GOME ELECTRICAL APPLIANCES HOLDING LIMITED

(Incorporated Bermuda with limited liability)

Stock Code : 493

Interim Report **2009**

Contents

Financial Highlights and Business Summary

FINANCIAL HIGHLIGHTS

	First half of 2009 *RMBm*	First half of 2008 *RMBm*
Revenue	**20,463**	24,874
Gross profit	**2,008**	2,375
Consolidated gross profit margin*	**16.48%**	16.33%
Profit from operating activities	**671**	1,272
Profit attributable to equity holders of the parent	**580**	1,150
Earnings per share		
– Basic	**RMB4.5 fen**	RMB8.9 fen
– Diluted	**RMB4.5 fen**	RMB8.9 fen

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

BUSINESS SUMMARY

- **From rapid expansion to profit-oriented business strategy.**
- **Continue to optimize store networks and promote transformation and reform of stores.**
- **Enhance product mix management.**
- **Participate actively in state subsidy policies and promote new business.**
- **Enhance corporate governance and align management and investors interests.**

Management Discussion and Analysis

OVERVIEW

GOME Electrical Appliances Holding Limited (the "**Company**") together with its subsidiaries (collectively known as the "**Group**") have, over the past six months, overcome the most serious crisis and challenge they have faced since incorporation. The Group has also gradually come back on the right track based on sound business policy, transforming the Group from focus on scale expansion to efficiency management. The operational focus has changed from revenue growth driven by increasing of new stores to earnings enhancement driven by individual store profitability. With this approach, the Group will improve store sales and profitability and optimize its network structure. Against the backdrop of the global financial crisis, it has established a win-win partnership with suppliers and banks, and attracted investment in the Group by Bain Capital Glory Limited (the "**Bain Capital**"), a global private equity investment company. The introduction of Bain Capital enhanced the Group's capital strength and will help improve its corporate governance standards, enabling the Group to maintain a positive development momentum in both the household appliance retail sector and the capital market.

For the first half of 2009, the Group recorded revenue of approximately RMB20,463 million, down 17.73% from the corresponding period in 2008. During the reporting period, profit before tax amounted to approximately RMB750 million. Net profit attributable to the equity holders of the Company was approximately RMB580 million.

During the reporting period, the Group entered into an investment agreement with Bain Capital, pursuant to which Bain Capital agreed to conditionally subscribe for convertible bonds due 2016 issued by the Company for a total consideration of approximately US$233 million (equivalent to approximately RMB1,590 million). The investment in the Company made by Bain Capital represents a vote of confidence in the Group by the capital market, signifying investors with the development outlook of the household appliance chain store industry as very promising.

The Company also launched an open offer of approximately 2,296 million shares at a subscription price of HK$0.672 per share on the basis of 18 open offer shares for every 100 existing shares held. Upon completion of the open offer, the Company's capital has been increased by approximately HK$1,543 million (equivalent to approximately RMB1,360 million).

These two financing projects had been completed on 3 August 2009, strengthening the Group's capital by approximately RMB2,950 million. The three non-executive directors nominated by Bain Capital have officially been appointed to the board of the Company (the "**Board**"). Their extensive retail sector and capital market expertise will further strengthen the Board, improve corporate governance and allow the Group to maintain strong momentum in the business.

Management Discussion and Analysis

BUSINESS REVIEW

1. BUSINESS ENVIRONMENT

1.1 Policy Environment

Although the global financial crisis has impacted China's real economy to a certain extent, the degree of impact of the virtual economy in China is not substantial, given China itself has an extensive market and enormous consumption demand. The Chinese Government has adjusted the economic structure in a timely manner by transforming the economy from export trade to boosting domestic demand and consumption, and by introducing several national fiscal subsidy policies such as the rural household appliances subsidy policy (the "**Go Rural Policy**"), "exchange old for new subsidy program" and "energy-saving subsidy program" to ensure the capacity of the domestic household appliance market will continue to grow steadily.

In 2009, the Chinese Government aims to improve the income and social security protection of residents in order to enhance their consumption power, and continues to proceed with the urbanization process and residential property development by means of an array of economic stimulus packages. For the first half of 2009, the Chinese real property market took the lead in improving gradually, and subsequently driving a rapid pick up in the house renovation and household appliance sectors.

1.2 Industry Environment

Upon primary completion of the integration of the industry, the chaotic competition in China's household appliance chain store industry has passed. The previous aggressive expansion approach is no longer applicable to the household appliance retail market. Accordingly, the Group has devised an array of development strategies for optimizing transformation, capitalizing on the strength of its existing network, focusing on the intensive cultivation of existing profitable stores, improving profitability and efficiency of individual stores and enhancing customer satisfaction with the provision of quality services and standardized procedures, so as to capture a larger market share.

1.3 Capital Status

The Group has obtained supplementary capital through the subscription by Bain Capital for the Company's convertible bonds due in 2016 and the Company's open offer, to ensure the Group (i) has working capital committed to the transformation processes and (ii) can deal with the convertible bonds due in 2014.

Management Discussion and Analysis

2. FROM RAPID EXPANSION TO PROFIT-ORIENTED BUSINESS STRATEGY

2.1 Enhancing product mix management

2.1.1 Strengthening Differential Operations

Differential operation is a key business strategy of the Group. The provision of differential products and services is one of the key elements to improving the Company's competitive position. The Group provides customers with differentiated products by adopting multiple means such as focused promotion, exclusive product selling, custom-tailoring, OEM and ODM. The exclusive sale of these differentiated products can generate higher gross profit, which led to the increase of the overall gross profit margin by 0.15 percentage points during the reporting period versus the corresponding period last year.

2.1.2 Enhancing the Variety of Products

For the first half of 2009, the Group endeavored to enhance the variety of products of its stores by increasing product models and new brands, introducing different kinds of electrical appliances such as treadmills, beauty equipments, lighting, kitchenware and timepieces. During the reporting period, "Xin Huo Guan" ("新活館"), the first Beijing Dazhong Home Appliances Retail Co., Ltd. ("Dazhong Appliances") super-flagship store located at the China Central Television Tower in Beijing which had been renovated successfully, added 266 brands and the number of individual product type was increased from over 20,000 to over 50,000, thereby maximized the satisfaction of the customers' needs.

2.1.3 Relationship with Suppliers

The Group endeavours at all times to establish long-term, stable and stronger strategic partnerships with suppliers. During the reporting period, purchases from the five largest suppliers (by brand name) of the Group accounted for approximately 32.80% of total purchases, representing an increase of 1.77% as compared with 31.03% in 2008. In recent years, the Group has moved toward open and fair dialogues and negotiations with suppliers, from sole focus on own profitability to supply chain optimization. The initiatives include: (i) the establishment of a more transparent contractual relationship with suppliers and the enforcement of the agreed terms; (ii) the optimization of product mix and the promotion of differentiated products; and (iii) the standardization of a price management system to jointly regulate fierce competition and irregular market practices, in an effort to create sustainable profits together with suppliers. The Group is committed to building the most cost effective household appliance sales platform for its suppliers.

Management Discussion and Analysis

2.1.4 Training of Salespersons

Aiming at continuous improvement of promotion efforts and optimization of operating efficiency of its individual stores, the Group endeavours at all times to train its staff through enhancing their product knowledge and professional skills so as to provide normalized and standardized services for the customers.

2.2 Optimizing Store Network and Improving Quality of Individual Stores

2.2.1 Optimizing Retail Network Coverage

During the reporting period, the Group further optimized its store network coverage by switching from the previous approach of improving sales with the increase in the number of stores to integrating poor-performing and loss-making stores, focusing on the development of super-flagship stores and specialized stores, as well as exploring and developing its store network in major business districts to maintain its retail network strength. As at 30 June 2009, the Group's flagship stores totalled 75, representing 9.63% of the total number of stores, up 0.78 percentage points from the end of 2008.

In 2009, capitalizing on China's favourable macro-economic policy, the Group has established dedicated counters in its existing stores (particularly the stores in the second-tier cities) to facilitate the "Go Rural Policy". The store network based in the second-tier cities will give an impetus to the household appliance markets in the third and fourth-tier cities. In future, the Group will carry out low-cost expansion by launching a franchising scheme in the third and fourth-tier cities to expand its retail network coverage throughout the country.

Management Discussion and Analysis

Development of Network

	Group total	GOME	China Paradise	CellStar
Flagship stores	**75**	57	18	–
Standard stores (including supermarket stores)	**675**	552	123	–
Specialized stores	**29**	6	2	21
Total	**779**	615	143	21
Among them:				
First-tier cities	**481**	357	106	18
Second-tier cities	**298**	258	37	3
Number of stores opened	**30**	27	3	0
Number of stores closed	**110**	69	38	3
Net decrease in store number	**(80)**	(42)	(35)	(3)
Number of cities accessed	**205**	170	55	7
Among them:				
First-tier cities	**27**	21	10	1
Second-tier cities	**178**	149	45	6
Number of cities newly accessed	**0**	0	0	0

As at the end of the reporting period, the total operating area of the Group's stores amounted to approximately 2,820,000 square metres as compared to 3,120,000 square metres at the end of 2008. The average area of individual stores was approximately 3,620 square metres, which was basically the same as the corresponding period in 2008. As at the end of the reporting period, there were 381 stores (excluding the stores in Hong Kong and Macau) of the Non-listed GOME Group that were not within the structure of the Group and 52 Dazhong Appliances shops with entrusted management. Hence, the total number of stores operated and managed by the Group reached 1,212, including the stores operated by the Group, the Non-listed GOME Group together with Dazhong Appliances shops.

Number of stores	**30 June 2009**	31 December 2008
GOME Group	**779**	859
Non-listed GOME Group	**381**	413
Dazhong Appliances	**52**	61
Total	**1,212**	1,333

Management Discussion and Analysis

List of Stores:

Region	Flagship stores	Standard stores (including supermarket stores)	Specialized stores	Total
Beijing	9	38	1	48
Shanghai	11	47	2	60
Tianjin	7	29	1	37
Chengdu	4	47	0	51
Chongqing	4	29	0	33
Xian	2	21	21	44
Shenyang	4	23	0	27
Qingdao	3	26	0	29
Jinan	2	11	0	13
Shenzhen	3	68	0	71
Guangzhou	3	93	3	99
Wuhan	2	25	1	28
Kunming	3	15	0	18
Fuzhou	3	34	0	37
Xiamen	1	31	0	32
Hangzhou	1	10	0	11
Henan	1	24	0	25
Ningbo	0	2	0	2
Nanjing	1	25	0	26
Wuxi	2	3	0	5
Changzhou	1	10	0	11
Suzhou	2	14	0	16
Hefei	1	11	0	12
Xuzhou	1	10	0	11
Tangshan	0	15	0	15
Lanzhou	2	8	0	10
Wenzhou	2	6	0	8
Total	**75**	**675**	**29**	**779**

Management Discussion and Analysis

2.2.2 Renovating Stores and Improving Operating Quality of Individual Stores

The enhancement of the operating quality of individual stores embodies the Group's focus on core competitiveness. During the reporting period, the Group committed tremendous effort to strengthening the operation and management of stores by establishing the first batch of super-flagship stores such as the "Xin Huo Guan" ("新活館") located at the China Central Television Tower of Dazhong Appliances in Beijing, and other typical renovation projects such as the store located at Renmin Road, Suzhou, demonstrating the enhancement of the operating quality of individual stores with store rental and operating costs remaining unchanged.

Progress and changes have been made in the size, layout and showcase areas of novel stores where areas are arranged by product function, an international popular approach, in line with customer consumption habit, with a focus placed on customer experience and product association. A 360-degree all-round upgrading program has been carried out to various aspects such as increasing the number of products displayed and improving back-end logistic flow. This has also offered an incentive to various major suppliers to set up interactive multi-functional rooms in the flagship stores, which have become novel and modern appliance sales venues that fully satisfy customers' diverse demands.

2.2.3 Strengthening Expansion of Second-tier Markets

The Group anticipates that the second-tier markets will have great potential for development, given the low penetration rate of household appliances in Chinese second-tier cities. As a result of a rise in the income level of residents year by year, the penetration and replacement of electrical appliances and consumer electronic products in the second-tier markets will increase as well.

Based on the existing stores and sales network for second-tier markets, the Group has allocated more resources to these markets and introduced favorable policies. Capitalizing on the opportunities arising from China's introduction of fiscal stimulus policies such as the "Go Rural Policy" and "energy-saving subsidy program", the Group has strengthened cross-regional cooperation with suppliers, optimized its logistics distribution system to reduce logistical and storage costs, and adopted a flexible sales strategy to improve profitability.

As at the end of the reporting period, the Group had gained access to 178 second-tier cities, representing 86.83% of the total number of cities accessed. In these second-tier cities, the Group has established a total of 298 stores, representing 38.25% of the total number of stores, and recorded revenue of RMB5,746 million, representing 28.08% of total sales, up 2.88 percentage points from last year's 25.20%.

Management Discussion and Analysis

2.2.4 Store Leases

As at the end of the reporting period, the Group had a total of 747 leased stores, and the average remaining tenure of the leases was 4.6 years. During the reporting period, the Group focused on re-negotiation of contracts with higher rents by negotiating with leasers about rent cuts or by expanding cross-industry alliances. Sub-leasing, rent cuts and surrender of leases have not only helped the Group reduce rental expenses but also effectively improved the utilization of stores to increase the Group's profitability.

2.2.5 Improving Customer Service and After-sales Service Schemes

During the reporting period, with the provision of all-round services and increasingly innovative service items, the Group was awarded the honour of "Special Contributor of Nationwide After-sales Services" ("全國售後服務特殊貢獻單位") and "Top Ten Companies in Nationwide After-sales Services" ("全國售後服務十佳單位") in the 4th Nationwide Product After-sales Services Evaluation Event organized by various associations such as the China General Chamber of Commerce.

During the reporting period, the Group continued to implement and promote its service items such as the membership scheme, "Household Appliance Clinics", extended warranty service and call centre as well as after-sales service. These all-rounded services further helped improve the Group's brand as well as develop and enhance customer loyalty and satisfaction, achieving a win-win situation for the Company and customers. The Group's membership scheme has been satisfactory since its introduction, with the number of members steadily above 22 million.

During the reporting period, the Group's extended warranty service covered 257 cities throughout the country (including Non-listed GOME Group). The participation rate of the extended warranty service for all types of products was 5.93% on average throughout the country.

The Group's call center currently offers the most complete and advanced interactive information service system in the household appliance retail sector in Mainland China, covering more than 220 cities throughout the country. The Group launched the first short-messaging self-service platform in the China domestic household appliance industry at the end of April 2009, which enabled customers to make enquiries, on a self-service basis, regarding various information such as delivery, installation and member bonus points to effectively improve customer satisfaction.

Management Discussion and Analysis

3. PARTICIPATING ACTIVELY IN STATE SUBSIDY POLICIES AND PROMOTING NEW BUSINESS

For the first half of 2009, the Chinese Government has issued several subsidy policies favouring the household appliance industry, namely "Go Rural Policy", "exchange old for new subsidy program" and "energy-saving subsidy program". Among the subsidy policies, the subsidy policy of "Go Rural Policy" was favorable for the Group's sales growth in third-tier and forth-tier markets. The trial cities of the subsidy policy of "exchange old for new subsidy program" including Shanghai, Beijing, Guangzhou, Shenzhen, Tianjin and Fuzhou, accounted for 57% of the Group's entire sales. Reflected by a larger market share in such cities, the Group became one of the most favoured parties of the said policy. The subsidy policy of "energy-saving subsidy program" would effectively enhance the sales of energy-saving products and, together with the policy of "exchange old for new subsidy program", certain products might enjoy dual subsidy, which sped up the progress of using new products.

4. RELATIONSHIP WITH BANKS

Since its inception, the Group has established long-term, solid partnerships based on mutual trust with various major domestic banks and some foreign banks in China. In the first half of 2009, after the Group was able to distance itself from the impact of some unfavorable factors, such as the global financial crisis, domestic credit tightening and corporate crisis, it entered into a number of strategic cooperation agreements with major national banks in China. These agreements enabled the Group to establish effective cooperation in areas such as credit lines, settlements and personal financial business.

All of these banks have also tailored comprehensive financial service solutions in line with the Group's business model by providing quality and integrated financial services for the domestic and overseas businesses of the Group.

In addition, direct communications were set up between the Group's headquarters and these banks to push forward effective execution. Regular meetings between senior executives of the Company and the bank were also established. By doing so, the Group expects to maintain transparency in accounting and business operations as well as reasonable flexibility in the financial services provided. We trust the scope and depth of cooperation between the Group and our partner banks will continue to expand.

Management Discussion and Analysis

5. STRENGTHENING CORPORATE GOVERNANCE

The Group has been committed to sound corporate governance practices, which have directly and indirectly contributed to its strong growth. During the reporting period, the Group continuously improved its internal control policy and processes and engaged an internal control and risk management advisor to report on its internal control and risk management system.

Bain Capital, a strategic partner brought in by the Group, is a private equity investment company that has invested extensively in various industries world-wide, and possesses rich experience particularly in global retail business. Its profound corporate experience will bring about tremendous value and support for the Company's business development and corporate governance. Upon completion of the investment agreement on 3 August 2009, three non-executive directors nominated by Bain Capital were appointed to the Board. This will further enhance the Group's corporate governance.

FINANCIAL REVIEW

REVENUE

During the reporting period, due to the impact of the macro economic slow down, the Group's revenue was approximately RMB20,463 million, representing a decrease of 17.73% from RMB24,874 million in the same period in 2008.

During the reporting period, the Group had 595 comparable stores, which accounted 76.38% of the total number of stores at the end of the reporting period. The revenue of aggregate sales of comparable stores recorded a 10.08% decrease compared to the same period of last year. The proportion of decrease was smaller than that of the aggregate revenue.

Proportion of revenue from each product category over total revenue:

Category	**First half of 2009 As a percentage of revenue**	First half of 2008 As a percentage of revenue
AV	**30.95%**	31.07%
Air-conditioner	**14.66%**	14.62%
Refrigerator and washing machine	**17.33%**	17.49%
Telecommunication	**14.21%**	14.16%
Small white appliances	**10.19%**	10.20%
IT	**5.45%**	5.41%
Digital	**7.21%**	7.05%
Total	**100.00%**	100.00%

Management Discussion and Analysis

COST OF SALES AND GROSS PROFIT

Costs of sales of the Group was approximately RMB18,456 million in the reporting period, representing 90.19% of revenue, declining slightly from 90.45% of last year. This was mainly due to the Group's execution of the promotion of differentiation in product, enhancement of the management of its product mix and standardization of terms with suppliers, which contributed to an increase in the Group's gross profit margin. During the reporting period, the total gross profit recorded was approximately RMB2,008 million as compared with RMB2,375 million in the same period of the previous year. The gross profit margin improved to 9.81% during the reporting period from 9.55% in the same period in 2008.

Gross profit margin of the Group by product category:

Category	First half of 2009 Gross profit margin	First half of 2008 Gross profit margin
AV	**10.32%**	9.91%
Air-conditioner	**9.27%**	9.10%
Refrigerator and washing machine	**10.39%**	10.21%
Telecommunication	**7.61%**	7.45%
Small white appliances	**13.42%**	13.31%
IT	**5.99%**	5.39%
Digital	**9.47%**	9.19%
Average gross profit margin	**9.81%**	9.55%

OTHER INCOME

During the reporting period, the Group recorded other income of approximately RMB1,364 million, representing a slight decrease from RMB1,687 million in the same period in 2008.

Other income of the Group mainly came from suppliers, which principally comprised fees paid by suppliers from promotional activities held by the Group, management service fees paid by suppliers to the Group for advertising their products, and display space leasing fees paid by suppliers for selling their products in the Group's stores.

Management Discussion and Analysis

Other income comprised the following:

As a percentage of revenue	First half of 2009	First half of 2008
Income from suppliers	**5.26%**	4.94%
Fees from the Non-listed GOME Group	**0.52%**	0.54%
Management fees for air-conditioner installation	**0.20%**	0.21%
Government grants	**0.04%**	0.07%
Rental income	**0.38%**	0.37%
Management fees from Dazhong Appliances	**–**	0.23%
Others	**0.27%**	0.42%
Total	**6.67%**	6.78%

CONSOLIDATED GROSS PROFIT MARGIN

During the reporting period, the Group's consolidated gross profit margin reached 16.48%, representing an increase of 0.15 percentage points as compared with 16.33% in the same period in 2008.

The increase in the Group's consolidated gross profit margin reflected continuous enhancement of operation efficiency.

OPERATING EXPENSES

The Group's operating expenses principally included selling and distribution costs, administrative expenses and other expenses. During the reporting period, the overall operating expenses amounted to approximately RMB2,701 million as compared with RMB2,790 million in the same period of 2008, representing a decrease of approximately 3.19%.

The following table sets out a summary of operating expenses:

As a percentage of revenue	First half of 2009	First half of 2008
Selling and distribution costs	**10.58%**	8.70%
Administrative expenses	**1.74%**	1.51%
Other expenses	**0.88%**	1.01%
Total operating expenses	**13.20%**	11.22%

Management Discussion and Analysis

SELLING AND DISTRIBUTION COSTS

During the reporting period, the Group's total selling and distribution costs amounted to approximately RMB2,164 million, the same as RMB2,164 million in the same period in 2008.

The following table sets out a summary of selling and distribution expenses:

As a percentage of revenue	First half of 2009	First half of 2008
Rental	**5.21%**	3.92%
Salaries	**2.56%**	2.00%
Utility charges	**0.80%**	0.71%
Advertising expenses	**0.42%**	0.69%
Delivery expenses	**0.40%**	0.42%
Promotional expenses	**0.12%**	0.18%
Others	**1.07%**	0.78%
Total selling and distribution expenses	**10.58%**	8.70%

Note: During the reporting period, selling and distribution expenses also included expenses related to store closure.

ADMINISTRATIVE EXPENSES

Thanks to effective cost controls during the reporting period, administrative expenses decreased approximately 5.59% to RMB355 million from approximately RMB376 million in the same period in 2008.

OTHER EXPENSES

Other expenses of the Group mainly comprised business tax, bank charges, provision for bad debts, impairment of goodwill, store closure expenses, exchange gains or losses and other miscellaneous expenses. Other expenses were approximately RMB181 million for the reporting period, representing a decrease of 27.60% from RMB250 million in the same period in 2008, mainly due to the reduction in bank charges and exchange losses in the first half of 2009.

FINANCE INCOME, NET

During the reporting period, the Group's net finance income was approximately RMB56 million, down from RMB160 million in the same period in 2008.

Management Discussion and Analysis

PROFIT BEFORE TAX

During the reporting period, the Group's profit before tax was approximately RMB750 million, versus RMB1,420 million in the same period in 2008.

INCOME TAX

During the reporting period, the Group's income tax was approximately RMB165 million, representing a 29.18% decrease as compared with RMB233 million in the same period in 2008. The management considers the tax rate applied to the Group for the reporting period to be reasonable.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS AND EARNINGS PER SHARE

The Group's profit attributable to equity holders for the period and the same period of the previous year were approximately RMB580 million and RMB1,150 million respectively. Therefore, the Group's basic earnings per share for the reporting period was RMB0.045 compared with RMB0.089 for the same period in 2008.

CASH AND CASH EQUIVALENTS

At the end of the reporting period, the Group's cash and cash equivalents were approximately RMB2,716 million, which was basically the same as RMB3,051 million at the end of 2008.

INVENTORY

At the end of the reporting period, the Group's inventory amounted to approximately RMB4,103 million, representing a decrease of 25.03% from RMB5,473 million at the end of 2008. The inventory turnover period was approximately 47 days, which remained largely stable compared with 44 days for the same period in 2008.

PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

At the end of the reporting period, prepayment, deposits and other receivables of the Group amounted to approximately RMB1,350 million, which was basically unchanged as compared with RMB1,384 million at the end of 2008.

TRADE AND BILLS PAYABLES

At the end of the reporting period, trade and bills payables of the Group amounted to approximately RMB13,045 million, which was broadly unchanged as compared with RMB12,918 million at the end of 2008. Trade and bills payables turnover days were 127 days, which represents a slight increase compared with 113 days for the same period in 2008.

CAPITAL EXPENDITURE

During the reporting period, capital expenditure of the Group amounted to approximately RMB212 million, representing a substantial decrease from RMB1,362 million in the same period in 2008.

Management Discussion and Analysis

CASH FLOW

During this reporting period, net cash outflow from operating activities of the Group amounted to approximately RMB297 million as compared to net cash inflow of RMB2,263 million in the same period in 2008. Higher cash outflow in 2009 was due to increase in the pledged deposit amounted to approximately RMB2,560 million.

Net cash outflow from investing activities amounted to approximately RMB168 million as compared to RMB2,846 million in the same period in 2008.

Net cash inflow from financing activities amounted to approximately RMB133 million, a substantial decrease as compared to a net cash outflow from financing activities of approximately RMB2,177 million in the same period in 2008. This was mainly due to the share buyback in 2008.

PLEDGING OF ASSETS

As at 30 June 2009, the Group's pledged time deposits amounted to RMB7,400 million, pledged properties amounted to RMB1,745 million and pledged inventories amounted to RMB500 million.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

Except for the guarantees of RMB140 million given to banks in connection with bill facilities granted in favour of Dazhong Appliances, which was not provided in the statements, there were no material contingent liabilities as at the end of the reporting period. However, the Group had capital commitment of approximately RMB119 million at the end of the reporting period.

FOREIGN CURRENCIES AND TREASURY POLICY

All the Group's income and the majority of its expenses were denominated in Renminbi. However, as the Renminbi has been appreciating against the US Dollar, the Group's short-term US Dollar deposits have recorded an exchange loss in the reporting period. The Group has not hedged its foreign exchange exposure but may consider doing so in the 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 3% of the Group's current purchase are imported products, which are sourced indirectly from distributors in the PRC and the transactions are denominated in Renminbi.

FINANCIAL RESOURCES AND GEARING RATIO

The Group's capital expenditure and investments were funded from cash on hand, internal cash generation, convertible bonds and bank loans.

As at 30 June 2009, the total borrowings of the Group, being interest-bearing bank borrowings and convertible bonds amount to about RMB3,958 million. All of the total borrowings are current liabilities.

Management Discussion and Analysis

As at 30 June 2009, the debt to total equity ratio, which is expressed as a percentage of total borrowings amounted to RMB3,958 million over total equity amounted to RMB9,333 million of the Group decreased by 0.58 percentage points to 42.41% from 42.99% as at 31 December 2008.

HUMAN RESOURCES

As at 30 June 2009, the Group had 44,971 employees, down 7.65% from 48,697 at the end of 2008.

OUTLOOK AND PROSPECTS

Going forward, the Group will continue challenge itself in order to adapt to the ever-changing market. With the operating policy moving from rapid expansion to profit-orientation, the Group will continue to improve its consolidated gross profit margin by managing its products and improving the relationship with suppliers and simultaneously improve its operating efficiency by optimizing its store networks and adjusting its cost structure.

In respect of network optimization, the Group will continue to close low efficiency stores whilst opening new stores in first and second-tier cities. The Group will promote the operating model of the novel stores to the whole country based on the store revamp that have conducted during the reporting period. At the same time, the Group will further promote the leasing, rent cuts and surrender of leases so to reduce its rental expenses.

In enhancing the management of its product mix, the Group will continue to promote product differentiation and enhance the selling of exclusive products, OEM, ODM and products of its own brands. Meanwhile, the Group will also enhance the variety of its products, increase the share of small electrical appliances, home appliances, 3C products and accessories of 3C products so as to improve its overall gross profit margin. On the other hand, the Group will also focus on the improvement and alignment of its supplier contracts with an aim to achieve transparency.

The Group will actively take part in the national policy of government subsidies. The Group's sales will increase under the three major polices – "Go Rural Policy", "exchange old for new subsidy program" and "energy-saving subsidy program". In addition, the Group will further explore new businesses, with an aim to improve its overall profitability by developing electronic commerce business.

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 20 to 56 which comprises the condensed consolidated statement of financial position of Gome Electrical Appliances Holding Limited as at 30 June 2009 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and 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.

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
21 August 2009

Interim Condensed Consolidated Income Statement

For the six-month period ended 30 June 2009

	Notes	For the six-month period ended 30 June 2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000
Revenue	3(a)	**20,463,322**	24,873,694
Cost of sales		**(18,455,552)**	(22,498,846)
Gross profit		**2,007,770**	2,374,848
Other income and gain	3(b)	**1,364,053**	1,686,836
Selling and distribution costs		**(2,164,203)**	(2,163,691)
Administrative expenses		**(355,292)**	(375,917)
Other expenses		**(181,047)**	(250,384)
Profit from operating activities		**671,281**	1,271,692
Finance costs	6	**(108,350)**	(108,851)
Finance income	6	**164,068**	268,952
Gain/(loss) on the derivative component of convertible bonds	22	**23,210**	(11,400)
Profit before tax	5	**750,209**	1,420,393
Tax	7	**(165,273)**	(233,364)
Profit for the period		**584,936**	1,187,029
Attributable to:			
Equity holders of the parent		**580,308**	1,149,755
Minority interests		**4,628**	37,274
		584,936	1,187,029
Earnings per share attributable to ordinary equity holders of the parent	8		
– Basic		**RMB4.5 fen**	RMB8.9 fen
– Diluted		**RMB4.5 fen**	RMB8.9 fen

Interim Condensed Consolidated Statement of Comprehensive Income

For the six-month period ended 30 June 2009

	Note	For the six-month period ended 30 June 2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000
Profit for the period		**584,936**	1,187,029
Exchange differences on translation of foreign operations		**(2,917)**	(112,313)
Net gain/(loss) on other investments	11	**51,030**	(298,172)
Other comprehensive income/(loss) for the period, net of tax		**48,113**	(410,485)
Total comprehensive income for the period, net of tax		**633,049**	776,544
Attributable to:			
Equity holders of the parent		**628,421**	739,270
Minority interests		**4,628**	37,274
		633,049	776,544

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2009

	Notes	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	**3,871,815**	3,719,829
Investment properties		**389,470**	389,473
Goodwill	10	**3,361,012**	3,363,012
Other intangible assets		**129,720**	134,241
Other investments	11	**159,840**	108,810
Prepayments for acquisition of properties	12	**128,439**	270,160
Lease prepayments		**366,597**	355,089
Deferred tax assets		**15,564**	18,356
Other assets	13	**653,423**	653,423
Total non-current assets		**9,075,880**	9,012,393
CURRENT ASSETS			
Hong Kong listed investments, at fair value		**642**	399
Investment deposits		**–**	30,000
Designated loan	14	**3,600,000**	3,600,000
Inventories	15	**4,102,652**	5,473,497
Trade and bills receivables	16	**24,644**	45,092
Prepayments, deposits and other receivables	17	**1,350,252**	1,384,355
Due from related parties	18	**108,395**	57,843
Pledged deposits	19	**7,400,270**	4,840,456
Cash and cash equivalents	19	**2,716,254**	3,051,069
Total current assets		**19,303,109**	18,482,711
CURRENT LIABILITIES			
Interest-bearing bank loans	20	**310,000**	170,000
Trade and bills payables	21	**13,045,283**	12,917,958
Customers' deposits, other payables and accruals		**1,477,723**	1,530,141
Tax payable		**486,917**	529,148
Convertible bonds	22	**3,647,713**	–
Total current liabilities		**18,967,636**	15,147,247

Interim Condensed Consolidated Statement of Financial Position (continued)

As at 30 June 2009

	Notes	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
NET CURRENT ASSETS		**335,473**	3,335,464
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,411,353**	12,347,857
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**78,269**	78,269
Convertible bonds	22	**–**	3,569,553
Total non-current liabilities		**78,269**	3,647,822
Net assets		**9,333,084**	8,700,035
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	23	**331,791**	331,791
Reserves		**8,856,464**	8,228,043
		9,188,255	8,559,834
Minority interests		**144,829**	140,201
Total equity		**9,333,084**	8,700,035

Chen Xiao
Director

Ng Kin Wah
Director

Interim Condensed Consolidated Statement of Changes in Equity

For the six-month period ended 30 June 2009

	Attributable to equity holders of the parent											
	Issued capital *RMB'000*	Share premium *RMB'000*	Contributed surplus *RMB'000*	Capital reserve *RMB'000*	Asset revaluation reserve *RMB'000*	Other investment revaluation reserve *RMB'000*	Statutory reserves *RMB'000*	Exchange reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Minority interests *RMB'000*	Total equity *RMB'000*
At 1 January 2009	**331,791**	**6,207,709**	**657**	**(216,966)**	**24,319**	**14,850**	**761,077**	**(182,210)**	**1,618,607**	**8,559,834**	**140,201**	**8,700,035**
Profit for the period	-	-	-	-	-	-	-	-	580,308	580,308	4,628	584,936
Other comprehensive income	-	-	-	-	-	51,030	-	(2,917)	-	48,113	-	48,113
Total comprehensive income	-	-	-	-	-	51,030	-	(2,917)	580,308	628,421	4,628	633,049
At 30 June 2009 (unaudited)	**331,791**	**6,207,709**	**657**	**(216,966)**	**24,319**	**65,880**	**761,077**	**(185,127)**	**2,198,915**	**9,188,255**	**144,829**	**9,333,084**

		Attributable to equity holders of the parent										
	Notes	Issued capital *RMB'000*	Share premium *RMB'000*	Contributed surplus *RMB'000*	Capital reserve *RMB'000*	Other investment revaluation reserve *RMB'000*	Statutory reserves *RMB'000*	Exchange reserve *RMB'000*	Retained earnings *RMB'000*	Proposed dividend *RMB'000*	Total *RMB'000*	Minority interests *RMB'000*	Total equity *RMB'000*
At 1 January 2008		343,764	8,263,293	657	(216,966)	-	568,329	(80,593)	1,095,866	328,629	10,302,979	89,689	10,392,668
Profit for the period		-	-	-	-	-	-	-	1,149,755	-	1,149,755	37,274	1,187,029
Other comprehensive loss		-	-	-	-	(298,172)	-	(112,313)	-	-	(410,485)	-	(410,485)
Total comprehensive income		-	-	-	-	(298,172)	-	(112,313)	1,149,755	-	739,270	37,274	776,544
Repurchase and cancellation of shares	*23*	(11,973)	(2,055,584)	-	-	-	-	-	-	-	(2,067,557)	-	(2,067,557)
Disposal of a jointly-controlled entity		-	-	-	-	-	(210)	-	-	-	(210)	(21)	(231)
Dividends paid	*24*	-	-	-	-	-	-		12,025	(328,629)	(316,604)	-	(316,604)
Proposed 2008 interim dividend	*24*	-	-	-	-	-	-	-	(344,486)	344,486	-	-	-
At 30 June 2008 (unaudited)		331,791	6,207,709	657	(216,966)	(298,172)	568,119	(192,906)	1,913,160	344,486	8,657,878	126,942	8,784,820

Interim Condensed Consolidated Cash Flow Statement

For the six-month period ended 30 June 2009

	Notes	For the six-month period ended 30 June 2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**750,209**	1,420,393
Adjustments for:			
Finance income	6	**(164,068)**	(268,952)
Finance costs	6	**108,350**	108,851
(Gain)/loss on the derivative component of convertible bonds	22	**(23,210)**	11,400
Impairment of goodwill	5	**2,000**	–
Fair value (gain)/loss on Hong Kong listed investments	5	**(243)**	219
Depreciation	5	**166,871**	154,155
Loss/(gain) on disposal of items of property, plant and equipment	5	**2,934**	(671)
Gain on disposal of a jointly-controlled entity		**–**	(3)
Amortisation of lease prepayments		**–**	3,507
Amortisation of intangible assets	5	**4,521**	5,106
		847,364	1,434,005
Decrease/(increase) in lease prepayments		**8,375**	(37,782)
Decrease/(increase) in inventories		**1,370,845**	(33,231)
Decrease/(increase) in trade and bills receivables		**20,448**	(32,795)
Decrease in prepayments, deposits and other receivables		**135,541**	599,861
(Increase)/decrease in amounts due from related parties		**(50,552)**	2,956
Decrease in other financial assets		**–**	150,000
Increase in pledged deposits		**(2,559,814)**	(386,760)
Increase in trade and bills payables		**127,325**	745,572
(Decrease)/increase in customers' deposits, other payables and accruals		**(60,323)**	49,854
Cash generated from operations		**(160,791)**	2,491,680
Interest received		**68,856**	190,633
Dividends paid		**–**	(316,604)
PRC income tax paid		**(204,712)**	(103,135)
Net cash (outflow)/inflow from operating activities		**(296,647)**	2,262,574

Interim Condensed Consolidated Cash Flow Statement (continued)

For the six-month period ended 30 June 2009

	Notes	For the six-month period ended 30 June 2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000
Net cash (outflow)/inflow from operating activities		**(296,647)**	2,262,574
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(209,669)**	(776,616)
Proceeds from disposal of items of property, plant and equipment		**12,264**	16,349
Acquisition of other investments		**–**	(542,792)
Acquisition of a subsidiary		**–**	(8,000)
Payment of outstanding considerations for business combinations		**(2,760)**	(35,000)
Proceeds from disposal of investment deposits		**31,891**	–
Increase in a designated loan		**–**	(1,500,000)
Net cash outflow from investing activities		**(168,274)**	(2,846,059)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of shares	23	**–**	(2,067,557)
New bank loans		**460,000**	100,000
Repayment of bank loans		**(320,000)**	(200,000)
Interest paid	6	**(6,980)**	(9,661)
Net cash inflow/(outflow) from financing activities		**133,020**	(2,177,218)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(331,901)**	(2,760,703)
Cash and cash equivalents at 1 January		**3,051,069**	6,269,996
Exchange differences		**(2,914)**	(111,827)
CASH AND CASH EQUIVALENTS AT 30 JUNE		**2,716,254**	3,397,466
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	19	**2,623,964**	3,322,957
Non-pledged time deposits with original maturity of less than three months when acquired	19	**92,290**	74,509
Cash and cash equivalents		**2,716,254**	3,397,466

Notes to the Interim Financial Information

As at 30 June 2009

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 activities of the Company and its subsidiaries (the "**Group**") are the operations and management of networks of electrical appliances and consumer electronic products retail stores in the People's Republic of China (the "**PRC**").

As set out in the Company's announcements dated 24 November 2008, 28 November 2008, 10 December 2008, 24 December 2008, 18 January 2009 and 22 June 2009, the Company was verbally informed by the Beijing Municipal Public Security Bureau (the "**Bureau**") on 27 November 2008 that Mr. Wong Kwong Yu ("**Mr. Wong**"), the former chairman and the former executive director and a substantial shareholder of the Company, was being investigated by the Bureau in connection with certain suspected economic crime (the "**Investigation**"). The Company confirms that it has not received any legal documents in connection with the Investigation from any regulatory, governmental or judicial authority in the PRC. To the best of the knowledge, information and belief of the Company and based on the information available to the Company as at the date of this interim report, the Investigation is not related to the Group. Trading in the shares of the Company on the SEHK had been suspended with effect from 24 November 2008 and was resumed since 23 June 2009.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

BASIS OF PREPARATION

The unaudited interim financial information for the six-month period ended 30 June 2009 (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 annual financial statements, and should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2008.

Notes to the Interim Financial Information

As at 30 June 2009

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2008, except for the adoption of the new International Financial Reporting Standards ("**IFRSs**") and International Financial Reporting Interpretations Committee ("**IFRIC**") interpretations as of 1 January 2009, noted below:

IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
The standard has been amended to clarify the definition of vesting conditions and to prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

IFRS 7 *Financial Instruments: Disclosures*
The amended standard requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three-level hierarchy for each class of financial instrument. The amendments also clarify the requirements for liquidity risk disclosures. The adoption of this standard did not have any material impact on the Interim Financial Information.

IFRS 8 *Operating Segments*
This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. The Group has adopted IFRS 8 from 1 January 2009 and the segment information is disclosed in note 4 to the Interim Financial Information.

IAS 1 (Revised) *Presentation of Financial Statements*
The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

IAS 23 (Revised) *Borrowing Costs*
The standard has been revised to require capitalisation of borrowing costs on qualifying assets and the Group has amended its accounting policy accordingly. In accordance with the transitional requirements of the standard, this has been adopted as a prospective change. Therefore, borrowing costs have been capitalised on qualifying assets with a commencement date on or after 1 January 2009. No changes have been made for borrowing costs incurred prior to this date that have been expensed. The adoption of this standard did not have any material impact on the financial position or performance of the Group.

Notes to the Interim Financial Information

As at 30 June 2009

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

IAS 32 *Financial Instruments*: *Presentation* and IAS 1 Presentation of Financial Statements – *Puttable Financial Instruments and Obligations Arising on Liquidation*
The standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfill a number of specified criteria. The adoption of these amendments did not have any material impact on the financial position or performance of the Group.

IFRIC 13 *Customer Loyalty Programmes*
This interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognised as revenue over the period that the award credits are redeemed. The adoption of this interpretation did not have any material impact on the financial position or performance of the Group.

IFRIC 9 *Reassessment of Embedded Derivatives* and IAS *39 Financial Instruments: Recognition and Measurement*
These amendments to IFRIC 9 require an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss. The adoption of this interpretation did not have any material impact on the financial position or performance of the Group.

IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*
The interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such, it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. As the Group currently has no hedge of a net investment in a foreign operation, the interpretation did not have any financial impact on the financial position or performance of the Group.

Improvements to IFRSs
In May 2008, the Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

Notes to the Interim Financial Information

As at 30 June 2009

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

IAS 1 *Presentation of Financial Statements:* Assets and liabilities classified as held for trading in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* are not automatically classified as current in the statement of financial position. The Group amended its accounting policy accordingly and analysed whether management's expectation of the period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any re-classification of financial instruments between current and non-current in the statement of financial position.

IAS 16 *Property, Plant and Equipment:* Replace the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

IAS 23 *Borrowing Costs:* The definition of borrowing costs is revised to consolidate the two types of items that are considered components of "borrowing costs" into one – the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39. The Group has amended its accounting policy accordingly which did not result in any change in its financial position.

The amendments to the following standards below did not have any impact on the accounting policies, financial position or performance of the Group:

IFRS 5	*Non-current Assets Held for Sale and Discontinued Operations*
IFRS 7	*Financial Instruments: Disclosures*
IAS 8	*Accounting Policies, Changes in Accounting Estimates and Errors*
IAS 10	*Events after the Reporting Period*
IAS 16	*Property, Plant and Equipment*
IAS 18	*Revenue*
IAS 19	*Employee Benefits*
IAS 20	*Accounting for Government Grants and Disclosure of Government Assistance*
IAS 27	*Consolidated and Separate Financial Statements*
IAS 28	*Investments in Associates*
IAS 31	*Interests in Joint ventures*
IAS 34	*Interim Financial Reporting*
IAS 36	*Impairment of Assets*
IAS 38	*Intangible Assets*
IAS 39	*Financial Instruments: Recognition and Measurement*

Notes to the Interim Financial Information

As at 30 June 2009

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	
	2009	2008
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Sale of electrical appliances and consumer electronic products	**20,463,322**	24,873,694

(b) Other income and gain comprises the following:

		For the six-month period ended 30 June	
		2009	2008
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
Income from suppliers		**1,076,955**	1,228,972
Management fees:			
– from the Non-listed GOME Group	*(i)*	**106,333**	135,402
– from Dazhong Appliances	*(ii)*	**–**	58,146
Management fees for air-conditioner installation		**40,976**	53,060
Rental income		**77,506**	91,987
Government grants	*(iii)*	**7,660**	16,830
Other service fee income		**30,195**	40,560
Others		**24,428**	61,879
		1,364,053	1,686,836

Notes:

(i) The Non-listed GOME Group is defined in note 26 to the Interim Financial Information.

(ii) The Group entered into a management agreement (the "**Management Agreement**") with Beijing Zhansheng Investment Co., Ltd. ("**Beijing Zhansheng**") on 14 December 2007. Pursuant to the Management Agreement, the Group manages and operates the retailing business of Beijing Dazhong Home Appliances Retail Co., Ltd. ("**Dazhong Appliances**") for management fees. Pursuant to the Management Agreement, no management fees will be payable to the Group when the net profit of Dazhong Appliances is less than the interest expenses for the designated loan as disclosed in note 14 to the Interim Financial Information.

(iii) 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 Interim Financial Information

As at 30 June 2009

4. SEGMENT INFORMATION

The Group has one reportable operating segment which is the operations and management of networks of electrical appliances and consumer electronic retail stores in the PRC.

The corporate office in Hong Kong does not earn revenues and is not classified as an operating segment.

OPERATING SEGMENTS

The following table presents revenue and profit information for the six-month periods ended 30 June 2009 and 2008, respectively.

Six-month period ended 30 June 2009 (unaudited)

	Operations and management of networks of electrical appliances and consumer electronic retail stores *RMB'000*	Adjustments *RMB'000*	Total *RMB'000*
Revenue	20,463,322	–	20,463,322
Other income and gain	1,360,890	3,163	1,364,053
Segment profit before tax	837,547	*(87,338)	750,209

* The profit from the operations and management of networks of electrical appliances and consumer electronic retail stores segment does not include interest expenses on convertible bonds amounting to RMB101,370,000, the fair value gain on the derivative component of convertible bonds amounting to RMB23,210,000 and finance income and other expenses incurred for the corporate office in Hong Kong amounting to RMB6,622,000 and RMB15,800,000, respectively.

Notes to the Interim Financial Information

As at 30 June 2009

4. SEGMENT INFORMATION (continued)

Six-month period ended 30 June 2008 (unaudited)

	Operations and management of networks of electrical appliances and consumer electronic retail stores *RMB'000*	Adjustments *RMB'000*	Total *RMB'000*
Revenue	24,873,694	–	24,873,694
Other income and gain	1,686,494	342	1,686,836
Segment profit before tax	1,553,619	*(133,226)	1,420,393

* The profit from the operations and management of networks of electrical appliances and consumer electronic retail stores segment does not include interest expenses on convertible bonds amounting to RMB99,190,000, the fair value loss on the derivative component of convertible bonds amounting to RMB11,400,000 and finance income and other expenses incurred for the corporate office in Hong Kong amounting to RMB74,634,000 and RMB97,270,000, respectively.

The following table presents segment assets as at 30 June 2009 and 31 December 2008:

Segment assets	Operations and management of networks of electrical appliances and consumer electronic retail stores *RMB'000*	Adjustments *RMB'000*	Total *RMB'000*
At 30 June 2009	27,158,574	*1,220,415	28,378,989
At 31 December 2008	26,266,335	#1,228,769	27,495,104

* As at 30 June 2009, the segment assets do not include cash and cash equivalents and pledged deposits in Hong Kong amounting to RMB1,196,451,000 as these assets are managed on a group basis.

\# As at 31 December 2008, the segment assets do not include cash and cash equivalents and pledged deposits in Hong Kong amounting to RMB1,208,526,000 as these assets are managed on a group basis.

Notes to the Interim Financial Information

As at 30 June 2009

5. PROFIT BEFORE TAX

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

		For the six-month period ended 30 June	
		2009	2008
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
Cost of inventories sold		**18,455,552**	22,498,846
Depreciation		**166,871**	154,155
Amortisation of intangible assets		**4,521**	5,106
Loss/(gain) on disposal of items of property, plant and equipment		**2,934**	(671)
Minimum lease payments under operating leases in respect of land and buildings		**1,086,403**	996,891
Gross rental income	*3(b)*	**(77,506)**	(91,987)
Management fees from Dazhong Appliances	*3(b)*	**–**	(58,146)
Interest income from Beijing Zhansheng	*6*	**(91,099)**	(95,449)
(Gain)/loss on the derivative component of convertible bonds	*22*	**(23,210)**	11,400
Fair value (gain)/loss on Hong Kong listed investments		**(243)**	219
Net exchange (gain)/loss		**(4,128)**	73,024
Impairment of goodwill	*10*	**2,000**	–
Impairment of trade receivables and other receivables		**21,724**	2,379
Auditors' remuneration		**4,000**	3,500
Staff costs excluding directors' remuneration:			
Wages, salaries and bonuses		**534,435**	550,324
Pension scheme contributions		**128,888**	102,019
Social welfare and other costs		**3,025**	10,844
		666,348	663,187

Notes to the Interim Financial Information

As at 30 June 2009

6. FINANCE (COSTS)/INCOME

	Notes	For the six-month period ended 30 June 2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000
Finance costs:			
Interest on bank loans wholly repayable within five years		**(6,980)**	(9,661)
Interest expenses on convertible bonds	22	**(101,370)**	(99,190)
		(108,350)	(108,851)
Finance income:			
Bank interest income		**72,969**	173,503
Other interest income	*(i)*	**91,099**	95,449
		164,068	268,952

Note:

(i) Other interest income represented interest income from the RMB3,600 million designated loan (note 14) to Beijing Zhansheng through the Beijing Branch of Industrial Bank Co., Ltd. The relevant interest rate is 5.103% (2008: 6.561%) per annum, which is determined by reference to the interest rate published by the People's Bank of China.

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 2008: 25%) on their respective taxable income. During the current period, 22 entities (six-month period ended 30 June 2008: 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 2008 and 2009 as the Group had no assessable profits arising in Hong Kong for each of the periods.

Notes to the Interim Financial Information

As at 30 June 2009

7. TAX (continued)

An analysis of the provision for tax is as follows:

	For the six-month period ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current income tax – PRC	**162,481**	224,906
Deferred income tax	**2,792**	8,458
	165,273	233,364

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

The basic earnings per share amount 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 in issue 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 in issue 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.

Notes to the Interim Financial Information

As at 30 June 2009

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

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	
	2009	2008
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Earnings:		
Profit attributable to ordinary equity holders of the parent	**580,308**	1,149,755

		Number of shares for the six-month period ended 30 June	
		2009	2008
		(Unaudited)	(Unaudited)
	Note	***'000***	*'000*
Weighted average number of ordinary shares for the basic earnings per share calculation		**12,758,756**	12,851,668
Effect of dilution:			
Warrants	*(i)*	**–**	48,946
Weighted average number of ordinary shares adjusted for the effect of dilution		**12,758,756**	12,900,614

Notes:

(i) During the six-month period ended 30 June 2009, the average quoted market price of the Company's shares was less than the exercise price of the warrants. Therefore, the warrants had an anti-dilutive effect on the basic earnings per share for the period and were ignored in the calculation of diluted earnings per share.

(ii) The convertible bonds are anti-dilutive for the six-month periods ended 30 June 2008 and 2009 and are ignored in the calculation of diluted earnings per share for each of the periods.

Notes to the Interim Financial Information

As at 30 June 2009

9. PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 June 2009, the Group acquired items of property, plant and equipment at a total cost of RMB334 million (six-month period ended 30 June 2008: RMB766 million). Items of property, plant and equipment with a net carrying amount of RMB15.2 million (six-month period ended 30 June 2008: RMB15.7 million) were disposed of during the six-month period ended 30 June 2009.

As at 30 June 2009, the legal formality for the transfer of title of certain properties in the PRC with an aggregate carrying value of RMB269 million (31 December 2008: RMB269 million) was still in progress. In the opinion of the directors, the transfer procedures will be completed before the end of 2009.

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 2009. The aggregate carrying amount of the pledged buildings as at 30 June 2009 amounted to RMB1,388,220,000 (31 December 2008: RMB753,846,000).

10. GOODWILL

	RMB'000
At 1 January 2009	
Cost	3,371,012
Accumulated impairment	(8,000)
Net carrying amount	3,363,012
Cost at 1 January, net of accumulated impairment	3,363,012
Impairment during the period *(note i)*	(2,000)
At 30 June 2009, net of accumulated impairment (unaudited)	3,361,012
At 30 June 2009	
Cost	3,371,012
Accumulated impairment	(10,000)
Net carrying amount	3,361,012

Note:

(i) The impairment loss recognised during the current period is attributable to the goodwill arising from the acquisition of business from Wuhan Zhongshang Group Company Limited.

Notes to the Interim Financial Information

As at 30 June 2009

11. OTHER INVESTMENTS

	30 June 2009 (Unaudited) *RMB'000*	31 December 2008 (Audited) *RMB'000*
PRC listed equity investments, at fair value	**159,840**	108,810

The balance as at 30 June 2009 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 at 30 June 2009 and 31 December 2008. The fair value of these investments is based on the quoted market prices of the listed shares, which was RMB5.92 per share at 30 June 2009. 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. Impairment loss recognised in profit or loss for an investment in an equity instrument classified as available for sale will not be reversed through profit or loss.

According to a public announcement of Sanlian dated 2 February 2009, the Group has nominated two independent directors and three executive directors to the board of directors of Sanlian. Such nominations have been approved by the shareholders of Sanlian at a shareholders' meeting on 2 February 2009. Of the seven directors of Sanlian, five were nominated by the Group. The nominations of directors are subject to the shareholders' approval of Sanlian. 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 and thus, the Group does not have control or significant influence over Sanlian.

Notes to the Interim Financial Information

As at 30 June 2009

12. PREPAYMENTS FOR ACQUISITION OF PROPERTIES

	Notes	**30 June 2009 (Unaudited)** ***RMB'000***	31 December 2008 (Audited) *RMB'000*
Prepayment to Wuhan Yinhe Property Co., Ltd.	*(i)*	**107,315**	107,315
Prepayments for acquisition of properties	*(ii)*	**21,124**	162,845
		128,439	270,160

Notes:

(i) The balance represented the prepayment to a vendor, Wuhan Yinhe Property Co., Ltd. ("**Wuhan Yinhe**"), pursuant to a sales and purchase agreement date 13 July 2008. Subsequent to the balance sheet date, the Group has initiated legal proceedings to void the sales and purchase agreement because of the default of the vendor to deliver the underlying properties. Please refer to note 28 (a) to the Interim Financial Information for further details.

(ii) The balances represented deposits for the acquisition of certain commercial properties in the PRC. Management expects that these acquisition transactions will be completed within 2009.

13. OTHER ASSETS

The balance represented loans to Mr. Chen Xiao, the Chairman of the Company, and other minority shareholders of Yongle (China) Electrical Retail Co., Ltd. ("**Yongle (China)**"), a 90%-owned PRC subsidiary of the Group. The loans are secured by a 10% interest in the registered capital of Yongle (China) and are interest-free. They form part of the transactions to acquire the remaining 10% equity interest of Yongle (China) by the Group and will be utilised to settle part of the purchase considerations. Further details of the acquisition transactions are disclosed in note 26(c) to the Interim Financial Information. Among the outstanding balance of the loans as at 30 June 2009 and 31 December 2008 of RMB653,423,000, RMB474,360,000 was due from Mr. Chen Xiao.

14. DESIGNATED LOAN

The designated loan of RMB3,600 million as at 30 June 2009 (31 December 2008: RMB3,600 million) represented the aggregate amount of loans provided to Beijing Zhansheng by the Group, through the Beijing Branch of Industrial Bank Co., Ltd. (the "**Bank**"). The loan had a maturity date on 12 December 2009 and the interest rate was 5.103% per annum.

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 interests arising in relation to the relevant share capital) in favour of the Group.

Notes to the Interim Financial Information

As at 30 June 2009

14. DESIGNATED LOAN (continued)

In addition, pursuant to an option agreement dated 14 December 2007, Beijing Zhansheng irrevocably granted the Group an option (the "**Purchase Option**"), on an exclusive basis, for the Group or any party(ies) designated by the Group to acquire all or part of the registered share capital of Dazhong Appliances held by Beijing Zhansheng, subject to the terms and conditions of the option agreement.

As at the date of this report, the directors of the Company are yet to decide on the exercise of the Purchase Option and the outcome of the Company's decision cannot be presently determined.

15. INVENTORIES

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Merchandise for resale	**3,996,271**	5,391,740
Consumables	**106,381**	81,757
	4,102,652	5,473,497

As at 30 June 2009, certain of the Group's inventories amounting to RMB500 million (31 December 2008: RMB700 million) were pledged as security for the Group's bank loans and bills payable (note 21).

16. 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 terms offered to customers are generally one month.

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:

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Outstanding balances, aged:		
Within 3 months	**24,145**	41,787
3 to 6 months	**9**	1,615
6 months to 1 year	**–**	1,043
Over 1 year	**490**	647
	24,644	45,092

The balance of trade and bills receivables as at 31 December 2008 includes an amount of receivables from Dazhong Appliances of approximately RMB10,235,000 which was fully settled during the current period.

Notes to the Interim Financial Information

As at 30 June 2009

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Prepayments	(i)	295,691	335,538
Advances to suppliers		491,847	425,151
Other deposits and receivables		227,557	379,608
Management fees receivable from Dazhong Appliances		36,059	36,059
Interest income receivable from Beijing Zhansheng		299,098	207,999
		1,350,252	1,384,355

(i) The balance includes the current portion of the rental prepayments to Beijing Centergate Technologies (Holding) Co., Ltd. ("**Centergate Technologies**"), a related company as further defined in note 26(a) to the Interim Financial Information, amounting to RMB6,612,000 (note 26(a)(vi)) as at 30 June 2009 (31 December 2008: RMB6,612,000).

18. DUE FROM RELATED PARTIES

	Note	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Receivables from the Non-listed GOME Group	(i)	102,170	57,656
Others		6,225	187
		108,395	57,843

Note:

(i) The balance mainly represented the management fee due from the Non-listed GOME Group (note 26(a)(ii)). The aforesaid balance was interest-free and unsecured.

Notes to the Interim Financial Information

As at 30 June 2009

19. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		30 June 2009 (Unaudited) *RMB'000*	31 December 2008 (Audited) *RMB'000*
Cash and bank balances		**2,623,964**	2,055,835
Time deposits		**7,492,560**	5,835,690
		10,116,524	7,891,525
Less: Pledged time deposits:			
Pledged for bills payable		**(6,512,107)**	(4,639,192)
Pledged for bank acceptance credit	*	**(888,163)**	(201,264)
		(7,400,270)	(4,840,456)
Cash and cash equivalents		**2,716,254**	3,051,069

* On 25 March 2009, the Group's time deposits of US$130,000,000 (equivalent to RMB888,163,000) were pledged to Standard Chartered Bank in respect of the new banking facilities available to the Group.

The cash and cash equivalents and the time deposits of the Group amounting to RMB8,824,013,000 as at 30 June 2009 (31 December 2008: RMB6,585,823,000) 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 of the Group earn interest at floating rates based on applicable 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.

The carrying amounts of the cash and cash equivalents and pledged time deposits of the Group approximate to their fair values.

Notes to the Interim Financial Information

As at 30 June 2009

20. INTEREST-BEARING BANK LOANS

	30 June 2009 (Unaudited) *RMB'000*	31 December 2008 (Audited) *RMB'000*
PRC bank loans – secured, within one year	**310,000**	170,000

The Group's bank loans are all denominated in RMB and bear interest at rates ranging from 4.860% to 5.841% per annum.

21. TRADE AND BILLS PAYABLES

	30 June 2009 (Unaudited) *RMB'000*	31 December 2008 (Audited) *RMB'000*
Trade payables	**3,611,803**	4,431,020
Bills payable	**9,433,480**	8,486,938
	13,045,283	12,917,958

An aged analysis of the trade and bills payables as at the balance sheet date, based on the goods receipt date, is as below:

	30 June 2009 (Unaudited) *RMB'000*	31 December 2008 (Audited) *RMB'000*
Outstanding balances, aged:		
Within 3 months	**9,296,734**	8,933,715
3 to 6 months	**3,436,600**	3,553,829
Over 6 months	**311,949**	430,414
	13,045,283	12,917,958

Notes to the Interim Financial Information

As at 30 June 2009

21. TRADE AND BILLS PAYABLES (continued)

The Group's bills payable 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 RMB356,682,000 (31 December 2008: RMB300,216,000);

(iii) the pledge of certain of the Group's inventories (note 15);

(iv) the pledge of the Group's time deposits (note 19);

(v) the bank acceptance credit in favour of the Group. The bank acceptance credit was secured by the Group's time deposits (note 19); and

(vi) the guarantees provided by the Non-listed GOME Group, Mr. Wong and Mr. Chen Xiao as at 30 June 2009 (note 26(a)(iv)).

22. CONVERTIBLE BONDS

	30 June 2009 (Unaudited) *RMB'000*	31 December 2008 (Audited) *RMB'000*
Liability components	**3,673,203**	3,571,833
Derivative components	**(25,490)**	(2,280)
	3,647,713	3,569,553
Classified as current liabilities	**(3,647,713)**	–
Non-current liabilities	**–**	3,569,553

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

Notes to the Interim Financial Information

As at 30 June 2009

22. CONVERTIBLE BONDS (continued)

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

(i) 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;

(ii) redeemable at the option of the bondholders on 18 May 2010, being the third anniversary of the issue date, in a USD amount equivalent to their RMB principal amount multiplied by 102.27% and on 18 May 2012, being the fifth anniversary of the issue date, in a USD amount equivalent to their RMB principal amount multiplied by 103.81%; and

(iii) redeemable at the option of the Company at any time after 18 May 2010 and prior to 18 May 2014 in all or some of the bonds for the time being outstanding at the US dollar equivalent of their early redemption amount as at the date fixed for redemption, providing the prices of the Company's shares for each of 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 (a) its principal amount outstanding; (b) the interest accrued; and (c) a premium calculated at 5.38% of the principal amount. The settlement of the convertible bonds will be in USD using the spot rate prevailing at the date of transaction.

Pursuant to the Company's announcements dated 5 July 2009 and 3 August 2009, the conversion price of the 2014 Convertible Bonds has been adjusted from HK$4.96 per share to HK$4.46 per share in accordance with the terms and conditions of the 2014 Convertible Bonds as a result of the open offer and issuance of the 2016 convertible bonds as disclosed in note 28 to the Interim Financial Information.

The Company has reclassified the convertible bonds from non-current liabilities to current liabilities during the current period as the 2014 Convertible Bonds are redeemable at the option of the bondholders on 18 May 2010 in accordance with the terms and conditions of the 2014 Convertible Bonds.

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As at 30 June 2009

22. CONVERTIBLE BONDS (continued)

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

	Liability component of convertible bonds *RMB'000*	Derivative component of convertible bonds *RMB'000*	Equity component of convertible bonds *RMB'000*	Total *RMB'000*
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	315,863	–	–	315,863
Fair value adjustment	–	141,320	–	141,320
At 31 December 2008 (audited)	3,571,833	(2,280)	1,415,770	4,985,323
Interest expenses	101,370	–	–	101,370
Fair value adjustment	–	(23,210)	–	(23,210)
At 30 June 2009 (unaudited)	3,673,203	(25,490)	1,415,770	5,063,483

The fair values of the derivative component are determined based on the valuations performed by Vigers Appraisal & Consulting Limited, an independent firm of professionally qualified valuers, using the applicable option pricing model.

Notes to the Interim Financial Information

As at 30 June 2009

23. ISSUED CAPITAL

	Number of shares '000	HK$'000	Equivalent to RMB'000
Authorised:			
Ordinary shares of HK$0.025 each at 1 January and 30 June 2009	200,000,000	5,000,000	5,300,000
Issued and fully paid:			
Ordinary shares of HK$0.025 each at 1 January and 30 June 2009	12,758,756	318,970	331,791

Note:

In January and February 2008, the Company repurchased in aggregate of 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. Please refer to note 28(d) to the Interim Financial Information for the enforcement news of the Securities and Futures Commission and the Company's announcements dated 7 August 2009.

24. DIVIDENDS

	For the six-month period ended 30 June	
	2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000
Declared and paid during the period		
Equity dividends on ordinary shares:		
Final dividend per share for 2008: Nil (2007: HK10.6 cents (equivalent to RMB9.9 fen))	–	316,604
Proposed (not recognised as a liability as at 30 June)		
Interim dividend per share for 2009: Nil (2008: HK3.0 cents (equivalent to RMB2.7 fen))	–	344,486

Notes to the Interim Financial Information

As at 30 June 2009

25. 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 life 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:

	30 June 2009 (Unaudited) ***RMB'000***	31 December 2008 (Audited) *RMB'000*
Within one year	**1,980,449**	1,993,406
In the second to fifth years, inclusive	**6,405,990**	6,969,730
After five years	**3,555,226**	4,171,095
	11,941,665	13,134,231

As defined under IAS 17, a non-cancellable lease is a lease that is cancellable only (a) upon the occurrence of some remote contingencies; (b) with the permission of the lessor; (c) if the lessee enters into a new lease for the same or an equivalent asset with the same lessor; or (d) upon payment by the lessee of such an additional amount that, at inception of the lease, continuation of the lease is reasonably certain.

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.

As lessor

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

Notes to the Interim Financial Information

As at 30 June 2009

25. OPERATING LEASE ARRANGEMENTS AND COMMITMENTS (continued)

(a) OPERATING LEASE COMMITMENTS (continued)

As lessor (continued)

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

	30 June 2009 (Unaudited) *RMB'000*	31 December 2008 (Audited) *RMB'000*
Within one year	**187,054**	164,692
In the second to fifth years, inclusive	**346,187**	370,014
After five years	**157,970**	198,317
	691,211	733,023

(b) CAPITAL COMMITMENTS

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

	30 June 2009 (Unaudited) *RMB'000*	31 December 2008 (Audited) *RMB'000*
Contracted, but not provided for:		
Acquisition of buildings	**118,571**	500,862

(c) ACQUISITION COMMITMENTS

As at 30 June 2009, the Group had commitments attributable to the acquisition of the remaining 10% interest of Yongle (China) amounting to RMB811,081,000 (note 26(c)). The balance of the Group's loans to the vendors of RMB653,423,000 as at 30 June 2009 will be utilised to settle part of the purchase considerations on the date of completion of the relevant acquisition transactions.

As at the date of approval of the Interim Financial Information, the parties are in the process of obtaining approval from the relevant PRC government authorities regarding to the acquisition transactions.

Notes to the Interim Financial Information

As at 30 June 2009

26. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances which are disclosed in notes 13, 17, 18 and 25(c) to the Interim Financial Information, the Group had the following significant transactions with the related parties.

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

		For the six-month period ended 30 June	
		2009	2008
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
Sales to the Non-listed GOME Group	*(i)*	**234,259**	19,589
Purchases from the Non-Listed GOME Group	*(i)*	**(86,831)**	–
Provision of management and purchasing services to the Non-Listed GOME Group	*(ii)&3(b)*	**106,333**	134,391
Rental expenses to Beijing Xinhengji	*(iii)*	**(2,112)**	(1,837)
Provision of guarantees from the Non-Listed GOME Group, Mr. Wong and Mr. Chen Xiao in respect of the Group's bills and loan facilities	*(iv)*	**1,380,000**	353,573
Rental income from a related party	*(v)*	**262**	250
Rental expenses to Centergate Technologies	*(vi)*	**3,306**	3,306

The Non-listed GOME Group comprises Beijing Eagle Investment Co., Ltd., Beijing Gome Electrical Appliance Co., Ltd., Gome Electrical Appliance Retail 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 Non-listed GOME Group are owned by Mr. Wong, a substantial shareholder of the Company. Beijing Xinhengji Property Co., Ltd. ("**Beijing Xinhengji**") is owned by a close member of the family of Mr. Wong.

Centergate Technologies is a listed company in the PRC in which Mr. Wong had significant influence. Mr. Wong ceased to be the chairman and director of the Company with effect from 16 January 2009.

Notes to the Interim Financial Information

As at 30 June 2009

26. RELATED PARTY TRANSACTIONS (continued)

(a) (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 third party suppliers.

(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. The amount of the management service fee and the purchasing service fee was charged based on 0.6% and 0.9%, respectively, of the total turnover of the Non-listed GOME Group, pursuant to a management agreement and a purchasing service agreement entered into between the Group and the Non-listed GOME Group.

On 22 June 2009, Jinan Wansheng Yuan Economic Consulting Company Limited ("Jinan Wansheng Yuan"), an indirect wholly-owned subsidiary of the Company, entered into a management agreement with the Non-listed GOME Group, pursuant to which Jinan Wansheng Yuan will provide and will procure other members of the Group to provide management services to the Non-listed GOME Group for a period of three years from 1 January 2010 to 31 December 2012. In addition, Kunming Hengda Logistics Company Limited ("Kunming Hengda"), an indirect wholly-owned subsidiary of the Company, entered into a purchasing service agreement with the Non-listed GOME Group, pursuant to which Kunming Hengda will provide purchasing services to the Non-listed GOME Group for a period of three years from 1 January 2010 to 31 December 2012. The amount of the management service fee and the purchasing service fee will be charged based on 0.6% and 0.9% respectively of the total turnover of the Non-listed GOME Group.

(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 provision of guarantees is at nil consideration.

(v) The Company's subsidiaries, Hong Kong Punching Centre Limited and China Eagle Management Limited, received operating lease rentals from GOME Home Appliances (Hong Kong) Limited, a company owned by Mr. Wong, totalling RMB262,000 (six-month period ended 30 June 2008: RMB250,000) during the period.

(vi) In November 2007, the Group entered into a lease agreement with Centergate Technologies to lease certain commercial properties for the Group's retail operations for a period from 1 December 2007 to 30 November 2020 with a prepaid rental of RMB85,952,000. The balance of the rental prepayments at 30 June 2009 amounted to RMB75,483,000 (31 December 2008: RMB78,789,000), among which RMB68,871,000 (31 December 2008: RMB72,177,000) was classified as long term and RMB6,612,000 (31 December 2008: RMB6,612,000) (note 17) was classified as short term in the Interim Financial Information.

(b) Compensation of key management of the Group:

	For the six-month period ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Fees	**926**	762
Other emoluments:		
Salaries, allowances, bonuses and other benefits	**3,090**	4,243
Pension costs	**87**	54
	4,103	5,059

Notes to the Interim Financial Information

As at 30 June 2009

26. RELATED PARTY TRANSACTIONS (continued)

(c) Transactions to acquire the remaining 10% equity interest of Yongle (China) Electrical Retail Co., Ltd. ("**Yongle (China)**")

On 28 August 2008, the Group and Mr. Chen Xiao, Chairman of the Company, Ms. Shu Wei, Mr. Liu Hui, Mr. Yuan Yashi and Shanghai Hegui Property Management Co., Ltd. ("**Shanghai Hegui**") (collectively referred to as the "**Vendors**") entered into the following transactions.

Pursuant to the sales and purchase agreements, the Group agreed to acquire and the Vendors agreed to sell the remaining 10% equity interest of Yongle (China), a 90%-owned subsidiary of the Group, at a total cash consideration of RMB811,081,000. Among the total cash consideration, RMB587,949,000 was related to the acquisition of an approximately 7.25% equity interest in Yongle (China) held by Mr. Chen Xiao. The completion of the acquisition transactions is conditional on the fulfilment of certain conditions including approvals from the PRC government authorities.

The Group also agreed to provide loans in the total amount of RMB653,423,000 to the Vendors other than Shanghai Hegui (the "**Borrowers**"). The loans are secured by (i) the pledge of each of the Vendors' interests in Yongle (China); and (ii) a personal guarantee in favour of the Group from Mr. Chen Xiao in respect of the fulfilment obligations of the Borrowers. The loans are interest-free and will be utilised by the Group to settle the purchase considerations upon the date of completion of the acquisition transactions. Early repayment of the loans could not be made without the prior written consent from the Group.

The parties also entered into the entrustment agreements pursuant to which each of the Vendors agreed to exercise the voting rights attaching to their 10% equity interest in Yongle (China) as the Group may direct.

The Vendors also granted to the Group an exclusive option to acquire all or any part of the 10% equity interest of Yongle (China) from the vendors for RMB811,081,000 or a proportional sum of RMB811,081,000.

Among the outstanding balance of the loans of RMB653,423,000 (note 13), RMB474,360,000 was due from Mr. Chen Xiao.

Up to the date of this report, the Group and the Vendors are in the process of obtaining the approval from the relevant PRC government authorities and the Company's directors estimate that the transactions will be completed within the year 2009.

Notes to the Interim Financial Information

As at 30 June 2009

27. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the Interim Financial Information were as follows:

	30 June 2009 (Unaudited) *RMB'000*	31 December 2008 (Audited) *RMB'000*
Guarantees given to banks in connection with bill facilities granted in favour of: Dazhong Appliances	**140,268**	242,901

Other than the above, the Group did not have any significant contingent liabilities at the balance sheet date.

28. POST BALANCE SHEET EVENTS

(a) LITIGATION IN RELATION TO THE ACQUISITION OF A PROPERTY

On 13 July 2008, the Group entered into a sales and purchase agreement with Wuhan Yinhe, an independent third party vendor, to acquire the first to the fourth floors of a commercial property located in Wuhan, the PRC, for a total cash consideration of RMB214,629,000. Pursuant to the agreement, the Group paid an amount of RMB107,315,000 (note 12(i)), representing 50% of the total purchase consideration, to the vendor in 2008 and the remaining balance was payable upon the completion and hand over of the property.

Due to the default of the vendor to fulfill its obligation under the sales and purchase agreement, on 6 July 2009, the Group applied to the Hubei Provincial People's High 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.

On 30 July 2009, the Group filed a civil complaint against Wuhan Yinhe with the Hubei Provincial People's High Court and requested (i) to void the sales and purchase agreement and its supplementary agreement; (ii) the defendant to refund the consideration by the Group of RMB107,315,000, in addition to interest calculated based on the prevailing interest rate as published by the People's Bank of China; (iii) the defendant to pay other compensation for damages; and (v) the defendant to bear the litigation expenses. The aggregate amount of the claims under items (ii) and (iii) is approximately RMB214,861,000.

Up to the date of the Interim Financial Information, the case was pending for the court's decisions. The directors of the Company have consulted the Group's PRC legal advisers and consider that the Group has a strong case against Wuhan Yinhe.

Notes to the Interim Financial Information

As at 30 June 2009

28. POST BALANCE SHEET EVENTS (continued)

(b) OPEN OFFER

On 22 June 2009, the Company announced an open offer of not less than 2,296,576,044 open offer shares and not more than 2,484,657,375 open offer shares at the subscription price of HK$0.672 per open offer share on the basis of 18 open offer shares for every 100 existing shares held by the qualifying shareholders on the record date and payable in full on application. Further details have been provided in the Company's circular dated 13 July 2009.

Upon the completion of the open offer on 31 July 2009, 2,296,576,044 shares of the Company have been issued and fully paid and 816,321,278 shares of which are subscribed by Mr. Wong and his associates. The aggregate amount of proceeds from the open offer of shares is HK$1,543,299,000 (before offering costs) based on HK$0.672 per open offer share and will be applied by the Company for general working capital purposes and in connection with the 2014 convertible bonds.

(c) 2016 CONVERTIBLE BONDS

On 22 June 2009, the Company announced that the Company and Bain Capital Glory Limited ("**Bain Capital**") have entered into the investment agreement pursuant to which Bain Capital has conditionally agreed to subscribe for the 2016 convertible bonds at an aggregate consideration of approximately US$233 million (equivalent to approximately RMB1,590 million). Further details have been provided in the Company's announcement dated 22 June 2009.

On 3 August 2009, the subscription of the 2016 convertible bonds has been completed.

(d) ENFORCEMENT ACTION BY THE SECURITIES AND FUTURES COMMISSION

On 7 August 2009, the Securities and Futures Commission ("**SFC**") of the Hong Kong Special Administrative Region announced that the High Court has granted an interim injunction to freeze assets of up to HK$1,655,167,000 in relation to the former chairman of GOME Electrical Appliances Holding Ltd, Mr. Wong, his wife Ms. Du Juan and two companies.

Mr. Wong and Ms. Du Juan are alleged to have organised a share repurchase by the Company in January and February 2008 in order to use the Company's funds to buy shares originally held by Mr. Wong so that Mr. Wong could use the proceeds of that share sale to repay a HK$2.4 billion personal loan to a financial institution.

The SFC alleges that the share repurchase had a negative impact on the Company's financial position and was not in the best interests of the Company and its shareholders. The SFC alleges that it provided the demand for the Company's shares and stabilised its share price when Mr. Wong disposed of his shares, thereby enabling him to earn more from his share sale. The SFC also alleges that this transaction was a fraud or deception in a transaction involving securities and caused a loss of about HK$1.6 billion to the Company and its shareholders.

Notes to the Interim Financial Information

As at 30 June 2009

28. POST BALANCE SHEET EVENTS (continued)

(d) ENFORCEMENT ACTION BY THE SECURITIES AND FUTURES COMMISSION (continued)

The SFC is seeking orders that Mr. Wong, Ms. Du Juan and two companies owned and controlled by them:

- restore the parties to any transaction, in particular the Company, to the position in which they were before the transaction was entered into; and/or

- pay damages to the Company.

SFC's above applications for orders may or may not be successful. If SFC's above applications for orders are not successful, there may be no damages payable to the Company. Even if SFC's above applications for orders are successful, the amount of damages payable to the Company is all subject to the judgement of the court and hence may be higher or lower than the amount of damages alleged by SFC.

The injunction serves to prevent the dissipation of assets pending the conclusion of the SFC's investigation and to ensure that there are sufficient assets to satisfy any restoration or compensation orders, if orders are made against Mr. Wong, Ms. Du Juan and the two companies.

The order is an interim injunction obtained by the SFC ex parte. The defendants have not yet had a chance to reply to the SFC's allegations.

On 7 August 2009, the Company announced that it has been provided with a copy of the court order (the "**Court Order**") by the SFC and confirmed that (a) the Company is not a defendant to the Court Order; and (b) the assets of the Company are not subject to the Court Order. In view of the above, the business of the Company or its subsidiaries is not and will not be adversely affected by the Court Order.

Save as disclosed above, the Group did not have any significant events taking place subsequent to 30 June 2009.

29. APPROVAL OF THE UNAUDITED INTERIM FINANCIAL INFORMATION

The unaudited Interim Financial Information was approved and authorised for issue by the board of directors on 21 August 2009.

Additional Information

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 2009, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

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

Name of Director	Personal interest	Interest of spouse	Corporate interest	Trustee	Total	Approximate % shareholding
Chen Xiao	–	–	442,112,003 *(Note 1)*	206,686,386 *(Note 1)*	442,112,003	3.47

Notes:

1. These interests are shares of the Company (the "Shares") held by Retail Management Company Limited, a company controlled by Mr. Chen Xiao. Of these 442,112,003 Shares, 206,686,386 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 corporations of the Company

		Number of Shares held				
Name of Director	Name of associated corporation	Personal interest	Corporate interest	Trustee	Total	Approximate % shareholding
Chen Xiao	Yongle (China) Electronics Retail Company Limited	6,368,624	–	9,579,832 *(Note 1)*	15,948,456	7.25
	上海民融投資有限公司	239,151	–	341,566 *(Note 2)*	580,717	0.73

Notes:

1. These interests were held by Mr. Chen Xiao in his capacity of the trustee of 上海永樂信託.
2. These interests were held by Mr. Chen Xiao in his capacity of the trustee of 民融信託.

Additional Information

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

Name of Director	Number of Shares held: Personal interest	Interest of spouse	Corporate interest	Trustee	Total	Approximate % shareholding
Chen Xiao	–	–	200,582,681 *(Note)*	–	200,582,681	1.57

Note: These interests comprising 200,582,681 underlying Shares were held by Mr. Chen Xiao through Retail Management Company Limited, a company controlled by Mr. Chen Xiao. Of these interests, short positions in 116,582,681 underlying Shares were derivatives not listed or traded on the Stock Exchange and short positions in 84,000,000 underlying Shares were physically settled options not traded or listed on the Stock Exchange.

Short positions in the shares of associated corporations of the Company

Name of Director	Name of associated corporation	Number of Shares held: Personal interest	Corporate interest	Trustee	Total	Approximate % shareholding
Chen Xiao	Yongle (China) Electronics Retail Company Limited	6,368,624	–	9,579,832 *(Note 1)*	15,948,456	7.25
	上海民融投資有限公司	239,151	–	341,566 *(Note 2)*	580,717	0.73

Notes:

1. These interests were held by Mr. Chen Xiao in his capacity of the trustee of 上海永樂信託.

2. These interests were held by Mr. Chen Xiao in his capacity of the trustee of 民融信託.

Save as disclosed above, as at 30 June 2009, none of the Directors and the chief executive of the Company had any interest in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Additional Information

(b) **PARTICULARS OF THE DIRECTORS' SERVICE CONTRACTS**

As at 30 June 2009, 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).

(c) **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at 30 June 2009, no Directors is interested in a 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 are considered to compete or are likely to compete, whether directly or indirectly, with the businesses of the Group.

(d) **DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES**

During the six months period ended 30 June 2009, 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.

(e) **MATERIAL SUPPLEMENTS TO DIRECTORS' PROFILE**

With effect from 13 July 2009, Mr. Ng Kin Wah, an executive Director, was appointed to be a director of each of Shinning Crown Holding Inc. and Shine Group Limited, both of which are wholly owned by Mr. Wong Kwong Yu, a substantial shareholder of the Company.

Additional Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to any Director or chief executive of the Company, as at 30 June 2009, other than the interests and short positions of 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 2009
Wong Kwong Yu *(Note 1)*	Long position	4,535,118,212	35.55
Shinning Crown Holding Inc. *(Note 2)*	Long position	3,800,000,000	29.78
Bain Capital Investors, LLC *(Note 3)*	Long position	4,112,581,970	32.23
JPMorgan Chase & Co. *(Note 4)*	Long position	1,139,976,085	8.93
	Short position	4,000,000	0.03
	Lending pool	887,251,364	6.95
Morgan Stanley *(Note 5)*	Long position	951,548,352	7.46
	Short position	61,238,126	0.48
T. Rowe Price Associates, Inc. and its Affiliates *(Note 6)*	Long position	759,726,360	5.95

Notes:

1. Of these 4,535,118,212 Shares, 3,800,000,000 Shares were held by Shinning Crown Holdings Inc. and 529,198,212 Shares were held by Shine Group Limited (Shinning Crown Holdings Inc. and Shine Group Limited are 100% beneficially owned by Mr. Wong Kwong Yu), 201,120,000 Shares were held by Smart Captain Holdings Limited and 4,800,000 Shares were held by Wan Sheng Yuan Asset Management Company Limited (Smart Captain Holdings Limited and Wan Sheng Yuan Asset Management Company Limited are 100% beneficially owned by Ms. Du Juan, the spouse of Mr. Wong Kwong Yu).

2. Shinning Crown Holdings Inc. is 100% beneficially owned by Mr. Wong Kwong Yu.

Additional Information

Notes: (continued)

3. Affiliates of Bain Capital Investors, LLC have conditionally agreed to subscribe for the 2016 Convertible Bonds (as defined in the announcement of the Company dated 22 June 2009 (the "**Announcement**")) and act as the underwriter in the Open Offer (as defined in the Announcement). As at 30 June 2009, the subscription and Open Offer have not been completed.

4. JPMorgan Chase & Co. held long positions in 10,075,721 Shares and short positions in 4,000,000 Shares in its capacity as beneficial owner, long positions in 242,649,000 Shares in its capacity as investment manager, and long positions in 887,251,364 Shares in the lending pool in its capacity as custodian corporation/approved lending agent.

5. Morgan Stanley was interested in these Shares through its interests in controlled corporations.

6. T. Rowe Price Associates, Inc and its affiliates were interested in these Shares in their capacities as investment managers.

(b) INTERESTS AND SHORT POSITIONS OF OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2009, 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

The board of Directors does not recommend the payment of an interim dividend.

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

During the six months ended 30 June 2009, the Company has not redeemed and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities.

CHANGES IN THE BOARD

As disclosed in the three announcements of the Company dated 18 January, 30 June and 3 August 2009 respectively, there are following changes in the Board since 31 December 2008:

Mr. Wong Kwong Yu resigned as Director with effect from 16 January 2009;

Ms. Wei Qiu Li was re-appointed as an executive Director with effect from 16 January 2009;

Mr. Sun Yi Ding was appointed as executive Director with effect from 30 June 2009;

Dr. Liu Peng Hui retired as Director with effect from 30 June 2009;

Mr. Sun Qiang Chang resigned as Director with effect from 23 July 2009;

Additional Information

Mr. Yu Tung Ho and Mr. Mark Christopher Greaves resigned as Directors with effect from 30 July 2009; and

Mr. Zhu Jia, Mr. Ian Andrew Reynolds and Ms. Wang Li Hong were appointed as non-executive Directors with effect from 3 August 2009.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "**CG Code**") 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 2009.

Directors 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. Notice of one of the two regular meetings of the Board during the period under review were sent to all Directors in compliance with the said requirement. Where the Board considers necessary and desirable to hold a regular Board meeting with notice less than 14 days, the Board will first consult the Directors whether a shorter notice period is acceptable to them and if so, a regular Board meeting will be fixed accordingly. During the period under review, the notice period for regular Board meetings given to the Directors was about 14 days. Agenda accompanying Board papers relating to a regular Board meeting were sent to all Directors at least 3 days respectively prior to such meeting in compliance with the CG Code.

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 separate and should not be performed by the same individual. As disclosed in the announcement of the Company dated 28 November 2008, as a result of Mr. Wong Kwong Yu's inability to perform his duties as a Director and the Chairman of the Company, the Board with effect from 27 November 2008 appointed Mr. Chen Xiao who is an executive Director and the President of the Company to be the Acting Chairman of the Company. As Mr. Chen Xiao, being the President of the Company, has been performing the role and function of the chief executive officer of the Company, his appointment as the Acting Chairman constituted a deviation from code provision A.2.1 of the CG Code. Given that Mr. Chen Xiao has been the substantial shareholder (as defined in the Listing Rules) and the President of the Group since completion of the Company's acquisition of China Paradise Electronics Retail Limited (which he founded) and has over 20 years of experience in the electrical and electronic retail sector in China, the Board believes that it is in the best interest of the Group and its shareholders as a whole to also appoint Mr. Chen Xiao as the Acting Chairman in the interim period to provide stability to the Group and to oversee the operations of the Group in the circumstances.

As disclosed in the announcement of the Company dated 18 January 2009, Mr. Chen Xiao has been appointed as the chairman and the president of the Group with effect from 16 January 2009.

Additional Information

The Board will continue to review the effectiveness of the Group's corporate governance structure to assess whether changes, including separation of the roles of the Chairman and the President of the Company, are necessary.

During the period under review, Mr. Chen Xiao served as the Chairman of the Company, primarily responsible for providing leadership to the Board, and also served as the President of the Company and an executive Director, undertaking the duties of the chief executive officer of the Company to oversee the business of the Group and executing decisions of the Board.

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, the Company confirms that all Directors for the period under review 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 required for disclosure 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 2009, Tianjin Consultancy had made advances in the aggregate amount of RMB3.6 billion (as at 31 December 2008: RMB3.6 billion) (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 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) (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 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.). The Advance is a secured loan. The term of the Advance is initially from 14 December 2007 to 13 December 2008 and the interest rate was 6.561% per annum. It has been renewed and extended to 12 December 2009 during the year, and the interest rate is 5.103% per annum. As at 30 June 2009, the Advance was RMB3.6 billion and the Advance represented approximately 12.69% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules.

REVIEW BY AUDIT COMMITTEE AND EXTERNAL AUDITORS

The Audit Committee of the Company has reviewed this interim report of the Company, together with the internal control and financial reporting matters of the Group, which includes the unaudited interim consolidated financial statements of the Group for the six months ended 30 June 2009 as reviewed by Ernst & Young, the external auditors.

Corporate Information

DIRECTORS

EXECUTIVE DIRECTORS

CHEN Xiao *(Chairman)*
NG Kin Wah
WANG Jun Zhou
WEI Qiu Li
SUN Yi Ding

NON-EXECUTIVE DIRECTORS

ZHU Jia
Ian Andrew REYNOLDS
WANG Li Hong

INDEPENDENT NON-EXECUTIVE DIRECTORS

SZE Tsai Ping, Michael
CHAN Yuk Sang
Thomas Joseph MANNING

COMPANY SECRETARY

WOO Ka Biu, Jackson

AUTHORISED REPRESENTATIVES

CHEN Xiao
NG Kin Wah

PRINCIPAL BANKERS

Bank of Shanghai
Standard Chartered Bank (China) Limited
CITIC Bank
Industrial Bank Co., Ltd.
China Merchant Bank
Agricultural Bank of China

AUDITORS

Ernst & Young
Certified Public Accountants

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

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The Center
99 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRARS

Butterfield Fulcrum Group (Bermuda) Limited
11 Bermudiana Road
Pembroke HM08
Bermuda

SHARE REGISTRARS IN HONG KONG

Tricor Abacus Limited
26th Floor, Tesbury Centre
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Hong Kong