397,466</b>	7,267,794

# Notes to the Unaudited Interim Financial Information

As at 30 June 2008

## 1. CORPORATE 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 “SEHK”). The address of its registered office is Canon’s Court, 22 Victoria Street, Hamilton HM12, Bermuda.

The principal activity of the Company and its subsidiaries (the “Group”) is the retailing of electrical appliances and consumer electronic products in the People’s Republic of China (the “PRC”).

## 2. BASIS OF PREPARATION AND IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

### Basis of preparation

The unaudited interim financial information for the six-month period ended 30 June 2008 (the “interim financial information”) has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board.

The interim financial information does not include all the information and disclosures required in the financial statements, and should be read in conjunction with the Group’s audited financial statements for the year ended 31 December 2007.

### Impact of new and revised International Financial Reporting Standards

The accounting policies adopted in the preparation of the interim financial information are consistent with those followed in the preparation of the Group’s financial statements for the year ended 31 December 2007, except for the adoption of the new and revised International Financial Reporting Standards (“IFRSs”) and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations as noted below.

IFRIC 11	–	IFRS 2 – Group and Treasury Share Transactions
IFRIC 12	–	Service Concession Arrangements
IFRIC 14	–	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group.

# Notes to the Unaudited Interim Financial Information

As at 30 June 2008

## 3. REVENUE AND OTHER INCOME AND GAIN

- (a) Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts. The amount of each significant category of revenue recognised during the period is as follows:

	For the six-month period ended 30 June	
	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
Sale of electrical appliances and consumer electronic products	<b>24,873,694</b>	21,157,226

- (b) Other income and gain comprises the following:

	Notes	For the six-month period ended 30 June	
		2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
Income from suppliers		<b>1,228,972</b>	985,375
Management fees:			
– from the Parent Group	(i)	<b>135,402</b>	124,003
– from Beijing Dazhong Home Appliances Retail Co., Ltd. (“Dazhong Appliances”)		<b>58,146</b>	–
Management fees for air-conditioner installation		<b>53,060</b>	44,478
Rental income		<b>91,987</b>	254
Government grants	(ii)	<b>16,830</b>	20,417
Other service fee income		<b>40,560</b>	13,093
Others		<b>61,879</b>	26,863
		<b>1,686,836</b>	1,214,483

Notes:

- (i) The Parent Group is defined in note 25 to the interim financial information.
- (ii) Various local government grants have been received to reward the Group's contributions to the local economy. There were no unfulfilled conditions or contingencies attaching to these government grants.

# Notes to the Unaudited Interim Financial Information

As at 30 June 2008

## 4. SEGMENT INFORMATION

Over 90% of the Group's turnover and contribution to the operating profit and assets is attributable to the retailing of electrical appliances and consumer electronic products. Over 90% of the Group's turnover and contribution to the operating profit is attributable to customers in the PRC and over 90% of the Group's assets are located in the PRC. Accordingly, no analysis of segment information is presented.

## 5. PROFIT BEFORE TAX

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

	Note	For the six-month period ended 30 June	
		2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
Cost of inventories sold		<b>22,498,846</b>	19,215,392
Depreciation		<b>154,155</b>	132,134
Amortisation of lease prepayments		<b>3,507</b>	4,584
Amortisation of intangible assets		<b>5,106</b>	4,521
(Gain)/loss on disposal of items of property, plant and equipment		<b>(671)</b>	4,577
Minimum lease payments under operating leases in respect of land and buildings		<b>996,891</b>	757,935
Gross rental income		<b>(91,987)</b>	(254)
Loss/(gain) on the derivative component of convertible bonds:			
– 2011 Convertible Bonds		–	406,940
– 2014 Convertible Bonds	19	<b>11,400</b>	3,700
		<b>11,400</b>	410,640
Net exchange loss		<b>73,024</b>	35,477
Impairment of trade receivables and other receivables		<b>2,379</b>	36,785
Auditors' remuneration		<b>3,500</b>	2,309
Staff costs excluding directors' remuneration:			
Wages, salaries and bonuses		<b>550,324</b>	428,780
Pension scheme contributions		<b>102,019</b>	63,069
Social welfare and other costs		<b>10,844</b>	59,894
		<b>663,187</b>	551,743

# Notes to the Unaudited Interim Financial Information

As at 30 June 2008

## 6. FINANCE (COSTS)/INCOME

	Note	For the six-month period ended 30 June	
		2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
Finance costs:			
Interest on bank loans wholly repayable within five years		<b>(9,661)</b>	(15,355)
Interest expenses on convertible bonds	19	<b>(99,190)</b>	(56,315)
		<b>(108,851)</b>	(71,670)
Finance income:			
Bank interest income		<b>173,503</b>	149,328
Other interest income		<b>95,449</b>	–
		<b>268,952</b>	149,328

## 7. TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate.

Under the relevant PRC income tax law, except for certain preferential treatment available to the Group, the PRC subsidiaries of the Group are subject to income tax at a rate of 25% (six-month period ended 30 June 2007: 33%) on their respective taxable income. During the current period, 19 entities (six-month period ended 30 June 2007: 19 entities) of the Group were entitled to preferential corporate income tax rates or corporate income tax exemptions.

No provision for the Hong Kong profits tax has been made for the six-month period ended 30 June 2007 and 2008 as the Group had no assessable profits arising in Hong Kong for the periods.

# Notes to the Unaudited Interim Financial Information

As at 30 June 2008

## 7. TAX (continued)

An analysis of the provision for tax is as follows:

	For the six-month period ended 30 June	
	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
Current income tax – PRC	224,906	181,867
Deferred income tax	8,458	(30,455)
	<b>233,364</b>	151,412

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

Basic earnings per share is calculated by dividing the profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period, as adjusted to reflect the subdivision of shares during the period.

The diluted earnings per share is calculated by dividing the profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period as used in the basic earning per share calculation plus the weighted average number of ordinary shares that are assumed to have been issued at no consideration on the deemed exercise or conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the earnings and share data used in the basic and diluted earnings per share computations:

	For the six-month period ended 30 June	
	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
Earnings: Profit attributable to ordinary equity holders of the parent	<b>1,149,755</b>	395,391

# Notes to the Unaudited Interim Financial Information

As at 30 June 2008

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

	Notes	Number of shares for the six-month period ended 30 June	
		2008 (Unaudited) '000	2007 (Unaudited) '000
Weighted average number of ordinary shares for basic earnings per share	(i)	<b>12,851,668</b>	12,413,944
Effect of dilution:			
Warrants		<b>48,946</b>	22,874
Weighted average number of ordinary shares adjusted for the effect of dilution		<b>12,900,614</b>	12,436,818

Notes:

- (i) The comparative information of the earnings per share and weighted average number of ordinary shares for the six-month period ended 30 June 2007 have been adjusted for the subdivision of the Company's shares on the basis of every one existing share of HK\$0.1 each into four new shares of HK\$0.025 each on 22 May 2008 (note 18(b)).
- (ii) The convertible bonds are anti-dilutive for the six-month period ended 30 June 2007 and 2008 and are ignored in the calculation of diluted earnings per share for the periods.

# Notes to the Unaudited Interim Financial Information

As at 30 June 2008

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 June 2008, the Group acquired items of property, plant and equipment at a total cost of RMB766 million. Items of property, plant and equipment with a net carrying amount of RMB15.7 million (six-month period ended 30 June 2007: RMB9.7 million) were disposed of during the six-month period ended 30 June 2008.

As at 30 June 2008, the legal formality for the transfer of title of certain properties in the PRC, which have been acquired by the Group from independent third parties with an aggregate carrying value of RMB702 million (six-month period ended 30 June 2007: RMB180 million), was still in progress. In the opinion of the directors, the transfer procedures will be completed before the end of 2008.

Certain of the buildings of the Group were pledged as security for bank loans and bills payable (note 21) of the Group as at 30 June 2008. The aggregate carrying amount of the pledged buildings as at 30 June 2008 amounted to RMB776,378,000 (31 December 2007: RMB590,406,000).

## 10. GOODWILL

	<i>RMB'000</i>
At 1 January, cost and net carrying amount	3,343,012
Acquisition of a subsidiary (note 22)	8,000
At 30 June 2008, cost and net carrying amount (unaudited)	3,351,012

## 11. AVAILABLE-FOR-SALE INVESTMENTS

	<b>30 June 2008 (Unaudited) RMB'000</b>	31 December 2007 (Audited) RMB'000
PRC listed equity investments, at fair value	<b>244,620</b>	–

The balance as at 30 June 2008 represented the fair value of the Group's investments in 27,000,000 shares, representing approximately 10.7% of the outstanding issued shares, of Sanlian Commercial Co., Ltd. ("Sanlian"). Sanlian is a PRC company listed on the Shanghai Stock Exchange. The Group classified these investments as available-for-sale financial assets. The fair values of listed equity investments are based on quoted market prices.



# Notes to the Unaudited Interim Financial Information

As at 30 June 2008

## 11. AVAILABLE-FOR-SALE INVESTMENTS (continued)

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 income statement.

During the period, the loss attributed to the Group's available-for-sale investments recognised directly in equity amounted to RMB298,172,000 (six-month period ended 30 June 2007: Nil).

## 12. DESIGNATED LOAN

The designated loan of RMB3,000 million as at 30 June 2008 (31 December 2007: RMB1,500 million) represented the aggregate amount of loans provided to Beijing Zhansheng Investment Co., Ltd. ("Beijing Zhansheng") by the Group, through the Beijing Branch of Industrial Bank Co., Ltd (the "Bank"). The loan period is from 14 December 2007 to 13 December 2008, and the relevant interest rate is 6.561% per annum. Under the terms of the loan agreement dated 14 December 2007, the remaining designated loan balance of RMB600 million will be available to Beijing Zhansheng on 1 September 2008.

The designated loan is secured by (i) the pledge of the entire registered share capital of Dazhong Appliances (including any dividends and other interests arising in relation to the relevant share capital) and (ii) the pledge of the entire registered share capital of Beijing Zhansheng (including any dividends and other interest arising in relation to the relevant share capital) in favour of Tianjin Gome Commercial Consultancy Co., Ltd., a PRC subsidiary of the Company.

## 13. INVENTORIES

	<b>30 June 2008 (Unaudited) RMB'000</b>	31 December 2007 (Audited) RMB'000
Merchandise for resale	<b>5,337,739</b>	5,278,968
Consumables	<b>78,531</b>	104,071
	<b>5,416,270</b>	5,383,039

# Notes to the Unaudited Interim Financial Information

As at 30 June 2008

## 13. INVENTORIES (continued)

As at 30 June 2008, certain of the Group's inventories amounting to RMB700 million (31 December 2007: Nil) were pledged as security for the Group's bank loans and bills payable (note 21).

## 14. TRADE AND BILLS RECEIVABLES

An aged analysis of the trade and bills receivables as at the balance sheet date, based on the invoice date, and net of provision for impairment of trade receivables, is as follows:

	<b>30 June 2008 (Unaudited) RMB'000</b>	31 December 2007 (Audited) RMB'000
Outstanding balances, aged:		
Within 3 months	<b>126,709</b>	94,015
3 to 6 months	<b>151</b>	2,106
6 months to 1 year	<b>2,428</b>	–
Over 1 year	<b>1,226</b>	1,598
	<b>130,514</b>	97,719

The balances are unsecured, non-interest-bearing and repayable on demand.

## 15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>30 June 2008 (Unaudited) RMB'000</b>	31 December 2007 (Audited) RMB'000
Prepayments	<b>308,374</b>	279,094
Advances to suppliers	<b>774,029</b>	1,114,208
Other deposits and receivables	<b>607,909</b>	818,696
	<b>1,690,312</b>	2,211,998

# Notes to the Unaudited Interim Financial Information

As at 30 June 2008

## 16. DUE FROM RELATED PARTIES

	Note	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Receivables from the Parent Group	(i)	76,068	78,657
Others		–	367
		<b>76,068</b>	79,024

Note:

- (i) The balance mainly represented the management fee due from the Parent Group (note 25). The aforesaid balance was interest-free and unsecured.

## 17. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Cash and bank balances	3,322,957	2,529,443
Time deposits	7,075,994	10,355,278
	<b>10,398,951</b>	12,884,721
Less: Pledged time deposits:		
Pledged for bills payable	(5,009,826)	(4,488,709)
Pledged for bank acceptance credit	(1,991,659)	(2,090,005)
Pledged for purchase of property, plant and equipment	–	(36,011)
	<b>(7,001,485)</b>	(6,614,725)
Cash and cash equivalents	<b>3,397,466</b>	6,269,996

# Notes to the Unaudited Interim Financial Information

As at 30 June 2008

## 17. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (continued)

The cash and cash equivalents and time deposits of the Group amounting to RMB7,133,080,000 as at 30 June 2008 (31 December 2007: RMB7,549,969,000) were denominated in Renminbi, which is not freely convertible in the international market. The remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

The bank balances and pledged time deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and pledged time deposits of the Group approximate to their fair values.

## 18. ISSUED CAPITAL

	Number of shares '000	HK\$'000	Equivalent to RMB'000
Authorised:			
Ordinary shares of HK\$0.10 each at 1 January 2008	50,000,000	5,000,000	5,300,000
Share subdivision ( <i>note b</i> )	150,000,000	–	–
Ordinary shares of HK\$0.025 each at 30 June 2008	200,000,000	5,000,000	5,300,000
Issued and fully paid:			
Ordinary shares of HK\$0.10 each at 1 January 2008	3,319,489	331,950	343,764
Repurchase and cancellation of shares ( <i>note a</i> )	(129,800)	(12,980)	(11,973)
Subdivision of one ordinary share into four subdivided shares ( <i>note b</i> )	9,569,067	–	–
Ordinary shares of HK\$0.025 each at 30 June 2008	12,758,756	318,970	331,791

# Notes to the Unaudited Interim Financial Information

As at 30 June 2008

## 18. ISSUED CAPITAL (continued)

Notes:

- (a) During the period, the Company repurchased in aggregate 129,800,000 ordinary shares of the Company for a total cash consideration of HK\$2,236,671,000 (equivalent to RMB2,063,040,000). The repurchased shares were cancelled in February 2008. The aggregate amount of premium and related expenses paid on the share repurchase of approximately RMB2,055,584,000 was charged against the share premium.
- (b) On 22 May 2008, the shareholders of the Company passed an ordinary resolution to approve the subdivision of each of the existing issued and unissued shares of HK\$0.10 each in the share capital of the Company into four shares of HK\$0.025 each (the "Subdivided Shares"). Immediately after the share subdivision, the authorised share capital of the Company comprised 12,758,755,804 issued Subdivided Shares and 187,241,244,196 unissued Subdivided Shares of HK\$0.025 each.

## 19. CONVERTIBLE BONDS

	<b>30 June 2008 (Unaudited) RMB'000</b>	31 December 2007 (Audited) RMB'000
Liability components	<b>3,474,993</b>	3,375,803
Derivative components	<b>(180,100)</b>	(191,500)
	<b>3,294,893</b>	3,184,303

On 11 May 2007, the Company issued RMB denominated USD settled zero coupon convertible bonds (the "2014 Convertible Bonds") due in 2014 in an aggregate principal amount of RMB4,600 million.

Pursuant to the bond subscription agreement, the 2014 Convertible Bonds are:

- (a) convertible at the option of the bondholders into fully paid ordinary shares at anytime from 18 May 2008 to 11 May 2014 at a conversion price of HK\$19.95 (at a fixed exchange rate of RMB0.9823 to HK\$1.00) per share;
- (b) redeemable at the option of the bondholders on 18 May 2010, being the third anniversary of the issue date, at the US dollar equivalent of their RMB principal amount multiplied by 102.27% and on 18 May 2012, being the fifth anniversary of the issue date, at the US dollar equivalent of their RMB principal amount multiplied by 103.81%; and

# Notes to the Unaudited Interim Financial Information

As at 30 June 2008

## 19. CONVERTIBLE BONDS (continued)

- (c) redeemable at the option of the Company at cap price of 130% of the early redemption amount at anytime from 18 May 2010 to 18 May 2014, providing the prices of the Company's shares for 20 consecutive trading days are over 130% of the early redemption price.

The 2014 Convertible Bonds will be redeemed on maturity at a value equal to the aggregate of (1) its principal amount outstanding; (2) the interest accrued; and (3) a premium calculated at 5.38% of the principal amount. The settlement of the convertible bonds will be in US dollars using the spot rate prevailing at the date of transaction.

In accordance with the terms and conditions of the 2014 Convertible Bonds, the conversion price has been adjusted from HK\$19.95 per share to HK\$4.96 per Subdivided Share with effect from 23 May 2008 as a result of the declaration of the 2007 interim and final dividends by the Company and the share subdivision as disclosed in note 18(b) above.

The movements of the liability component, derivative component and equity component of the 2014 Convertible Bonds for the period are as follows:

	<b>Liability component of convertible bonds</b>	<b>Derivative component of convertible bonds</b>	<b>Equity component of convertible bonds</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Principal amount of convertible bonds issued	3,305,362	(143,600)	1,438,238	4,600,000
Transaction costs	(49,392)	–	(22,468)	(71,860)
Interest expenses	119,833	–	–	119,833
Fair value adjustment	–	(47,900)	–	(47,900)
At 31 December 2007 (audited)	3,375,803	(191,500)	1,415,770	4,600,073
Interest expenses	99,190	–	–	99,190
Fair value adjustment	–	11,400	–	11,400
At 30 June 2008 (unaudited)	3,474,993	(180,100)	1,415,770	4,710,663

The fair values of the derivative component are determined based on the valuations performed by Vigers Appraisal & Consulting Limited using the applicable option pricing model.

# Notes to the Unaudited Interim Financial Information

As at 30 June 2008

## 20. INTEREST-BEARING BANK LOANS

	<b>30 June 2008 (Unaudited)</b>	31 December 2007 (Audited)
PRC bank loans – secured, within one year	<b>200,000</b>	300,000

The Group's bank loans are all denominated in RMB and bear interest at rates ranging from 6.225% to 7.47% per annum.

## 21. TRADE AND BILLS PAYABLES

	<b>30 June 2008 (Unaudited) RMB'000</b>	31 December 2007 (Audited) RMB'000
Trade and bills payables	<b>14,302,117</b>	13,556,545
Outstanding balances, aged:		
Within 3 months	<b>9,442,560</b>	9,299,648
3 to 6 months	<b>4,498,730</b>	3,841,131
Over 6 months	<b>360,827</b>	415,766
	<b>14,302,117</b>	13,556,545

The Group's bills payables and PRC bank loans (note 20) above are secured by:

- (i) the pledge of certain of the Group's buildings (note 9);
- (ii) the pledge of certain of the Group's investment properties with an aggregate fair value of RMB251,469,000 (31 December 2007: RMB251,469,000);
- (iii) the pledge of certain of the Group's inventories (note 13);
- (iv) the pledge of the Group's time deposits (note 17);
- (v) the bank acceptance credit in favour of the Group. The bank acceptance credit was secured by the Group's time deposits (note 17); and
- (vi) the guarantees provided by the Parent Group, Beijing Xinhengji (as defined in note 25) and Mr. Wong Kwong Yu ("Mr. Wong"), the chairman of the Group (note 25(a)(v)).

# Notes to the Unaudited Interim Financial Information

As at 30 June 2008

## 22. BUSINESS COMBINATIONS

On 18 February 2008, the Group acquired the entire equity interest in Shandong Longji Island Co., Ltd. ("Longji Island"), a limited liability company registered in the PRC and principally engaged in business of investments, from certain independent third parties. The fair values of the identifiable assets of Longji Island as at the date of acquisition were as follows:

	<b>Fair value recognised on acquisition</b>	<b>Carrying amount</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments, deposits and other receivables	10,000	10,000
Cash and cash equivalents	10,000	10,000
Interest-bearing bank loans	(10,000)	(10,000)
	10,000	10,000
Goodwill on acquisition	8,000	
Cash consideration	18,000	

An analysis of the net cash outflow in respect of the acquisition transaction is as follows:

	<i>RMB'000</i>
Total cash consideration	18,000
Cash and cash equivalents	(10,000)
Net cash outflow during the period	8,000

Since the acquisition, Longji Island contributed revenue and loss of nil and RMB700,000, respectively, to the Group's results for the six-month period ended 30 June 2008.



# Notes to the Unaudited Interim Financial Information

As at 30 June 2008

## 23. DIVIDENDS

	For the six-month period ended 30 June	
	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
Declared and paid during the period Equity dividends on ordinary shares: Final dividend per share for 2007: HK10.6 cents (equivalent to RMB9.9 fen) (2006: HK3.6 cents (equivalent to RMB3.6 fen))	<b>316,604</b>	110,118
Proposed (not recognised as a liability as at 30 June) Interim dividend per share for 2008: HK3.0 cents (equivalent to RMB2.7 fen) (2007: HK8.1 cents (equivalent to RMB7.8 fen))	<b>344,486</b>	254,193

Notes:

- (i) The 129,800,000 shares repurchased by the Company (note 18(a)) were subsequently cancelled and they did not rank for the 2007 final dividend.
- (ii) The dividend per share for the six-month period ended 30 June 2008 is calculated by dividing the proposed 2008 interim dividend of HK\$382,763,000 (equivalent to RMB344,486,000) by the 12,758,756,000 Subdivided Shares as at 30 June 2008. The dividend per share for the six-month period ended 30 June 2007 is calculated by dividing the 2007 interim dividend of HK\$263,970,000 (equivalent to RMB254,193,000) by the 3,258,890,000 ordinary shares outstanding as at 30 June 2007.
- (iii) The 2008 proposed interim dividend was approved by the board of directors on 12 August 2008.

# Notes to the Unaudited Interim Financial Information

As at 30 June 2008

## 24. OPERATING LEASE ARRANGEMENTS AND COMMITMENTS

### (a) Operating lease commitments

*As lessee*

The Group leases certain of its properties under operating lease arrangements. These leases have an average term of between 1 and 20 years and there are no restrictions placed upon the Group by entering into these lease agreements.

As at the balance sheet date, the Group had the following minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 June 2008 (Unaudited) RMB'000</b>	31 December 2007 (Audited) RMB'000
Within one year	<b>2,197,853</b>	1,798,626
In the second to fifth years, inclusive	<b>6,416,136</b>	5,784,470
After five years	<b>4,093,350</b>	3,755,870
	<b>12,707,339</b>	11,338,966

Pursuant to the relevant lease agreements, upon the payment of early termination compensation rental which in general ranges from 1 to 3 months, the Group is entitled to terminate the underlying lease agreement if a store will not be in a position to continue its business because of the losses or other circumstances as specified under the rental agreements.

# Notes to the Unaudited Interim Financial Information

As at 30 June 2008

## 24. OPERATING LEASE ARRANGEMENTS AND COMMITMENTS (continued)

### (a) Operating lease commitments (continued)

*As lessor*

The Group has leased its investment properties and entered into commercial property subleases on its leased properties. These non-cancellable leases have remaining terms of between 1 and 10 years. The leases include a clause to enable upward revision of the rental charge on a regular basis according to prevailing market conditions.

The Group had the following future minimum rentals receivable under non-cancellable operating leases:

	<b>30 June 2008 (Unaudited) RMB'000</b>	31 December 2007 (Audited) RMB'000
Within one year	<b>136,357</b>	150,793
In the second to fifth years, inclusive	<b>293,457</b>	363,718
After five years	<b>192,112</b>	231,382
	<b>621,926</b>	745,893

### (b) Capital commitments

In addition to the operating lease commitments above, the Group had the following capital commitments at the balance sheet date.

	<b>30 June 2008 (Unaudited) RMB'000</b>	31 December 2007 (Audited) RMB'000
Contracted, but not provided for: Acquisition of buildings	<b>393,801</b>	438,412

## 24. OPERATING LEASE ARRANGEMENTS AND COMMITMENTS (continued)

### (c) Acquisition commitments

On 13 December 2007, the Group and an independent third party vendor entered into a sales and purchase agreement in respect of the proposed acquisition of electrical appliance retail stores for a total cash consideration of RMB30 million. Pursuant to the agreement, the Group paid a deposit of RMB10 million in December 2007. As at 30 June 2008, the acquisition commitment amounted to RMB20 million.

### (d) Other commitments

Pursuant to the loan agreement as disclosed in note 12 to the interim financial information, the Group agreed to provide the remaining designated loan balance of RMB600 million to Beijing Zhansheng on 1 September 2008.

## 25. RELATED PARTY TRANSACTIONS

In addition to the balances which are disclosed in note 16 to this interim financial information, the Group had the following significant transactions with the Parent Group and Beijing Xinhengji Property Co., Ltd. ("Beijing Xinhengji"). The Parent Group comprises Beijing Eagle Investment Co., Ltd., Beijing Gome Electrical Appliance Co., Ltd. and other companies which are engaged in the retail sales and related operations of electrical appliances and consumer electronic products under the trademark of "GOME Electrical Appliances" in cities other than the designated cities of the PRC in which the Group operates. The companies comprising the Parent Group are controlled by Mr. Wong, a substantial shareholder and Chairman of the Company. Beijing Xinhengji is owned by a close member of the family of Mr. Wong.

# Notes to the Unaudited Interim Financial Information

As at 30 June 2008

## 25. RELATED PARTY TRANSACTIONS (continued)

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

		<b>For the six-month period ended 30 June</b>	
		<b>2008</b>	2007
		<b>(Unaudited)</b>	(Unaudited)
		<b>RMB'000</b>	RMB'000
	<i>Notes</i>		
(a)	Sales to the Parent Group	<b>19,589</b>	2,072
(b)	Purchases from the Parent Group	–	(1,687)
(c)	Provision of management and purchasing services to the Parent Group	<b>134,391</b>	124,003
(d)	Rental expenses to Beijing Xinhengji	<b>(1,837)</b>	(2,083)
(e)	Sublease income from audio and visual equipment shops of the Parent Group	<b>4,191</b>	17,680
(f)	Provision of corporate guarantees from the Parent Group, Beijing Xinhengji and Mr. Wong in respect of the Group's bills and loan facilities	<b>353,573</b>	860,000
(g)	Rental income from a related party	<b>250</b>	254

Notes:

- (i) The sales and purchase transactions and the joint purchase transactions entered into between the Group and the Parent Group in respect of the electrical appliances and consumer electronic products were conducted based on the actual purchase cost from third party suppliers.
- (ii) The Group provides management services to the Parent Group in respect of the retailing of electrical appliances and consumer electronic products in cities other than the designated cities of the PRC in which the Group operates. In addition, the Group negotiates with various suppliers for both the Group and the Parent Group on a centralised basis. The total amounts of the management service fee and the purchasing service fee were charged based on 0.6% and 0.9%, respectively, of the total turnover of the Parent Group, pursuant to a purchase service agreement and a management agreement entered into between the Group and the Parent Group.

# Notes to the Unaudited Interim Financial Information

As at 30 June 2008

## 25. RELATED PARTY TRANSACTIONS (continued)

- (a) The Group had the following transactions with related parties during the period:  
(continued)

Notes: (continued)

- (iii) The Group entered into a rental agreement with Beijing Xinhengji to lease properties at an annual rental of approximately US\$523,000. In the opinion of the directors, the rental has been determined based on the prevailing market rentals of offices within the same district.
- (iv) The Parent Group has set up counters in the retail outlets operated by the Group for selling audio and visual products. The Parent Group has entered into sublease agreements with each of the individual outlets of the Group. According to the sublease agreements, the rent is charged at (1) approximately RMB12 per square meter per day; and (2) 5% of the total revenue generated from the sale of audio and visual products.
- (v) The provision of corporate guarantees is at nil consideration.
- (vi) The Company's subsidiary, Hong Kong Punching Centre Limited, had operating lease rentals in respect of the Group's investment properties from GOME Home Appliances (Hong Kong) Limited, totalling RMB250,000 (six-month period ended 30 June 2007: RMB254,000) during the period.
- (b) Compensation of key management of the Group:

	For the six-month period ended 30 June	
	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
Fee	762	590
Other emoluments:		
Salaries, allowances, bonuses and other benefits	4,243	4,301
Pension costs	54	95
	<b>5,059</b>	4,986

## 26. POST BALANCE SHEET EVENT

The Group did not have any significant events taking place subsequent to 30 June 2008.

## 27. APPROVAL OF THE UNAUDITED INTERIM FINANCIAL INFORMATION

The unaudited interim financial information was approved and authorised for issue by the board of directors on 12 August 2008.

### DISCLOSURE OF INTERESTS

#### (A) DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2008, the interests or short positions of the directors and chief executive of the Company in the shares, underlying shares of equity derivatives 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")) which were recorded in the register required to be kept under Section 352 of the SFO, or which were otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") adopted by the Company were as follows:

#### Long positions in the shares of HK\$0.025 each in the share capital of the Company (the "Share(s)"), the underlying Shares and debentures of the Company

Name of Director	Personal interest	Interest of spouse	Number of Shares held			Approximate % shareholding	
			Corporate interest	Trustee	Number of Shares held under equity derivatives		
Wong Kwong Yu	-	205,920,000 <sup>(2)</sup>	4,329,198,212 <sup>(1)</sup>	-	-	4,535,118,212	35.55
Du Juan	-	4,329,198,212 <sup>(1)</sup>	205,920,000 <sup>(2)</sup>	-	-	4,535,118,212	35.55
Chen Xiao	-	-	534,434,464 <sup>(3)</sup>	394,693,600 <sup>(4)</sup>	-	929,128,064	7.28

Notes:

- These Shares were held as to 3,800,000,000 Shares by Shinning Crown Holdings Inc. and as to 529,198,212 Shares by Shine Group Limited. Both companies were 100% beneficially owned by Mr. Wong Kwong Yu, the spouse of Ms. Du Juan.
- These Shares were held as to 201,120,000 Shares by Smart Captain Holdings Limited and as to 4,800,000 Shares by Wan Sheng Yuan Asset Management Company Limited. Both companies were 100% beneficially owned by Ms. Du Juan, the spouse of Mr. Wong Kwong Yu.
- These Shares were held by Retail Management Company Limited, a company which was controlled by Mr. Chen Xiao.
- These Shares were held by Mr. Chen Xiao through Retail Management Company Limited in his capacity as trustee of The Retail Management Trust.

### Long positions in the shares of associated corporation of the Company

Name of Director	Name of associated corporation	Number of shares held				Approximate % shareholding	
		Personal interest	Corporate interest	Trustee	Number of shares held under equity derivatives		
Chen Xiao	Yongle (China) Electronics Retail Company Limited	N/A	-	N/A	-	N/A	7.25
	Shanghai Minrong Investment Co., Ltd.	N/A	-	N/A	-	N/A	0.73

### Short positions in the Shares, the underlying Shares and debentures of the Company

Name of Director	Number of Shares held				Total	Approximate % shareholding
	Personal interest	Interest of spouse	Corporate interest	Trustee		
Chen Xiao	-	-	386,534,400 <sup>(Note)</sup>	285,465,600 <sup>(Note)</sup>	672,000,000	5.27

*Note:* These interests comprising 672,000,000 underlying Shares were held by Mr. Chen Xiao through Retail Management Company Limited, a company which was controlled by Mr. Chen Xiao, all being other derivatives not listed or traded on the Stock Exchange.

Save as disclosed above, as at 30 June 2008, none of the directors, chief executive of the Company or their respective associates had any other 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 Stock Exchange pursuant to the Model Code.

#### (B) PARTICULARS OF THE DIRECTORS' SERVICE CONTRACTS

As at 30 June 2008, none of the directors of the Company (the "Director(s)") had entered or was proposing to enter into a service contract with the Company or any member of the Group (excluding contracts expiring or determinable within one year without payment of compensation other than statutory compensation).



## Additional Information

### (C) DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 30 June 2008, the interests of the Directors in businesses (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 are considered to compete or are likely to compete, whether directly or indirectly, with the businesses of the Group were as follows:

<b>Name of Director</b>	<b>Name of competing entity</b>	<b>Description of business of competing entity</b>	<b>Nature of interest of the Director</b>
Mr. Wong Kwong Yu	Parent Group (as defined below)	Retail of electrical appliances and consumer electronics products	Beneficial owner
Ms. Du Juan	Parent Group (as defined below)	Retail of electrical appliances and consumer electronics products	Family interest (Note)

Note: Ms. Du Juan, the spouse of Mr. Wong Kwong Yu, is deemed to be interested in the business of the Parent Group by virtue of her spouse's interest.

During the six months ended 30 June 2008, Mr. Wong Kwong Yu and Ms. Du Juan, both executive Directors, had beneficial interest in an electrical appliances and consumer electronics products retail network under the brand name "GOME" and operated in different cities in the People's Republic of China (the "PRC") by companies in which Mr. Wong and Ms. Du had interest (the "Parent Group").

Mr. Wong Kwong Yu and the Company entered into the Non-competition Undertaking on 29 July 2004 pursuant to which Mr. Wong Kwong Yu undertook to the Company that he would not and would procure that the Parent Group would not, amongst other things, engage in retail sales of electrical appliances and/or consumer electronics products in places in the PRC where the Company had established any retail outlet for the sale of electrical appliances and consumer electronics products under the "GOME Electrical Appliances" trademark, provided that Mr. Wong Kwong Yu remains as the controlling shareholder of the Company. The Company undertook to Mr. Wong Kwong Yu not to directly or indirectly engage in the retail sales of electrical appliances or consumer electronics products in any of the locations in the PRC in which any member of the Parent Group had established, or was as at 3 June 2004 in the course of establishing, any retail outlet for the sale of electrical appliances and consumer electronics products under the "GOME Electrical Appliances" trademark.

### (D) DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

During the six months period ended 30 June 2008, none of the Company, its subsidiaries or its holding company was a party to any arrangements which enable the Directors to acquire shares in or debentures of the Company or any other body corporate.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to any Director or chief executive of the Company, as at 30 June 2008, other than the Directors or the chief executive of the Company as disclosed above, the following persons had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under Section 336 of the SFO or were otherwise notified to the Company and the Stock Exchange:

### (A) SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of Shareholder	Nature	Number of ordinary Shares held	Approximate % of shareholding as at 30 June 2008
Retail Management	Long position	929,128,064	7.28
Company Limited (Note 1)	Short position	672,000,000	5.27
JPMorgan Chase & Co. (Note 2)	Long position	1,133,073,899 (Note 3)	8.88
	Short position	6,402,000	0.05
	Lending pool	895,895,076	7.02
Morgan Stanley (Note 4)	Long position	1,042,454,348	8.17
	Short position	222,984,471	1.75
Capital Research and Management Company (Note 5)	Long position	908,476,000	7.12
T. Rowe Price Associates, Inc. and its affiliates (Note 6)	Long position	767,822,560	6.01

## Additional Information

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### Notes:

1. Retail Management Company Limited was controlled by Mr. Chen Xiao, an executive Director.
2. JPMorgan Chase & Co. held long position in 12,430,823 Shares, and short positions in 6,402,000 Shares in its capacity as beneficial owner, long position in 224,748,000 Shares in its capacity as investment manager, and 895,895,076 Shares in the lending pool in its capacity as custodian corporation/ approved lending agent. Of these Shares, long position in 906,575,076 Shares were held by JPMorgan Chase Bank, N.A., long position in 53,536,000 Shares were held by J.P. Morgan Investment Management Inc., long position in 160,532,000 Shares were held by JPMorgan Asset Management (UK) Limited, long position in 5,988,000 Shares were held by J.P. Morgan Whitefriars Inc., long position in 5,442,823 Shares and short position in 5,402,000 Shares were held by J.P. Morgan Securities Ltd. and long position in 1,000,000 Shares and short position in 1,000,000 Shares were held by Bear, Stearns International Limited, all of which were either controlled or indirectly controlled corporations of JPMorgan Chase & Co.
3. Of these 1,133,073,899 Shares, JPMorgan Chase & Co. held 40,823 Shares under equity derivatives.
4. Morgan Stanley was interested in these Shares through its interests in controlled corporations. Of these Shares, long position in 755,915,484 Shares were held by Morgan Stanley Investment Management Company, short position in 15,920 Shares were held by Morgan Stanley Securities Limited, long position in 200,846,660 Shares and short position in 178,284,997 Shares were held by Morgan Stanley & Co. International plc., long position in 46,924 Shares and short position in 60,000 Shares were held by Morgan Stanley Hong Kong Securities Limited, long position in 35,824,000 Shares were held by Morgan Stanley Asset & Investment Trust Management Co., Limited, long position in 42,682,488 Shares and short position in 42,682,488 Shares were held by MSDW Equity Finance Services I (Cayman) Limited, long position in 74,352 Shares were held by Morgan Stanley Swiss Holdings GmbH, short position in 1,768,000 Shares were held by Morgan Stanley Capital (Cayman Islands) Limited, long position in 4,331,723 Shares were held by Morgan Stanley Capital Services Inc., long position in 2,132,000 Shares were held by Morgan Stanley Capital (Luxembourg) S.A., long position in 114,172 Shares and short position in 114,443 Shares were held by Morgan Stanley Hedging Co. Ltd. and long position in 486,545 Shares and short position in 58,623 Shares were held by Morgan Stanley & Co., Inc., all of which were either controlled or indirectly controlled corporations of Morgan Stanley.
5. Capital Research and Management Company, a company which was controlled by The Capital Group Companies, Inc., was interested in these Shares in its capacity as investment manager.
6. T. Rowe Price Associates, Inc. and its affiliates were interested in these Shares in their capacity as investment manager.

### **(B) INTERESTS AND SHORT POSITIONS OF OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY**

As at 30 June 2008, so far as is known to any Director or chief executive of the Company, there was no other person (other than the Directors and the chief executive of the Company), who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were recorded in the register to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

### **OTHER INFORMATION**

#### **INTERIM DIVIDENDS**

At a meeting of the board of Directors held on 12 August 2008, the board of Directors declared to pay an interim dividend of HK3.0 cents per Share (equivalent to approximately RMB2.7 fen) (six months ended 30 June 2007: HK8.1 cents per share of HK\$0.1 each in the share capital of the Company prior to the subdivision of shares of the Company becoming effective on 22 May 2008 (the "Original Share(s)") (equivalent to approximately RMB7.8 fen)) for the six months ended 30 June 2008. The interim dividend will be paid on 11 September 2008 to those shareholders whose names appear on the Register of Members of the Company on 4 September 2008.

#### **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from 2 September 2008 to 4 September 2008, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of Shares, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar in Hong Kong, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong no later than 4:00 p.m. on 1 September 2008.

## Additional Information

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

During the six months ended 30 June 2008, the Company has repurchased its own shares on the Stock Exchange, details of which are as follows:

Month/Year	Number of shares repurchased	Highest price HK\$	Lowest price HK\$	Aggregate consideration (excluding expenses) HK\$
January 2008	39,811,000 Original Shares (Equivalent to 159,244,000 Shares)	17.10 per Original Share (Equivalent to 4.275 per Share)	14.04 per Original Share (Equivalent to 3.51 per Share)	657,250,940
February 2008	89,989,000 Original Shares (Equivalent to 359,956,000 Shares)	17.86 per Original Share (Equivalent to 4.465 per Share)	17.30 per Original Share (Equivalent to 4.325 per Share)	1,579,420,440
	129,800,000 Original Shares (Equivalent to 519,200,000 Shares)			2,236,671,380

The Original Shares repurchased during the six months ended 30 June 2008 were cancelled upon repurchase and accordingly, the issued share capital of the Company was diminished by the nominal value thereof.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2008.

### COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the six months ended 30 June 2008.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules. Upon enquiries made by the Company, all Directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the period under review.

### **DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES**

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

As at 30 June 2008, Tianjin Gome Commercial Consultancy Company Limited ("Tianjin Consultancy"), a subsidiary of the Company, had made advances in the aggregate amount of RMB3,000 million (the "Advance") to 北京戰聖投資有限公司 (Beijing Zhansheng Investment Co., Ltd.) ("Beijing Zhansheng"), a third party independent of each of the Company and connected persons of the Company, through 興業銀行股份有限公司北京分行 (Beijing Branch of Industrial Bank Co., Ltd) (the "Bank") pursuant to the loan agreement entered into between Tianjin Consultancy, Beijing Zhansheng and the Bank on 14 December 2007 in relation to a loan in the principal amount of RMB3.6 billion (the "Loan") to be provided by Tianjin Consultancy to Beijing Zhansheng through the Bank (the "Loan Agreement"). The Loan is to be 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.) ("Dazhong Appliances"). The Loan is secured by (i) the pledge of the entire registered share capital of Dazhong Appliances (including any dividends and other interests arising in relation to the relevant share capital); and (ii) the pledge of the entire registered share capital of Beijing Zhansheng (including any dividends and other interest arising in relation to the relevant share capital) in favour of Tianjin Consultancy, and the term of the Loan is from 14 December 2007 to 13 December 2008, and the relevant rate of interest is 6.561% per annum. As at 30 June 2008, the Advance was RMB3,000 million and the Advance made pursuant to the Loan Agreement represented approximately 10.3% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules and the remaining balance of RMB600 million will be available to Beijing Zhansheng on 1 September 2008.

### **REVIEW BY AUDIT COMMITTEE AND EXTERNAL AUDITORS**

The Audit Committee of the Company has reviewed and discussed with the management of the Company's unaudited interim financial information for the six months ended 30 June 2008 which has been reviewed by Ernst & Young, the external auditors, and the internal control and financial reporting matters.

# Corporate Information

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## **DIRECTORS**

### **Executive Directors**

WONG Kwong Yu (*Chairman*)

DU Juan

CHEN Xiao

NG Kin Wah

### **Non-executive Director**

SUN Qiang Chang

### **Independent Non-executive Directors**

SZE Tsai Ping, Michael

CHAN Yuk Sang

Mark Christopher GREAVES

LIU Peng Hui

YU Tung Ho

Thomas Joseph MANNING

## **COMPANY SECRETARY**

WOO Ka Biu, Jackson

## **AUTHORISED REPRESENTATIVES**

DU Juan

NG Kin Wah

## **PRINCIPAL BANKERS**

Bank of China (Hong Kong) Limited

China Merchants Bank

China Construction Bank

CITIC Bank

Industrial Bank Co. Ltd.

## **AUDITORS**

Ernst & Young

Certified Public Accountants

## **REGISTERED OFFICE**

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

## **HEAD OFFICE**

Unit 6101, 61st Floor

The Center

99 Queen's Road Central

Hong Kong

## **PRINCIPAL SHARE REGISTRARS**

Butterfield Fund Services (Bermuda) Limited

14 Bermudiana Road

Hamilton

Bermuda

## **SHARE REGISTRARS IN HONG KONG**

Tricor Abacus Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Hong Kong