国美电器

GOME ELECTRICAL APPLIANCES HOLDING LIMITED

Stock Code: 00493

Interim Report 2012

FORGING AHEAD

Contents

Financial Highlights and Business Summary

Financial Highlights

	First half of 2012 RMBm	First half of 2011 RMBm
Revenue	**23,126**	29,806
Gross profit	**2,924**	3,729
Consolidated gross profit margin*	**16.37%**	18.34%
(Loss)/profit from operating activities	**(528)**	1,597
(Loss)/profit attributable to owners of the parent company	**(501)**	1,252
(Loss)/earnings per share		
– Basic	**(RMB3.0 fen)**	RMB7.4 fen
– Diluted	**(RMB3.0 fen)**	RMB7.4 fen

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

Business Summary

- We continue to focus on "growing revenue, controlling cost and enhancing profitability" as our core strategies
- We continue to optimize our store network, improve the performance of individual store and enhance operating efficiency
- We continue to reinforce the development of e-commerce and accelerate the integration of our e-commerce platform with our back-end systems in physical stores
- We continue to add value to our supply chain, enhance merchandise operation and enrich the variety of differentiated product in order to increase sales revenue from differential operation
- We continue to strengthen basic infrastructure, improve overall operating efficiency through the new ERP system.

Management Discussion and Analysis

Overview

GOME Electrical Appliances Holding Limited (the "Company") and its subsidiaries (collectively known as the "Group" or "GOME") continued seeking opportunities in the complex and volatile business environment and making aggressive internal reforms to adapt to the challenging external environment during the reporting period. This was premised on the strategic guiding concept proposed early this year aimed at "growing revenue, controlling cost and enhancing profitability".

In the first half of 2012, The Group posted approximately RMB23,126 million in sales revenue, a decrease of 22.41% from RMB29,806 million for the same period last year. This was a result of government's progressive withdrawal of the policies which were implemented since 2009 to stimulate home appliance consumption, as well as China's ongoing property market austerity measures and further credit tightening, which significantly impacted consumer confidence and the entire home electrical appliance industry. Given the relatively higher labour costs and property expenses, profit was eroded by the increased percentage of expenses to revenue. In addition, the Group's new and capital intensive e-commerce business also affected profitability. During the reporting period, loss attributable to the owners of the parent company amounted to approximately RMB501 million, compared to a profit of RMB1,252 million last year.

Despite the economic downturn, the Group undertook a number of initiatives to manage its strategic transition:

(1) Regarding its store network, the Group continued to enhance operating capability of the store network and the quality of individual store operations during the first half of 2012. 62 new stores were opened and 45 under-performing stores were closed, which resulted in a net increase of 17 new stores among the 1,096 stores of the Group as at the end of the reporting period;

(2) On the e-commerce business front, during the period, the Group reorganized the capital structure of the e-commerce companies to remove the obstacles that existed in the legal and operating aspects. Meanwhile, the e-commerce platform is connected to the back-end systems of the physical stores so as to raise the overall operational efficiency of the e-commerce business. Furthermore, the Group also further enhanced co-operation with external parties in order to expand the coverage of e-commerce business;

(3) During the reporting period, the Group strengthened the operating capability of its supply chain. Through providing differentiated products such as ODM and OEM, the Group accelerated the adoption of proactive supply chain management. The Group also adopted a joint-marketing strategy as the key promotion method to reinforce coordinated supply chain management. In addition, a supply chain platform was created particularly for small home appliances and consignment goods, with an aim to expanding product categories and customer satisfaction;

(4) During the reporting period, operational efficiency gradually improved as the new ERP system, which was launched in 2011, was successfully integrated.

Industry Environment

Currently, the combined market share of the leading home appliance retailers in China is significantly below the average level of those in the developed markets such as Europe, the US and Japan; thus, the Group has considerable potential in the home appliance retail market in China. On the other hand, online sales only accounts for a small portion in China's home appliance market at the moment and it is expected to grow significantly in the coming years. Therefore, in the next 3 years, the majority of home appliances sales will continue to be contributed by the physical store network, with e-commerce experiencing higher growth potential.

Due to economic development and the significant increase in per capita income and purchasing power, consumers in the second-tier market are now demanding more diversified and high-end home appliances. Furthermore, the penetration rate for home appliances in the second-tier market is relatively low, thus the growth rate is expected to exceed that in the first-tier market.

In line with the changes in the industry landscape, the Group continues its push to become the most valuable and competitive multi-channel retailer with a focus on consumer demand. To expand the Group's market share, same store sales growth will be the priority in the first-tier market while greater importance will be attached to network expansion in second-tier market, together with accelerated development of the e-commerce platform. The three channels will all leverage the integrated procurement, logistics, after-sales and IT platforms of the Group in order to maximize gross profit and efficiency with optimized cost structure.

Business Review

Optimizing Store Network

The Group continued to optimize its network and remodel its stores during the reporting period by further optimizing its existing network; improving the coverage of its network in the nationwide market; closing down under-performing and unprofitable stores; and collectively leasing out, cutting rents or reducing leases of overlapping stores.

The Group also continued its policy of extensively upgrading existing stores in first-tier markets, to enhance customers' shopping experience. At the end of the reporting period, a total of 48 existing stores were upgraded to "Xin Huo Guan" stores. The Group continued to improve its network coverage in the second-tier market by entering into 8 new cities, the remodelling of 185 stores ("185 Project") was further extended to 419 stores ("419 Project") during the period. Among these stores, 244 stores were upgraded. The enhancement of storefront image will, to the maximum extent, provide customers with an enjoyable shopping experience.

As at the end of the reporting period, the Group had a sales network comprising 1,096 stores which covered 243 large- and medium-sized cities across China. Among them, 690 stores were located in first-tier cities where residents have higher purchasing power.

Moreover, taking into account 583 stores operated by the Non-listed GOME Group outside the Group's structure (excluding the stores in Hong Kong and Macau) and 61 stores under Beijing Dazhong Home Appliances Retail Co., Ltd. ("Dazhong Appliances") managed and operated by the Group, the total number of stores operated by the Group and Non-listed GOME Group reached 1,740 as at the end of the reporting period, covering 425 large- and medium-sized cities across the country.

As at the end of the reporting period, the total business area occupied by the 1,096 stores was 3,760,000 sq.m., and the average business area per store was 3,431 sq.m., down 1.86% from 3,496 sq.m. at the end of 2011.

The management believes that although the Group has the leading position with a large market share in traditional and small appliances categories in the first-tier market, there is significant potential in the 3C category. In order to confront in the broad market with tremendous consumption demand, increase same store growth have become the top priority for the first-tier market. On the other hand, the second-tier market, in which the Group has a small market share currently, is fragmented with significant potential for consolidation. The Group is planning to adopt a cost-effective and replicable strategy to extend its network coverage in the second-tier market progressively.

The Nationwide Retail Network of the Group

As at 30 June 2012

Development of Network:

	Group total	GOME	China Paradise	CellStar
Flagship stores	213	168	45	0
Standard stores	376	323	53	0
Specialized stores	507	395	67	45
Total	1,096	886	165	45
Among them: First-tier markets	690	530	121	39
Second-tier markets	406	356	44	6
Net increase in number of stores	17	20	(2)	(1)
Number of stores opened	62	49	9	4
Among them: First-tier markets	32	21	7	4
Second-tier markets	30	28	2	0
Number of cities accessed	243	207	58	6
Among them: First-tier markets	26	20	9	1
Second-tier markets	217	187	49	5

List of stores:

Region	Flagship stores	Standard stores	Specialized stores	Total
Beijing	21	27	15	63
Shanghai	38	20	21	79
Tianjin	13	17	14	44
Chengdu	10	27	23	60
Chongqing	8	19	19	46
Xian	16	16	54	86
Shenyang	10	13	17	40
Qingdao	8	14	15	37
Jinan	7	7	19	33
Shenzhen	18	32	20	70
Dongguan	1	10	12	23
Guangzhou	16	28	63	107
Foshan	3	15	12	30
Wuhan	6	19	21	46
Kunming	4	12	14	30
Fuzhou	7	14	20	41
Xiamen	4	11	22	37
Henan	4	20	19	43
Nanjing	2	16	28	46
Wuxi	1	4	8	13
Changzhou	2	9	5	16
Suzhou	4	6	16	26
Hefei	2	10	9	21
Xuzhou	1	3	14	18
Tangshan	2	0	9	11
Lanzhou	3	6	9	18
Wenzhou	2	1	9	12
Total	213	376	507	1,096

Strengthening E-commerce Business

The rapid development of the Internet brings new opportunities and challenges to the conventional home appliance retail sector. The management believes that the development of the e-commerce business is crucial to the Group's leadership position in the retail industry in the long term. For this reason, e-commerce will be the focus of the Group's core business and investments going forward.

During the reporting period, the Group reorganised the capital structure of the e-commerce companies through direct investments with the Non-listed GOME Group in an e-commerce platform. After the legal and operation obstacles were removed, the Group was able to provide customers a comprehensive online shopping experience without being restricted by geographical location or product category. Through this cooperation model, the resources of the Group and the Non-listed GOME Group can be mobilized in the best way, enabling the Group to develop its e-commerce by leveraging the nationwide retail store networks of the Group and the Non-listed GOME Group, and bringing synergistic benefits to the Group's development in other non-conventional businesses.

On the operations side, the Group continued to streamline internal processes and maximize the pooling of GOME's immense resources in terms of stores, logistics and distribution, as well as working relationships with its suppliers. By streamlining internal processes and optimizing systems and connections, the Group continued to reinforce back-end support to the e-commence platform, which enhanced their distribution capabilities, reduced transaction times, accelerated inventory turnover and allowed them to cater to customer preferences in every aspect. This has enabled the Group to fully tap its potential for growth and development. Taking a broad perspective, the Group also continued to seek new avenues of cooperation in expanding its e-commerce footprint by collaborating with dangdang.com and tmall.com, etc., to further expand the home appliance retail network-based platform.

The Group will make the best use of its business scale to integrate its e-commerce business and offline business by sharing their procurement, logistics, after-sales and information to increase its gross profit, reduce costs and improve its profitability. The Group will also leverage its physical store network as pick-up points to enhance customer satisfaction. In addition, the Group will form strategic alliances with other on-line business to optimize the product mix, which will thus give rise to competitive advantages and make the Group the leading e-commerce player in the home appliances sector.

Improving Differentiated Operations

A differentiated approach to operations remains the core of the Group's business development strategy to boost profitability and product sales simultaneously. The Group engaged in various forms of strategic collaboration with major suppliers, such as major product launches, exclusive sales, product customization, OEM, ODM and accessories, to consolidate its competitiveness and resource base. This will effectively broaden and deepen the market reach of the Group's proactive supply chain platform.

In the first half of the year, the Group stepped up collaboration with major suppliers such as Haier, Midea, Samsung, Lenovo and other brands, concluding deals related to the manufacture of customized products. The Group added breadth and depth to its product lines with the inclusion of Electrolux refrigerators and small home appliances, Kelon refrigerators, Haier microwave ovens, Nathome small home appliances, Changhong air conditioners, TCL and BenQ notebooks and other full-category products during the period to meet different consumer needs. On the marketing front, the Group optimized its product sales and pricing strategies by rolling out marketing policies based on the sales cycle of differentiated products in order to enhance the price competitiveness of differentiated products. The Group also built up its own sales teams and improved the incentive scheme to raise the sales contribution of differentiated products.

Through the strategies mentioned above aimed at improving differentiated operations, the contribution of differentiated products to overall sales rose to about 20% during the reporting period.

Enhancing Information System Development

With the new enterprise resource planning ("ERP") system (a corporate information management system) picking up pace and undergoing refinement, operational efficiency increased as a result of the integrated management of customers, supply chains, products, stores and back-end systems. During the reporting period, the effectiveness of the ERP system reduced transaction time and raised the capacity of distribution services, enabling better management of distribution costs and various related expenses as well as better product mix and inventory turnover.

To maximize the benefits accruing from the new information system, the Group made ongoing improvements to the information system by upgrading and integrating various modules of the existing system, as well as combining the resources of the two e-commerce platforms. Once the back-end integration of the e-commerce resources in the Group's ERP is completed, Group-wide resource sharing will be maximized, laying a strong foundation for the management of business, information and financial data sharing on a centralized basis. The continued development and optimization of the information system will enhance the core competitiveness of the Group as a whole.

Promoting 3C Business

The hallmarks of 3C products (comprising telecommunication, computer and digital products) are their fast performance, contemporary design, portability, high turnover rate and high market demand. There is significant potential in 3C category, in which the Group has a small market share at the moment. The Group is improving the store displays for 3C products by renovating stores while planning new products and constantly expanding product categories. The Group is implementing a perpetual stock replenishment system, improving the logistics operation model for the 3C category and improving store inventory management to meet customer needs. During the reporting period, the proportion of sales of 3C products increased.

Enhancing Supplier Relationships

The Group is committed to maintaining good relationships with its suppliers, which is evident in its overall sourcing capability. The Group is able to procure quality products at lower prices and to provide suppliers with a quality sales platform, creating a scenario equally beneficial to consumers, suppliers and the Group.

The Group continued to deepen collaboration with suppliers during the reporting period. Well-known brands such as Haier, Hisense and Samsung have joined the Group's new strategic cooperation model to pursue an innovative high-level collaboration framework. While the business was transforming into merchandise operations model, the Group worked closely with suppliers on supply chain issues such as demand forecast, research and development production, sales and after-sales while leveraging each other's resources to facilitate the seamless integration of the supply and demand chains for home appliances.

During the reporting period, purchases by the Group's five largest suppliers (by brand) accounted for approximately 36.39% of the total purchases, which was stable as compared with 33.12% for the same period last year.

Sound Corporate Governance

The Group is committed to improving its standards of corporate governance. The board of directors of the Company ("Board") is composed of two executive directors, four non-executive directors and four independent non-executive directors. This Board composition meets the requirements of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), which calls for independent directors to form at least one-third of the Board, and for the Company to assure that the Board is independent and that the views representing the interests of all shareholders can be fully and constructively discussed at the Board for a unanimous resolution to be formed.

Moreover, the Group has adopted the corporate governance practices of the amendments to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") which came into effect from 1 April 2012, and has implemented the same in detail pursuant to the requirements to improve overall corporate governance standards.

Excellent Human Resources

The Group has always highly valued human resources management and development. The total number of employees of the Group was 41,744 at the end of June 2012. With the growing scale of the business and a more intricate approach to management, the Group has strengthened and refined its human resource management by providing comprehensive knowledge and business skills training for employees at all levels. It also continues to motivate employees to compete for key positions, recruit new talent, and promote career development by giving opportunities to employees eager to progress and an avenue for capable ones to shine.

Financial Review

Revenue

During the reporting period, the Group's sales revenue was approximately RMB23,126 million, down 22.41% from RMB29,806 million in the corresponding period of 2011. The Group's weighted average sales area was approximately 3,687,000 sq.m. The Group's revenue per sq.m. was approximately RMB6,272, down 34.54% as compared to RMB9,581 in the corresponding period of 2011. The Group had 763 comparable stores, recording a revenue of RMB18,842 million, down 28.72% as compared to RMB26,435 million in the corresponding period of 2011.

Proportion of revenue from each product category over total revenue:

	First half of 2012	First half of 2011
As a percentage of sales revenue:		
AV	**23.37%**	29.83%
Air-conditioner	**14.49%**	13.50%
Refrigerator and washing machine	**18.02%**	17.01%
Telecommunication	**15.55%**	14.29%
Small white appliances	**13.60%**	11.32%
IT	**9.21%**	6.89%
Digital	**5.76%**	7.16%
Total	**100%**	100%

Cost of sales and gross profit

Cost of sales for the Group was approximately RMB20,202 million in the reporting period, accounting for 87.36% of the total sales revenue, lower than the proportion of 87.49% in the corresponding period of 2011. The Group's gross profit was approximately RMB2,924 million, down 21.59% as compared with RMB3,729 million in the corresponding period of last year. Gross profit margin was 12.64%, up 0.13 percentage points from 12.51% in the corresponding period of last year. The increase in gross profit margin was mainly due to the increase in the proportion of sales from differentiated products.

The gross profit margin of each product category is as follows:

	First half of 2012	First half of 2011
AV	**13.29%**	13.56%
Air-conditioner	**13.32%**	13.75%
Refrigerator and washing machine	**13.55%**	12.86%
Telecommunication	**9.65%**	9.25%
Small white appliances	**16.51%**	14.44%
IT	**8.55%**	8.68%
Digital	**10.96%**	12.11%
Total	**12.64%**	12.51%

Other income and gains

During the reporting period, the Group recorded other income and gains of approximately RMB862 million, representing a decrease of 50.37% as compared to RMB1,737 million in the corresponding period of 2011. This is mainly due to increase in promotional activities for sales and resulted in reduction of the net income from the suppliers.

Summary of other income and gains:

	First half of 2012	First half of 2011
As a percentage of sales revenue:		
Income from suppliers, net	**1.63%**	3.65%
Management and purchasing service fees:		
– from the Non-listed GOME Group	**0.53%**	0.62%
– from Dazhong Appliances	**–**	0.14%
Management fees for air-conditioner installation	**0.17%**	0.21%
Gross rental income	**0.51%**	0.38%
Government grants	**0.39%**	0.17%
Others	**0.50%**	0.66%
Total	**3.73%**	5.83%

Consolidated gross profit margin

During the reporting period, the Group's consolidated gross profit margin was 16.37%, representing a decrease of 1.97 percentage points as compared to 18.34% for the corresponding period of 2011. The decrease in consolidated gross profit margin was mainly due to the decrease in other income and gains.

Operating expenses

During the reporting period, the Group's total operating expenses (comprised of selling and distribution costs, administrative expenses and other expenses) were approximately RMB4,313 million, accounting for 18.65% of total sales revenue, up 5.67 percentage points as compared to 12.98% for the corresponding period of 2011, which was mainly due to the decline of the sales revenue (the denominator) during the period while staff and rental costs continued to increase.

Summary of operating expenses:

	First half of 2012	First half of 2011
As a percentage of sales revenue:		
Selling and distribution costs	**14.92%**	10.35%
Administrative expenses	**2.96%**	1.93%
Other expenses	**0.77%**	0.70%
Total	**18.65%**	12.98%

Selling and distribution costs

During the reporting period, the Group's total selling and distribution costs amounted to approximately RMB3,451 million. The percentage over sales revenue was 14.92%, up 4.57 percentage points as compared to 10.35% in the corresponding period of 2011. The increase of selling and distribution costs was mainly due to the increase in rental expenses as a result of increasing number of stores. Moreover, due to the decline in sales revenue, rental expenses as a percentage of sales revenue raised 2.41 percentage points from 3.94% in the corresponding period of last year to 6.35%.

Summary of selling and distribution costs:

	First half of 2012	First half of 2011
As a percentage of sales revenue:		
Rental	**6.35%**	3.94%
Staff costs	**3.41%**	2.77%
Utility charges	**0.77%**	0.63%
Advertising expenses	**1.88%**	1.06%
Delivery expenses	**0.67%**	0.61%
Others	**1.84%**	1.34%
Total	**14.92%**	10.35%

Administrative expenses

With continuing expansion of the Group's operating scale and the need to strengthen the precision management strategy, administrative expenses increased accordingly. During the reporting period, administrative expenses were approximately RMB685 million, the proportion over sales revenue was 2.96%, up 1.03 percentage points as compared to 1.93% in the corresponding period of 2011.

Other expenses

Other expenses of the Group mainly comprised, among others, business taxes and bank charges. Other expenses were approximately RMB177 million during the reporting period, accounting for 0.77% of sales revenue, remained at the same level as compared with 0.70% in the corresponding period of 2011.

Loss/profit from operating activities

During the reporting period, the Group's loss from operating activities was approximately RMB528 million, as compared to RMB1,597 million profit in the corresponding period of 2011, which was mainly attributable to decline in sales revenue and at the same time staff and rental costs were increased and the newly started e-commerce business incurred a loss during the period.

Net finance gains

During the reporting period, the Group's net finance gains were approximately RMB69 million, relatively the same as compared with the first half of 2011. In addition, interest income increased 6.91% to approximately RMB201 million for the reporting period from RMB188 million in the corresponding period of the previous year.

Loss/profit before tax

During the reporting period, the Group's loss before tax was approximately RMB443 million, as compared to a profit of RMB1,666 million for the corresponding period of 2011. Loss margin before tax was 1.92%, as compared with profit margin before tax of 5.59% in the corresponding period of 2011.

Income tax expense

During the reporting period, the Group's income tax expense was approximately RMB92 million, lower than the RMB422 million for the corresponding period of 2011. Management considers that the effective tax rate applied to the Group for the reporting period is reasonable.

Loss/profit for the period and loss/earnings per share attributable to owners of the parent company

During the reporting period, the Group's loss attributable to owners of the parent company was approximately RMB501 million, as compared to a profit of RMB1,252 million for the corresponding period of last year. Net loss margin was 2.17%, as compared to net profit margin of 4.20% for the corresponding period of the previous year. Basic loss per share attributable to owners of the parent company was RMB0.03, as compared to basic earnings per share of RMB0.074 for the corresponding period of last year.

Cash and cash equivalents

As at the end of the reporting period, cash and cash equivalents held by the Group were approximately RMB8,232 million, representing an increase of 37.87% as compared to RMB5,971 million as at the end of 2011, the increase was due to effective inventory and payment cycle management and the cash settled from "exchange old for new program" receivables during the period.

Inventories

As at the end of the reporting period, the Group's inventories amounted to approximately RMB6,853 million, down 28.80% as compared to RMB9,625 million at the end of 2011. Inventory turnover days increased to approximately 74 days in the reporting period from 58 days in the first half of 2011, which was mainly attributable to the expansion of second-tier markets and the longer logistics supply chain.

Prepayments, deposits and other receivables

As at the end of the reporting period, prepayments, deposits and other receivables of the Group amounted to approximately RMB2,625 million, down 29.59% from RMB3,728 million as at the end of 2011, which was mainly due to collection of "exchange old for new program" receivables during the period.

Trade and bills payables

As at the end of the reporting period, trade and bills payables of the Group amounted to approximately RMB14,923 million, down 12.93% from RMB17,140 million as at the end of 2011. Turnover days of trade and bills payables were approximately 144 days, up by 21 days as compared to 123 days for the corresponding period of 2011.

Capital expenditure

During the reporting period, the capital expenditure incurred by the Group amounted to approximately RMB456 million, representing a 20.95% increase as compared to RMB377 million in the first half of 2011. The increase was mainly due to remodelling of stores and payments in relation to ERP system by the Group during the period.

Cash flows

During the reporting period, the Group's net cash flows generated from operating activities amounted to approximately RMB3,002 million, up by 24.93% as compared to RMB2,403 million in the corresponding period of last year, mainly due to the effective inventory and payment cycle management and the collection of "exchange old for new program" receivables during the period.

Net cash flows used in investing activities amounted to approximately RMB430 million, representing a decrease of 8.51% as compared to RMB470 million in the first half of 2011.

As the Group's convertible bonds were redeemed during the reporting period, net cash flows used in financing activities amounted to approximately RMB322 million, as compared with RMB207 million net cash flows generated in the first half of 2011.

Dividend and dividend policy

The Board does not recommend the payment of an interim dividend so as to preserve capital for funding needs of the Group.

Currently, the Board anticipates that the dividend payout ratio will be maintained at approximately 30% of the Group's distributable profit for the relevant financial year. However, the actual payout ratio in a financial year will be determined at the Board's full discretion, after taking into account, among other considerations, availability of investment and acquisition opportunities.

Contingent liabilities and capital commitments

Except for the guarantees of approximately RMB366 million given to banks in connection with bill facilities granted in favour of Dazhong Appliances which was not provided in the interim financial information, the Group had no material contingent liabilities. However, the Group had capital commitments of approximately RMB91 million.

Foreign currencies and treasury policy

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

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

Financial resources and gearing ratio

During the reporting period, the Group's working capital, capital expenditure and cash for investments were funded from cash on hand, cash generated from operations, convertible bonds and an interest-bearing bank loan. Convertible bonds were mainly denominated in Renminbi with fixed coupon rates and interest-bearing bank loan was mainly denominated in USD with floating rates.

As at the end of June 2012, the total borrowings of the Group, being interest-bearing bank loan and convertible bonds, amounted to approximately RMB3,136 million. Pursuant to the bond subscription agreement, the convertible bonds are redeemable at the option of the bondholders in September 2012. The interest-bearing bank loan will be repayable within one year. The Group's financing activities continue to be supported by its bankers.

As at 30 June 2012, the debt to total equity ratio, which was expressed as a percentage of total borrowings amounting to RMB3,136 million over total equity amounting to RMB15,366 million, increased to 20.41% from 13.27% as at 31 December 2011.

Charge on group assets

As at the end of June 2012, the Group's bills payable and interest-bearing bank loan were secured by the Group's time deposits amounting to RMB3,893 million, certain inventories with a carrying value of RMB540 million and certain self-used properties and investment properties with a carrying value of RMB1,495 million. The Group's bills payable and interest-bearing bank loan amounted to RMB9,502 million in total.

Outlook and Prospects

The year 2012 presents both opportunities and challenges. In the first half, the Chinese domestic home appliance retail sector was under tremendous pressure due to the complex and volatile economic environment, slow global economic recovery and slowing economic growth in China, in addition to the intensifying industry competition. However, the sector has started embracing new opportunities as China further loosens its macro-economic controls and implements pro-citizen policies such as the energy-efficient home appliances subsidy scheme, small appliances and kitchenware appliances subsidy program.

In line with the changes in the industry landscape, the Group continues its effort in becoming the most valuable and competitive multi-channel retailer with a focus on consumer demand. Same store sales growth will be the priority in the first-tier market, while greater importance is attached in network expansion in second-tier market; together with accelerated development on the e-commerce platform, the three channels will all leverage the integrated procurement, logistics, after-sales and IT platforms in order to maximize gross profit and efficiency with optimized cost.

The Group is committed to optimizing its store network and will raise its overall operational efficiency by launching flagship stores in the core business districts of the first-tier market. It will identify locations for new stores according to the store category and requisite standard floor space in regional business districts, and will expand to economically developed second-tier market at the right time and will focus on the profitability of new stores. With respect to individual stores, the Group will continue to improve its super flagship stores, flagship stores, standard stores and best-selling stores through managing stores by their tier and category, with an eye on improving year-on-year performance indicators. For marketing campaigns, apart from event marketing, joint marketing with manufacturers and high-margin individual product marketing, the Group will carry out store-based community marketing to enhance the effectiveness of marketing programmes. The Group continues to enhance in-store product mix and promote the sales of differentiated products to achieve same-store growth targets. In addition, the Group will continue to adjust its cost structure through optimizing the size of its stores through subleasing, rental reduction and lease termination to lower rental expenses.

Following aggressive marketing for the Group's two e-commerce sites – COO8.com and gome.com.cn – during the reporting period, the Group will continue to focus on developing its e-commerce business. It is confident that the business model, which integrates "physical store + B2C", will succeed by leveraging the size of its physical stores network to further appeal to the target audiences for online shopping. This will lead the e-commerce platform to develop into the most powerful online sales network in the sector, after which the Group will lead the way for the future development of the electrical appliance industry, meet the needs of emerging consumer groups in electrical appliances and continuously explore new growth drivers for consumption.

For supply chain management, focus will be placed on the transition towards product management from supplier management and procurement will be led by consumer demand. The Group will build a supply chain by pursuing ODM, OEM and the exclusive sale of one-step priced products, which will strengthen its management and control of the supply chain. Meanwhile, it will focus on joint marketing activities with suppliers. The Group will also open its ERP information-based platform to promote information-sharing with suppliers on orders, inventory, reconciliation, settlement and other aspects in order to deepen cooperation and overhaul its business while stepping up its supply chain management.

To support the developmental needs of its physical stores and e-commerce business, the Group has already embarked on the construction of regional logistics centers and conducted extensive research and analysis relating to logistics during the reporting period. In the second half of 2012, the Group will expedite the site selection and construction of the logistics centers, and will continue to raise the standards of logistics and after-sales services upon completion of the new ERP system. This will enable effective resource sharing across the physical and online stores to promote core operational excellence and maintain the Group's lead in the future development of the sector.

The management believes that the most valuable and most competitive retail business model will be the multi-channel platform which integrates the offline and online business by sharing information, procurement, logistics, delivery, warehousing, customer experiences and the supplier chain.

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 21 to 67 which comprises the condensed consolidated statement of financial position of GOME Electrical Appliances Holding Limited as at 30 June 2012 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of 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
31 August 2012

Interim Condensed Consolidated Income Statement

For the six-month period ended 30 June 2012

	Notes	For the six-month period ended 30 June 2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
REVENUE	*4*	**23,125,960**	29,805,550
Cost of sales		**(20,202,322)**	(26,076,876)
Gross profit		**2,923,638**	3,728,674
Other income and gains	*4*	**861,616**	1,737,076
Selling and distribution costs		**(3,450,855)**	(3,085,535)
Administrative expenses		**(684,756)**	(575,847)
Other expenses		**(177,305)**	(207,123)
(Loss)/profit from operating activities		**(527,662)**	1,597,245
Finance costs	*6*	**(131,901)**	(118,727)
Finance income	*6*	**200,843**	188,148
Fair value loss on the derivative component of convertible bonds	*5,19(i)*	**–**	(233)
Gain on redemption of convertible bonds	*5*	**15,998**	–
(LOSS)/PROFIT BEFORE TAX	*5*	**(442,722)**	1,666,433
Income tax expense	*7*	**(92,036)**	(421,779)
(LOSS)/PROFIT FOR THE PERIOD		**(534,758)**	1,244,654
Attributable to:			
Owners of the parent company		**(501,087)**	1,251,849
Non-controlling interests		**(33,671)**	(7,195)
		(534,758)	1,244,654
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT COMPANY	*8*		
– Basic		**(RMB3.0 fen)**	RMB7.4 fen
– Diluted		**(RMB3.0 fen)**	RMB7.4 fen

Interim Condensed Consolidated Statement of Comprehensive Income

For the six-month period ended 30 June 2012

	Note	For the six-month period ended 30 June 2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
(LOSS)/PROFIT FOR THE PERIOD		**(534,758)**	1,244,654
OTHER COMPREHENSIVE INCOME			
Changes in fair value of other investments	*10*	**10,260**	35,438
Exchange differences on translation of foreign operations		**11,336**	25,490
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**21,596**	60,928
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX		**(513,162)**	1,305,582
Attributable to:			
Owners of the parent company		**(479,491)**	1,312,777
Non-controlling interests		**(33,671)**	(7,195)
		(513,162)	1,305,582

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2012

	Notes	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
NON-CURRENT ASSETS			
Property and equipment	*9*	**4,121,161**	3,874,370
Investment properties		**915,226**	915,226
Goodwill		**4,030,771**	4,030,771
Other intangible assets		**104,049**	108,660
Other investments	*10*	**156,060**	145,800
Lease prepayments and deposits		**368,770**	403,171
Deferred tax assets		**50,647**	66,663
Designated loan	*11*	**3,600,000**	3,600,000
Total non-current assets		**13,346,684**	13,144,661
CURRENT ASSETS			
Inventories	*12*	**6,852,792**	9,625,044
Trade and bills receivables	*13*	**413,279**	199,598
Prepayments, deposits and other receivables	*14*	**2,624,774**	3,728,279
Due from related parties	*15*	**121,387**	169,390
Pledged deposits	*16*	**3,892,645**	4,388,998
Cash and cash equivalents	*16*	**8,232,021**	5,971,498
Total current assets		**22,136,898**	24,082,807
CURRENT LIABILITIES			
Interest-bearing bank loan	*17*	**1,075,233**	–
Trade and bills payables	*18*	**14,923,221**	17,140,383
Customers' deposits, other payables and accruals		**1,674,473**	1,523,315
Convertible bonds	*19*	**2,061,111**	2,111,610
Tax payable		**279,737**	440,905
Total current liabilities		**20,013,775**	21,216,213

Interim Condensed Consolidated Statement of Financial Position (continued)

As at 30 June 2012

	Notes	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
NET CURRENT ASSETS		**2,123,123**	2,866,594
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,469,807**	16,011,255
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**91,318**	92,961
Derivative liability related to a cross currency swap	*20*	**12,949**	–
Total non-current liabilities		**104,267**	92,961
Net assets		**15,365,540**	15,918,294
EQUITY			
Equity attributable to owners of the parent company			
Issued capital	*21*	**421,551**	421,521
Reserves		**14,943,989**	15,527,242
		15,365,540	15,948,763
Non-controlling interests		**–**	(30,469)
Total equity		**15,365,540**	15,918,294

Zhang Da Zhong
Director

Ng Kin Wah
Director

Interim Condensed Consolidated Statement of Changes in Equity

For the six-month period ended 30 June 2012

		Attributable to owners of the parent company												
	Notes	Issued capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Share option reserve RMB'000	Asset revaluation reserve RMB'000	Other investment revaluation reserve RMB'000	Statutory reserves RMB'000	Exchange fluctuation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2012		**421,521**	**9,457,964**	**657**	**(657,232)**	**164,913**	**117,468**	**51,840**	**1,341,871**	**(234,092)**	**5,283,853**	**15,948,763**	**(30,469)**	**15,918,294**
Loss for the period		-	-	-	-	-	-	-	-	-	(501,087)	(501,087)	(33,671)	(534,758)
Changes in fair value of other investments	10	-	-	-	-	-	-	10,260	-	-	-	10,260	-	10,260
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	-	11,336	-	11,336	-	11,336
Total comprehensive (loss)/income for the period		-	-	-	-	-	-	10,260	-	11,336	(501,087)	(479,491)	(33,671)	(513,162)
Exercise of share options	22	30	3,280	-	-	(997)	-	-	-	-	-	2,313	-	2,313
Equity-settled share option arrangements	22	-	-	-	-	290	-	-	-	-	-	290	-	290
Redemption of the Old 2014 Convertible Bonds	19	-	-	-	(30,195)	-	-	-	-	-	-	(30,195)	-	(30,195)
Acquisition of non-controlling interests	23	-	-	-	(76,140)	-	-	-	-	-	-	(76,140)	64,140	(12,000)
At 30 June 2012 (unaudited)		**421,551**	**9,461,244***	**657***	**(763,567) ***	**164,206***	**117,468***	**62,100***	**1,341,871***	**(222,756)***	**4,782,766***	**15,365,540**	**-**	**15,365,540**

* As at 30 June 2012, these reserve accounts comprised the consolidated reserves of RMB14,943,989,000 (31 December 2011: RMB15,527,242,000) in the interim condensed consolidated statement of financial position.

		Attributable to owners of the parent company													
	Notes	Issued capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Share option reserve RMB'000	Asset revaluation reserve RMB'000	Other investment revaluation reserve RMB'000	Statutory reserves RMB'000	Exchange fluctuation reserve RMB'000	Retained earnings RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2011		417,666	9,128,851	657	(657,232)	162,144	116,912	33,750	1,137,372	(218,176)	4,030,968	582,275	14,735,187	-	14,735,187
Profit for the period		-	-	-	-	-	-	-	-	-	1,251,849	-	1,251,849	(7,195)	1,244,654
Changes in fair value of other investments		-	-	-	-	-	-	35,438	-	-	-	-	35,438	-	35,438
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	-	25,490	-	-	25,490	-	25,490
Total comprehensive income/(loss) for the period		-	-	-	-	-	-	35,438	-	25,490	1,251,849	-	1,312,777	(7,195)	1,305,582
Acquisition of subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	8,052	8,052
Exercise of warrants		2,300	162,125	-	-	-	-	-	-	-	-	-	164,425	-	164,425
Exercise of share options		1,069	112,392	-	-	(32,205)	-	-	-	-	-	-	81,256	-	81,256
Equity-settled share option arrangements	22	-	-	-	-	19,959	-	-	-	-	-	-	19,959	-	19,959
Final 2010 dividend	24	-	-	-	-	-	-	-	-	-	(5,180)	(582,275)	(587,455)	-	(587,455)
Wind-up of a subsidiary		-	-	-	-	-	-	-	(493)	-	493	-	-	-	-
At 30 June 2011 (unaudited)		421,035	9,403,368	657	(657,232)	149,898	116,912	69,188	1,136,879	(192,686)	5,278,130	-	15,726,149	857	15,727,006

Interim Condensed Consolidated Statement of Cash Flows

For the six-month period ended 30 June 2012

	Notes	For the six-month period ended 30 June 2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(442,722)**	1,666,433
Adjustments for:			
Finance income	*6*	**(200,843)**	(188,148)
Finance costs	*6*	**131,901**	118,727
Fair value loss on the derivative component of convertible bonds	*5*	**–**	233
Fair value loss on a cross currency swap	*5*	**12,949**	–
Gain on redemption of convertible bonds	*5*	**(15,998)**	–
Fair value gain on investment properties	*4*	**–**	(2,994)
Loss/(gain) on disposal of items of property and equipment	*4, 5*	**1,376**	(17,032)
Depreciation	*5*	**234,252**	175,983
Amortisation of intangible assets	*5*	**4,611**	4,611
Equity-settled share option expense	*22*	**290**	19,959
		(274,184)	1,777,772
Decrease/(increase) in lease prepayments and deposits		**93,324**	(102,447)
Decrease/(increase) in inventories		**2,772,252**	(418,800)
(Increase)/decrease in trade and bills receivables		**(213,681)**	57,749
Decrease in prepayments, deposits and other receivables		**1,041,267**	152,403
Decrease in amounts due from related parties		**48,003**	134,031
Decrease in pledged deposits		**1,701,918**	32,874
(Decrease)/increase in trade and bills payables		**(2,217,162)**	1,560,751
Increase in customers' deposits, other payables and accruals		**89,531**	116,168
Decrease in amounts due to related parties		**–**	(86,725)
Cash generated from operations		**3,041,268**	3,223,776
Interest received		**199,658**	179,285
Dividend paid		**–**	(587,455)
PRC income tax paid		**(238,831)**	(413,051)
Net cash flows from operating activities		**3,002,095**	2,402,555

Interim Condensed Consolidated Statement of Cash Flows (continued)

For the six-month period ended 30 June 2012

	Notes	For the six-month period ended 30 June 2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Net cash flows from operating activities		**3,002,095**	2,402,555
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment		**(456,082)**	(351,659)
Proceeds from disposal of items of property and equipment		**25,621**	39,973
Acquisition of subsidiaries, net of cash acquired		**–**	41,835
Increase in financial assets at fair value through profit or loss		**–**	(200,000)
Net cash flows used in investing activities		**(430,461)**	(469,851)
CASH FLOWS FROM FINANCING ACTIVITIES			
Redemption of convertible bonds	*19*	**(155,181)**	–
New interest-bearing bank loan	*17*	**1,075,233**	–
Increase in pledged deposits for bank loan	*16*	**(1,205,565)**	–
Acquisition of non-controlling interests	*23*	**(3,900)**	–
Exercise of share options		**2,313**	81,256
Exercise of warrants		**–**	164,425
Interest paid		**(35,358)**	(38,340)
Net cash flows (used in)/from financing activities		**(322,458)**	207,341
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2,249,176**	2,140,045
Cash and cash equivalents at 1 January		**5,971,498**	6,232,450
Effect of foreign exchange rate changes, net		**11,347**	25,698
CASH AND CASH EQUIVALENTS AT 30 JUNE		**8,232,021**	8,398,193
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*16*	**7,776,997**	7,580,418
Non-pledged time deposits with original maturity of less than three months when acquired		**455,024**	817,775
		8,232,021	8,398,193

Notes to the Interim Financial Information

As at 30 June 2012

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 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**").

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

Basis of preparation

The unaudited interim financial information for the six-month period ended 30 June 2012 (the "**Interim Financial Information**") has been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board ("**IASB**").

The Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2011.

New standards, interpretations and amendments thereof, adopted by the Group

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 2011, except for the adoption of the amendments to the IASs and International Financial Reporting Standards ("**IFRSs**") interpretations as of 1 January 2012 as noted below:

IAS 12 – *Deferred Tax: Recovery of Underlying Assets* (Amendments)
These amendments to IAS 12 include a rebuttable presumption that the carrying amount of investment property measured using the fair value model in IAS 40 will be recovered through sale and, accordingly, a requirement that any related deferred tax should be measured on a sale basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time, rather than through sale. Specifically, IAS 12 will require that deferred tax arising from a non-depreciable asset measured using the revaluation model in IAS 16 should always reflect the tax consequences of recovering the carrying amount of the underlying asset through sale. The effective implementation date is annual periods beginning on or after 1 January 2012. While the amendments are applicable, they have no impact on the financial statements of the Group.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(continued)*

New standards, interpretations and amendments thereof, adopted by the Group *(continued)*

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

IFRS 7 – *Disclosures – Transfers of Financial Assets* (Amendments)
The IASB has issued amendments to IFRS 7 that enhances disclosures for financial assets. These disclosures relate to assets transferred (as defined under IAS 39). If the assets transferred are not derecognised entirely in the financial statements, an entity has to disclose information that enables users of financial statements to understand the relationship between those assets which are not derecognised and their associated liabilities. If those assets are derecognised entirely, but the entity retains a continuing involvement, disclosures have to be provided that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The effective implementation date is annual periods beginning on or after 1 July 2011 with no comparative requirements.

IFRS 1 – *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* (Amendments)
When an entity's date of transition to IFRSs is on or after the functional currency normalisation date, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date, at fair value on the date of transition to IFRSs. This fair value may be used as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position. However, this exemption may only be applied to assets and liabilities that were subject to severe hyperinflation. The effective implementation date is annual periods beginning on or after 1 July 2011 with early adoption permitted.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has one reportable operating segment which is the operations and management of networks of electrical appliances and consumer electronic products retail stores in the PRC. The corporate office in Hong Kong does not earn revenues and is not classified as an operating segment.

Management monitors the results of the Group's operating segment for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that bank interest income, unallocated income, finance costs, the fair value loss on the derivative component of convertible bonds, the gain on redemption of the Old 2014 Convertible Bonds as defined in note 19(i), the fair value loss on a cross currency swap and corporate and other unallocated expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, pledged deposits, cash and cash equivalents and other investments as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank loan, convertible bonds, tax payable, the derivative liability related to a cross currency swap and deferred tax liabilities as these liabilities are managed on a group basis.

3. OPERATING SEGMENT INFORMATION *(continued)*

	Six-month period ended 30 June 2012 (Unaudited) RMB'000	Six-month period ended 30 June 2011 (Unaudited) RMB'000
Segment revenue		
Sales to external customers	**23,125,960**	29,805,550
Segment results	**(391,482)**	1,746,202
Reconciliation		
Bank interest income	**94,862**	101,387
Unallocated income	**2,944**	3,807
Fair value loss on the derivative component of convertible bonds	**–**	(233)
Fair value loss on a cross currency swap	**(12,949)**	–
Gain on redemption of the Old 2014 Convertible Bonds	**15,998**	–
Finance costs	**(131,901)**	(118,727)
Corporate and other unallocated expenses	**(20,194)**	(66,003)
(Loss)/profit before tax	**(442,722)**	1,666,433

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Segment assets	**23,152,209**	26,654,509
Reconciliation		
Corporate and other unallocated assets	**12,331,373**	10,572,959
Total assets	**35,483,582**	37,227,468
Segment liabilities	**16,597,694**	18,663,698
Reconciliation		
Corporate and other unallocated liabilities	**3,520,348**	2,645,476
Total liabilities	**20,118,042**	21,309,174

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	Notes	For the six-month period ended 30 June 2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Revenue			
Sale of electrical appliances and consumer electronic products		**23,125,960**	29,805,550
Other income			
Income from suppliers, net		**376,419**	1,088,844
Management and purchasing service fees:			
– from the Non-listed GOME Group	*(i)*	**122,880**	185,743
– from Dazhong Appliances	*(ii)*	**–**	42,311
Administrative income from air-conditioner installation service		**38,227**	63,015
Gross rental income		**117,316**	112,595
Government grants	*(iii)*	**90,943**	51,506
Other service fee income		**48,808**	51,264
Others		**64,233**	121,772
		858,826	1,717,050
Gains			
Foreign exchange gain	5	**2,790**	–
Fair value gain on investment properties		**–**	2,994
Gain on disposal of items of property and equipment		**–**	17,032
		2,790	20,026
		861,616	1,737,076

4. REVENUE, OTHER INCOME AND GAINS *(continued)*

Notes:

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

(ii) The Group entered into a management agreement (the "**Management Agreement**") with 北京戰聖投資有限公司 ("**Beijing Zhansheng**") on 14 December 2007 and the Management Agreement was renewed on 15 December 2009. Pursuant to the Management Agreement, the Group manages and operates the retailing business of 北京市大中家用電器連鎖銷售有限公司 ("**Dazhong Appliances**") for management fees. According to the Management Agreement, no management fees are attributable to the Group if the net profit before deduction of such management fees is not sufficient to cover the interest expense of the Designated Loan (note 11) and the shortfall to cover the interest expense of the Designated Loan can be deducted from future management fees. During the six-month period ended 30 June 2012, Dazhong Appliances did not generate sufficient profit to pay the interest expense of the Designated Loan and therefore no management fees were payable to the Group.

(iii) Various local government grants were received to reward the Group's contributions to the local economy. There was no unfulfilled condition or contingency attaching to these government grants.

5. (LOSS)/PROFIT BEFORE TAX

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

	Notes	For the six-month period ended 30 June 2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Cost of inventories sold		**20,202,322**	26,076,876
Depreciation		**234,252**	175,983
Amortisation of intangible assets	*(i)*	**4,611**	4,611
Loss/(gain) on disposal of items of property and equipment		**1,376**	(17,032)
Minimum lease payments under operating leases in respect of land and buildings		**1,568,763**	1,254,333
Gross rental income	*4*	**(117,316)**	(112,595)
Fair value gain on investment properties	*4*	**–**	(2,994)
Interest income from Beijing Zhansheng	*6*	**(105,981)**	(86,761)
Staff costs:			
Wages, salaries and bonuses		**897,633**	905,746
Pension scheme contributions*		**222,377**	173,038
Social welfare and other costs		**22,171**	6,333
Equity-settled share option expense	*22*	**290**	19,959
		1,142,471	1,105,076
Fair value loss on the derivative component of convertible bonds	*19(i)*	**–**	233
Fair value loss on a cross currency swap	*20*	**12,949**	–
Gain on redemption of the Old 2014 Convertible Bonds	*19(i)*	**(15,998)**	–
Foreign exchange differences, net		**(2,790)**	19,908

Note:

(i) The amortisation of intangible assets for the period is included in "Administrative expenses" on the face of the interim condensed consolidated income statement.

* At 30 June 2012, the Group had no forfeited contribution available to reduce its contributions to the pension schemes in future years (2011: Nil).

6. FINANCE (COSTS)/INCOME

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

	Notes	For the six-month period ended 30 June 2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Finance costs:			
Interest expense on bank loan wholly repayable within five years		**(6,058)**	(2,982)
Interest expenses on convertible bonds	*19*	**(125,843)**	(115,745)
		(131,901)	(118,727)
Finance income:			
Bank interest income		**94,862**	101,387
Other interest income	*(i)*	**105,981**	86,761
		200,843	188,148

Note:

(i) Other interest income represented interest income from the RMB3,600 million designated loan to Beijing Zhansheng through the Beijing Branch of Industrial Bank Co., Ltd. The loan bears interest at 5.90% (six-month period ended 30 June 2011: 4.86%) per annum, which was determined by reference to the interest rates published by the People's Bank of China.

7. INCOME TAX EXPENSE

An analysis of the provision for tax is as follows:

	For the six-month period ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current income tax – PRC	**77,663**	439,078
Deferred income tax	**14,373**	(17,299)
Total tax charge for the period	**92,036**	421,779

The Group is subject to income tax on an entity basis on profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. The determination of current and deferred income taxes was based on enacted tax rates.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Under the relevant PRC income tax law, except for certain preferential treatments available to the Group, the PRC subsidiaries of the Group are subject to income tax at a rate of 25% (six-month period ended 30 June 2011: 25%) on their respective taxable income. During the current period, 19 entities (six-month period ended 30 June 2011: 28 entities) of the Group obtained approval from the relevant PRC tax authorities and were entitled to preferential corporate income tax rates.

The Group realised a significant amount of tax benefits during the period through applying the preferential corporate income tax rates. These preferential tax treatments were available to the Group pursuant to the enacted PRC tax rules and regulations and are subject to assessment by the relevant PRC tax authorities.

No provision for Hong Kong profits tax has been made for the six-month periods ended 30 June 2012 and 2011, as the Group had no assessable profits arising in Hong Kong for each of the periods.

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT COMPANY

The calculation of basic (loss)/earnings per share is based on the (loss)/profit for the period attributable to ordinary equity holders of the parent company, and the weighted average number of ordinary shares of 16,874,599,000 (six-month period ended 30 June 2011: 16,810,807,000) in issue during the period.

The calculation of the diluted (loss)/earnings per share is based on the (loss)/profit for the period attributable to ordinary equity holders of the parent company, adjusted to reflect the interest expenses on the convertible bonds and gain on redemption of the convertible bonds. The weighted average number of ordinary shares used in the calculation of diluted (loss)/earnings per share is the weighted average number of ordinary shares in issue during the period, as used in the basic (loss)/earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted (loss)/earnings per share are based on:

	For the six-month period ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent company used in the basic (loss)/earnings per share calculation	**(501,087)**	1,251,849
Interest expense on the Old 2014 Convertible Bonds	**3,417**	–
Gain on redemption of the Old 2014 Convertible Bonds	**(15,998)**	–
(Loss)/profit attributable to ordinary equity holders of the parent company as adjusted for the effect of dilution	**(513,668)**	1,251,849

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

	Notes	Number of shares for the six-month period ended 30 June 2012 (Unaudited) '000	2011 (Unaudited) '000
Shares			
Weighted average number of ordinary shares in issue during the period used in the basic (loss)/earnings per share calculation		**16,874,599**	16,810,807
Effect of dilution – weighted average number of ordinary shares:			
Warrants	*(i)*	**–**	5,345
Share options		**–**	82,084
Convertible bonds	*(ii)*	**29,972**	–
		16,904,571	16,898,236

Notes:

(i) On 28 January 2006 and 28 February 2006, the Company and Warburg Pincus Private Equity IX, L.P. ("**Warburg Pincus**") entered into a subscription agreement and a supplemental agreement respectively, pursuant to which the Company issued warrants at a subscription price of US$3,000,000 to a subsidiary of Warburg Pincus on 1 March 2006. The holder of the warrants is entitled to subscribe for a maximum amount of US$25,000,000 of new shares of the Company during an exercise period of five years commencing from 1 March 2006 (the "**Warrants**").

The Company received an exercise notice from the holder of the Warrants (the "**Warrantholder**") on 17 January 2011 to exercise in full its right under the Warrants to subscribe for new ordinary shares in the Company of HK$0.025 each in the amount of US$25,000,000. An aggregate of 108,790,252 ordinary shares have been issued by the Company to the Warrantholder on 24 January 2011 at an exercise price of US$0.2298 per share. After the exercise of the Warrants, the Company does not have any outstanding Warrants.

(ii) The New 2014 Convertible Bonds had an anti-dilutive effect on the basic loss per share for the six-month period ended 30 June 2012 and were therefore not included in the calculation of diluted loss per share.

The Old 2014 Convertible Bonds and the New 2014 Convertible Bonds had an anti-dilutive effect on the basic earnings per share for the six-month period ended 30 June 2011 and were therefore not included in the calculation of diluted earnings per share.

9. PROPERTY AND EQUIPMENT

During the six-month period ended 30 June 2012, the Group acquired items of property and equipment at a total cost of RMB508.0 million (six-month period ended 30 June 2011: RMB376.5 million). Items of property and equipment with a net carrying amount of RMB27.0 million (six-month period ended 30 June 2011: RMB22.9 million) were disposed of during the six-month period ended 30 June 2012. As at 30 June 2012, the Group's ERP system included in the equipment with carrying value of RMB216.2 million (31 December 2011: RMB132.7 million) was provided for use to the Non-listed GOME Group and Dazhong Appliances with no additional charge other than the management fees.

Certain of the buildings of the Group in the PRC were pledged as security for bills payable (note 18) of the Group as at 30 June 2012. The aggregate carrying value of the pledged buildings attributable to the Group as at 30 June 2012 amounted to RMB1,134,648,000 (31 December 2011: RMB1,467,444,000).

10. OTHER INVESTMENTS

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
PRC equity investments, at fair value	**156,060**	145,800

The balance as at 30 June 2012 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 company established in the PRC and listed on the Shanghai Stock Exchange. The Group classified these investments as available-for-sale financial assets at 30 June 2012 and 31 December 2011. After initial recognition, the available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investments are derecognised or until the investments are determined to be impaired, at which time the cumulative gain or loss previously reported in equity are included in the income statement.

Of the seven directors of Sanlian, three were nominated by the Group. With reference to Sanlian's memorandum and articles of association and by taking into account the current shareholding structure of Sanlian, the directors of the Company consider that the Group has no absolute right to determine the composition of the board of directors of Sanlian or appoint directors to it and thus the Group does not have control or significant influence over Sanlian.

As at 30 June 2012, the fair value of these investments was based on the quoted market price of the listed shares, which was RMB5.8 (31 December 2011: RMB5.4) per share.

10. OTHER INVESTMENTS *(continued)*

During the six-month period ended 30 June 2012, the gross gain in respect of the Group's other investments recognised in other comprehensive income amounted to RMB10,260,000 (six-month period ended 30 June 2011: RMB35,438,000). The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

During the six-month period ended 30 June 2012, the Group's sales of electrical appliances and consumer electronic products to Sanlian amounted to nil (six-month period ended 30 June 2011: RMB3,564,000).

11. DESIGNATED LOAN

The designated loan of RMB3,600 million as at 30 June 2012 (31 December 2011: RMB3,600 million) represented the aggregate amount of loan provided to Beijing Zhansheng by the Group, through the Beijing branch of Industrial Bank Co., Ltd.. The loan had a maturity date on 12 December 2009 and the interest rate of 5.103% per annum. On 15 December 2009, the designated loan was renewed with a maturity date on 14 December 2011 with an interest rate of 4.86% per annum. On 14 December 2011, the designated loan was further extended for a period from 15 December 2011 to 15 December 2012 with an interest rate of 5.90% per annum to reflect the current market interest rate.

The designated loan is secured by (i) the pledge of the entire registered 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 capital of Beijing Zhansheng (including any dividends and other interests arising in relation to the relevant share capital) in favour of the Group.

In addition, pursuant to an option agreement dated 14 December 2007 and the renewed option agreement dated 15 December 2009, Beijing Zhansheng irrevocably granted the Group an option, on an exclusive basis, for the Group or any party(ies) designated by the Group to acquire all or part of the registered capital of Dazhong Appliances held by Beijing Zhansheng, subject to the approval from the PRC government authorities and the terms and conditions of the option agreement.

12. INVENTORIES

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Merchandise for resale	**6,781,123**	9,554,432
Consumables	**71,669**	70,612
	6,852,792	9,625,044

As at 30 June 2012, the Group's inventories amounting to RMB540 million (31 December 2011: RMB540 million) were pledged as security for the Group's bills payable (note 18).

13. TRADE AND BILLS RECEIVABLES

All of the Group's sales are on a cash basis except for certain bulk sales of merchandise which are credit sales. The credit term offered to customers is generally one month. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. Management considers that there is no significant concentration of credit risk.

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date of the trade and bills receivables, is as follows:

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Outstanding balances, aged:		
Within 3 months	**411,155**	195,274
3 to 6 months	**2,124**	1,736
6 months to 1 year	**–**	2,588
Over 1 year	**–**	–
	413,279	199,598

13. TRADE AND BILLS RECEIVABLES *(continued)*

The balance at 30 June 2012 included the trade receivables from Dazhong Appliances of RMB96,030,000 (31 December 2011: RMB22,550,000). During the six-month period ended 30 June 2012, the Group sold electrical appliances and consumer electronic products to Dazhong Appliances amounting to RMB1,256.7 million (six-month period ended 30 June 2011: RMB1,132.6 million).

The balances are unsecured and non-interest-bearing.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	**30 June 2012 (Unaudited) RMB'000**	31 December 2011 (Audited) RMB'000
Prepayments	*(i)*	**516,940**	573,881
Advances to suppliers		**888,516**	941,940
Other deposits and receivables		**825,479**	1,818,619
Receivables from Wuhan Yinhe	*(ii)*	**166,586**	166,586
Prepayments for acquisition of properties	*(iii)*	**21,129**	21,129
Management fees receivable from Dazhong Appliances	*(iv)*	**206,124**	206,124
		2,624,774	3,728,279

Notes:

(i) The balance included the current portion of the rental prepayments to Beijing Centergate Technologies (Holding) Co., Ltd. ("**Centergate Technologies**") amounting to RMB6,612,000 (31 December 2011: RMB6,612,000) (note 26(a)(vi)).

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

Due to the default of the vendor to fulfill its obligation under the sale and purchase agreement, on 6 July 2009, the Group applied to 湖北省高級人民法院 (the "**Hubei Court**") to freeze the assets of Wuhan Yinhe up to an amount of RMB135,808,000. On 21 July 2009, the court granted an injunction and froze the first, the second and the fourth floors of the property. In July 2010, the Group applied to the Hubei Court to freeze the third floor of the property and the Hubei Court granted an injunction on 23 July 2010.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

(ii) (continued)

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

In February 2010, the Group applied for enforcement of the court decision and the frozen properties are in the process of auction. Up to 30 June 2012, the Group has not yet received the above repayment and compensation amounting to RMB166,586,000.

(iii) The balance represented a deposit made by the Group for acquisition of certain commercial properties in the PRC. Due to the breach of contract by the vendor, the commercial properties were not delivered and the Group filed a civil action against the vendor in January 2010. The judgement made by the court of first instance was in favour of the Group. In June 2011, the vendor appealed to a higher court for judgement. By 31 December 2011, the vendor withdrew the appeal and the first instance of the court took effect. By 30 June 2012, the Group has applied for enforcement of the court decision and has also been negotiating for settlement out of court. In the opinion of the directors, the Group is able to recover the receivable.

(iv) In the opinion of the directors, the management fees receivable from Dazhong Appliances will be settled before the end of 2012.

15. DUE FROM RELATED PARTIES

	Note	**30 June 2012 (Unaudited) RMB'000**	31 December 2011 (Audited) RMB'000
Receivables from the Non-listed GOME Group	*(i)*	**121,387**	169,390

Note:

(i) The balance mainly represented the management and purchasing service fees and trade receivables due from the Non-listed GOME Group (note 26(a)(i) and note 26(a)(ii)). The aforesaid balance was interest-free, unsecured and has no fixed terms of repayment.

16. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Cash and bank balances	**7,776,997**	5,314,828
Time deposits	**4,347,669**	5,045,668
	12,124,666	10,360,496
Less: Pledged time deposits:		
Pledged for bills payable	**(2,687,080)**	(4,388,998)
Pledged for interest-bearing bank loan	**(1,205,565)**	–
	(3,892,645)	(4,388,998)
Cash and cash equivalents	**8,232,021**	5,971,498

At the end of the reporting period, the cash and bank balances and the time deposits of the Group denominated in RMB amounted to RMB10,414,282,000 (31 December 2011: RMB10,092,393,000). The RMB is not freely convertible into other currencies; however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

The bank balances of the Group earn interest at floating rates based on daily bank deposit rates. Short term deposits of the Group are made for varying periods of between one day and three months, 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.

17. INTEREST-BEARING BANK LOAN

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Bank loan – secured, within one year	**1,075,233**	–

The Group's bank loan is denominated in United States dollar ("USD") and bears interest at 3-month LIBOR plus 2.9% per annum.

The Group's bank loan is secured by pledges as set out in note 16.

The carrying amount of the Group's bank loan approximates to its fair value.

18. TRADE AND BILLS PAYABLES

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Trade payables	**6,495,988**	7,177,734
Bills payable	**8,427,233**	9,962,649
	14,923,221	17,140,383

An aging analysis of the trade and bills payables as at the end of the reporting period, based on the goods receipt date, is as follows:

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Within 3 months	**10,323, 685**	12,228,210
3 to 6 months	**4,347,886**	4,631,032
Over 6 months	**251,650**	281,141
	14,923,221	17,140,383

18. TRADE AND BILLS PAYABLES *(continued)*

The Group's bills payable above are secured by:

(i) the pledge of the Group's time deposits (note 16);

(ii) the pledge of certain of the Group's inventories (note 12);

(iii) the pledge of certain of the Group's buildings (note 9);

(iv) the pledge of certain of the Group's investment properties with an aggregate fair value of RMB360,617,000 (31 December 2011: RMB773,702,000); and

(v) the corporate guarantees executed by the Non-listed GOME Group (note 26(a)(iv)).

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

19. CONVERTIBLE BONDS

	Notes	**30 June 2012 (Unaudited) RMB'000**	31 December 2011 (Audited) RMB'000
Liability components:			
Old 2014 Convertible Bonds	*(i)*	**–**	137,567
New 2014 Convertible Bonds	*(ii)*	**2,061,111**	1,974,043
		2,061,111	2,111,610

19. CONVERTIBLE BONDS *(continued)*

Notes:

*(i) RMB denominated USD settled zero coupon convertible bonds due in 2014 (the "**Old 2014 Convertible Bonds**")*

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

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

(a) convertible at the option of the bondholders into fully paid ordinary shares at anytime from 18 May 2008 to 11 May 2014 at a conversion price of HK$19.95 (at a fixed exchange rate of RMB0.9823 to HK$1.00) per share;

(b) redeemable at the option of the bondholders on 18 May 2010, being the third anniversary of the issue date, 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

(c) redeemable at the option of the Company at any time after 18 May 2010 and prior to 18 May 2014 in all or some only of the bonds for the time being outstanding at a USD amount equivalent to their early redemption amount as at the date fixed for redemption, provided that the prices of the Company's shares for each of 20 consecutive trading days are over 130% of the early redemption price.

The Old 2014 Convertible Bonds would 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 would be in USD using the spot rate prevailing at the dates of the transaction.

19. CONVERTIBLE BONDS *(continued)*

*(i) RMB denominated USD settled zero coupon convertible bonds due in 2014 (the "**Old 2014 Convertible Bonds**") (continued)*

The conversion price of the Old 2014 Convertible Bonds was HK$4.46 per share as at 31 December 2011. No adjustment was made to the conversion price during the six-month period ended 30 June 2012.

On 18 May 2012 and 27 June 2012, the Old 2014 Convertible Bonds with an aggregate principal amount of RMB74,400,000 and RMB75,000,000, respectively, were redeemed with consideration of RMB77,257,000 and RMB77,924,000, respectively, in accordance with the terms and conditions of the Old 2014 Convertible Bonds. The bonds redeemed were cancelled.

The Company allocated the consideration paid and any transaction costs for the redemption to the liability and equity components of the instrument at the dates of the transaction. The method used in allocating the consideration paid and transaction costs to the separate components was consistent with that used in the original allocation to the separate components of the proceeds received by the entity when the convertible bonds were issued. The Company determined the fair value of the liability component at the dates of the redemption based on the valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("Jones Lang LaSalle"), an independent firm of professionally qualified valuers, using an equivalent market interest rate for a similar bond without a conversion option. The amount of redemption gain which related to the liability component amounting to RMB15,998,000 was recognised in profit or loss and the amount of consideration which related to the equity component of RMB30,195,000 was recognised in equity.

As at 30 June 2012, no Old 2014 Convertible Bonds were outstanding.

19. CONVERTIBLE BONDS *(continued)*

*(i) RMB denominated USD settled zero coupon convertible bonds due in 2014 (the "**Old 2014 Convertible Bonds**") (continued)*

The movements of the liability component, derivative component and equity component of the Old 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**
At 31 December 2011 and 1 January 2012 (audited)	**137,567**	**–**	**287,483**	**425,050**
Interest expense	**3,417**	**–**	**–**	**3,417**
Redemption of bonds	**(140,984)**	**–**	**(30,195)**	**(171,179)**
At 30 June 2012 (unaudited)	**–**	**–**	**257,288**	**257,288**

	Liability component of convertible bonds RMB'000	Derivative component of convertible bonds RMB'000	Equity component of convertible bonds RMB'000	Total RMB'000
At 31 December 2010 and 1 January 2011 (audited)	129,976	(7,349)	287,483	410,110
Interest expense	3,687	–	–	3,687
Fair value adjustment	–	233	–	233
At 30 June 2011 (unaudited)	133,663	(7,116)	287,483	414,030

The fair value of the derivative component is determined based on the valuation performed by Jones Lang LaSalle using the applicable option pricing model.

19. CONVERTIBLE BONDS *(continued)*

*(ii) RMB denominated USD settled 3% coupon convertible bonds due in 2014 (the "**New 2014 Convertible Bonds**")*

On 23 September 2009 and 25 September 2009, the Company issued RMB denominated USD settled 3% coupon convertible bonds due in 2014 with an aggregate principal amount of RMB2,357.2 million.

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

(a) convertible at the option of the bondholders on or after 5 November 2009 up to the 10th day prior to 25 September 2014 at a conversion price of HK$2.8380 (at the fixed rate of HK$1.1351 to RMB1.00) per share;

(b) redeemable at the option of the bondholders in all or some only of the bonds on 25 September 2012 at a USD amount equivalent of 103.634% of their RMB principal amount together with interest accrued to the date fixed for redemption; and

(c) redeemable at the option of the Company at any time after 25 September 2012 in all, but not some only, of the bonds for the time being outstanding at a USD amount equivalent of their early redemption amount as at the date fixed for redemption together with interest accrued to the date fixed for redemption, provided that the closing prices of the Company's shares for 30 consecutive trading days prior to the date upon which notice of such redemption is published are at least 130% of the early redemption amount of a bond divided by the conversion ratio.

Unless previously redeemed, converted or purchased and cancelled in the circumstances referred to in the terms and conditions of the New 2014 Convertible Bonds, each bond will be redeemed at a USD amount equivalent of 106.318% of its RMB principal amount together with unpaid accrued interest thereon on 25 September 2014, the bond maturity date.

The conversion price of the New 2014 Convertible Bonds was adjusted from HK$2.8380 per share to HK$2.79 per share (at the fixed rate of HK$1.1351 = RMB1.00) effective from 11 June 2011 (Hong Kong time) to reflect the effect of the 2010 final dividends approved by the shareholders of the Company on 10 June 2011 of HK4.1 cents (equivalent to RMB3.5 fen) per share and the change was announced on 21 June 2011.

19. CONVERTIBLE BONDS *(continued)*

*(ii) RMB denominated USD settled 3% coupon convertible bonds due in 2014 (the "**New 2014 Convertible Bonds**") (continued)*

Based on the terms and conditions of the New 2014 Convertible Bonds, the exercise of the conversion option will give rise to the settlement by exchanging a fixed amount of cash for a fixed number of shares of the Company and it was accounted for as an equity component. At inception, the host debt instrument was fairly valued and accounted for as a liability component. The equity component was assigned as the residual amount after deducting the liability component from the consideration received for the instrument. The Company determined the fair value of the liability component based on the valuations performed by independent professional valuers using an equivalent market interest rate for a similar bond without a conversion option. The residual amount was assigned as the equity component for the conversion option and was included in the capital reserve as at inception.

The liability component is carried on the amortised cost basis until extinguished on conversion or redemption. The value of the equity component is not remeasured in subsequent years.

As at 30 June 2012, the New 2014 Convertible Bonds with an aggregate principal amount of RMB2,357.2 million remained outstanding.

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

	Liability component of convertible bonds RMB'000	Equity component of convertible bonds RMB'000	Total RMB'000
At 31 December 2011 and 1 January 2012 (audited)	1,974,043	688,021	2,662,064
Interest expense	122,426	–	122,426
Interest paid	(35,358)	–	(35,358)
At 30 June 2012 (unaudited)	2,061,111	688,021	2,749,132

19. CONVERTIBLE BONDS *(continued)*

*(ii) RMB denominated USD settled 3% coupon convertible bonds due in 2014 (the "**New 2014 Convertible Bonds**") (continued)*

	Liability component of convertible bonds RMB'000	Equity component of convertible bonds RMB'000	Total RMB'000
At 31 December 2010 and 1 January 2011 (audited)	1,814,069	688,021	2,502,090
Interest expense	112,058	–	112,058
Interest paid	(35,358)	–	(35,358)
At 30 June 2011 (unaudited)	1,890,769	688,021	2,578,790

20. A CROSS CURRENCY SWAP

On 5 March 2012, the Company entered into an offshore USD/RMB cross currency swap contact (**the** "**Swap Contract**") with Deutsche Bank AG, London Branch (**the** "**Bank**"). The contract was effective from 14 March 2012 to 14 March 2014.

By entering into the contract, the Company paid a notional amount of RMB500,000,000 to the Bank and the Bank paid a notional amount of USD79,340,000 to the Company on 14 March 2012. During the effective period of the Swap Contract, the Company and the Bank will exchange interest generated from the notional amounts at rates agreed in the Swap Contract semi-annually on 14 September and 14 March in each year. On 14 March 2014, the Company and the Bank will return the notional amount to each other.

During the period, the Group recorded the Swap Contract at fair value with any changes in value reported in profit or loss. During the six-month period ended 30 June 2012, the Group recognised a fair value loss on the swap contract of RMB12,949,000 in the interim condensed consolidated income statement.

21. ISSUED CAPITAL

	Number of shares '000	HK$'000	Equivalent to RMB'000
Authorised:			
Ordinary shares of HK$0.025 each at 1 January 2012 and 30 June 2012	**200,000,000**	**5,000,000**	**5,300,000**
Issued and fully paid:			
Ordinary shares of HK$0.025 each at 31 December 2011 and 1 January 2012	**16,873,556**	**421,839**	**421,521**
Exercise of share options *(Note 22)*	**1,500**	**38**	**30**
Ordinary shares of HK$0.025 each at 30 June 2012	**16,875,056**	**421,877**	**421,551**

22. SHARE OPTION SCHEME

The following share options were outstanding under the share option scheme during the period:

	Six-month period ended 30 June 2012		Six-month period ended 30 June 2011	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**1.90**	**158,586**	1.90	350,974
Exercised during the period (note (i))	**1.90**	**(1,500)**	1.90	(50,980)
Forfeited during the period	**1.90**	**(9,298)**	1.90	(29,250)
At 30 June (unaudited)	**1.90**	**147,788**	1.90	270,744

Note:

(i) The weighted average share price at the dates of exercise for share options exercised during the period was HK$2.27 per share (six-month period ended 30 June 2011: HK$3.01 per share).

22. SHARE OPTION SCHEME *(continued)*

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

30 June 2012 Number of options '000	**Exercise price* HK$ per share**	**Exercise period**
91,156	**1.90**	**on or before 15 November 2012**
24,777	**1.90**	**between 15 May 2013 and 15 November 2013**
21,237	**1.90**	**between 15 May 2014 and 15 November 2014**
10,618	**1.90**	**between 15 May 2015 and 15 November 2015**
147,788		

30 June 2011 Number of options '000	Exercise price* HK$ per share	Exercise period
35,469	1.90	7 July 2010 to 6 July 2019
78,425	1.90	7 July 2011 to 6 July 2019
78,425	1.90	7 July 2012 to 6 July 2019
78,425	1.90	7 July 2013 to 6 July 2019
270,744		

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

The Group recognised a share option expense of RMB290,000 during the six-month period ended 30 June 2012 (six-month period ended 30 June 2011: RMB19,959,000).

The 1,500,000 share options exercised during the period resulted in the issue of 1,500,000 ordinary shares of the Company and share capital of HK$38,000 (equivalent to approximately RMB30,000) and share premium of HK$4,036,000 (equivalent to approximately RMB3,280,000) (before issue expenses), as further detailed in note 21 to the interim financial information.

22. SHARE OPTION SCHEME *(continued)*

At the end of the reporting period, the Company had 147,788,000 share options outstanding under the option scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 147,788,000 additional ordinary shares of the Company and additional share capital of HK$3,695,000 (equivalent to approximately RMB3,003,000) and share premium of HK$277,103,000 (equivalent to approximately RMB225,207,000) (before issue expenses and the amount transferred from related share option reserve).

At the date of approval of the Interim Financial Information, the Company had 143,039,000 share options outstanding under the option scheme, which represented approximately 0.85% of the Company's shares in issue as at that date.

23. ACQUISITION OF NON-CONTROLLING INTERESTS

On 23 May 2012, the Group entered into an agreement with Ms. Zhang Li, the then equity holder of the 20% interests in Kuba Technology (Beijing) Co., Ltd. ("Kuba" and a subsidiary of the Company), to acquire Ms. Zhang Li's 20% interests of Kuba at a cash consideration of RMB12,000,000, out of which RMB8,400,000 had been settled by 30 June 2012, with RMB3,900,000 paid in cash and RMB4,500,000 offset from the Group's other receivables from Mr. Wang Zhiquan, the husband of Ms. Zhang Li. The rest of the consideration will be paid at the time agreed in the agreement. Upon completion of the acquisition, the Group holds a 100% equity interest in Kuba.

24. DIVIDENDS

	For the six-month period ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Final dividend: Nil (for 2010: HK4.1 cents (equivalent to RMB3.5 fen)) per ordinary share	–	582,275
Interim dividend: Nil (2011: HK2.7 cents (equivalent to RMB2.2 fen)) per ordinary share	–	382,483

25. OPERATING LEASE ARRANGEMENTS AND COMMITMENTS

(a) Operating lease arrangements

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

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Within one year	**2,949,895**	2,892,751
In the second to fifth years, inclusive	**8,956,104**	8,946,024
After five years	**4,533,577**	4,792,357
	16,439,576	16,631,132

As defined under IAS 17, a non-cancellable lease is a lease that is cancellable only (a) upon the occurrence of some remote contingency; (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 an early termination compensation rental which in general ranges from one month to one year, 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.

25. OPERATING LEASE ARRANGEMENTS AND COMMITMENTS *(continued)*

(a) Operating lease arrangements *(continued)*

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 ranging from 1 to 13 years. The majority of the Group's leases include a clause to enable an upward revision of the rental charge on a regular basis according to prevailing market conditions. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

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

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Within one year	**226,484**	217,362
In the second to fifth years, inclusive	**580,118**	581,229
After five years	**285,191**	315,916
	1,091,793	1,114,507

(b) Capital commitments

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

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Contracted, but not provided for:		
Acquisition of buildings	**–**	78,414
Construction of equipment	**91,030**	40,624
	91,030	119,038

26. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances which are disclosed elsewhere in the Interim Financial Information, the Group had the following significant transactions with the related parties during the period.

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

	Notes	For the six-month period ended 30 June 2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Sales to the Non-listed GOME Group*	*(i)*	**239,928**	420,161
Purchases from the Non-listed GOME Group	*(i)*	**(175,906)**	(39,302)
Provision of management and purchasing services to the Non-listed GOME Group	*(ii),4(i)*	**122,880**	185,743
Rental expenses and other expense to Beijing Xinhengji and the Non-listed GOME Group	*(iii)*	**(28,737)**	(24,241)
Corporate guarantees executed by the Non-listed GOME Group in respect of the Group's bill facilities	*(iv)*	**–**	30,000
Rental income from a related party	*(v)*	**137**	207
Rental expenses to Centergate Technologies	*(vi)*	**(3,306)**	(3,306)

* 北京鵬潤投資有限公司, 北京鵬潤地產控股有限公司 ("**Beijing Pengrun Property**"), 北京國美電器有限公司 ("**Beijing Gome**"), 國美電器零售有限公司 and its subsidiaries are collectively referred to as the "Non-listed GOME Group". 國美電器零售有限公司 and its subsidiaries are engaged in the retail sale 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 Kwong Yu ("**Mr. Wong**"), a substantial shareholder and the former chairman of the Company.

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

北京中關村科技發展(控股)股份有限公司 ("**Centergate Technologies**") is a listed company in the PRC over which Mr. Wong had significant influence.

26. RELATED PARTY TRANSACTIONS *(continued)*

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

Notes:

(i) The sales and purchase transactions and the joint purchase transactions entered into between the Group and the Non-listed GOME Group in respect of the electrical appliances and consumer electronic products were conducted based on the actual purchase cost from the Group's third party suppliers. The transactions constitute continuing connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

(ii) The Group provides management services to the Non-listed GOME Group in respect of the retailing of electrical appliances and consumer electronic products. In addition, the Group negotiates with various suppliers for both the Group and the Non-listed GOME Group on a centralised basis. During 2009, 濟南萬盛源經濟諮詢有限公司 ("**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 would provide and would 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, 昆明恒達物流有限公司 ("**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 would provide and would procure other members of the Group to provide purchasing services to the Non-listed GOME Group for a period of three years from 1 January 2010 to 31 December 2012. The amounts of the management service fee and the purchasing service fee were charged based on 0.6% and 0.9%, respectively, of the total turnover of the Non-listed GOME Group. The transactions constitute continuing connected transactions under the Listing Rules.

(iii) On 18 March 2011, the Group entered into lease agreements and supplemental agreements with Beijing Pengrun Property and Beijing Gome to record and confirm the use and occupation by the Group of some properties in 2009 and 2010 and to revise rentals for these two years. The Group also entered into lease agreements with Beijing Pengrun Property and Beijing Gome to set out terms of use by the Group of some properties in 2011 and 2012. During the six-month period ended 30 June 2012, the Group entered into lease agreements with Beijing Pengrun Property and Beijing Gome with respect to the Group's use of additional properties and continuous use of some properties. The rental expenses incurred by the Group payable to Beijing Pengrun Property and Beijing Gome amounting to RMB21,510,000 (30 June 2011: RMB17,671,000) and RMB7,227,000 (30 June 2011: RMB6,570,000) respectively for the six-month period ended 30 June 2012. The transactions constitute continuing connected transactions under the Listing Rules. Beijing Pengrun Property has been authorised by Beijing Xinhengji to manage the leased properties and receive the rentals from the Group since 2007.

(iv) The guarantees were provided at nil consideration to the Group.

(v) The Group received operating lease rentals from GOME Home Appliances (Hong Kong) Limited, a company owned by Mr. Wong.

(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 2012 amounted to RMB55,647,000 (31 December 2011: RMB58,953,000), among which RMB49,035,000 (31 December 2011: RMB52,341,000) was classified as long term and RMB6,612,000 (31 December 2011: RMB6,612,000) (note 14(i)) was classified as short term in the Interim Financial Information.

26. RELATED PARTY TRANSACTIONS *(continued)*

(b) Commitments with related parties

As disclosed in note 26(a)(iii), the Group had rental commitments with Beijing Xinhengji of RMB24,563,000 (31 December 2011: RMB35,717,000) under non-cancellable operating leases falling due within one year.

(c) Compensation of key management of the Group:

	For the six-month period ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Fees	**2,143**	1,324
Other emoluments:		
Salaries, allowances, bonuses, benefits and other expenses	**3,537**	25,009
Post-employment benefits	**108**	93
Equity-settled share option expense	**3,370**	(892)
	9,158	25,534

27. CONTINGENCIES

(a) At the end of the reporting period, contingent liabilities not provided for in the Interim Financial Information were as follows:

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Guarantees executed to banks in connection with bill facilities granted in favour of:		
Dazhong Appliances	**365,504**	475,548

(b) Enforcement action by the Securities and Futures Commission

Court grants injunction to freeze assets of Mr. Wong and his spouse

On 7 August 2009, the Securities and Futures Commission (the "**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 the Company, Mr. Wong, his spouse, 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 "**Allegation**").

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 approximately HK$1.6 billion to the Company and its shareholders.

27. CONTINGENCIES *(continued)*

(b) Enforcement action by the Securities and Futures Commission *(continued)*

Court grants injunction to freeze assets of Mr. Wong and his spouse *(continued)*

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

- to 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

- to pay damages to the Company.

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.

Court continues orders against Mr. Wong and his spouse

The order is an ex parte interim injunction obtained by the SFC. 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.

According to the enforcement news of the SFC dated 8 September 2009, the High Court ordered the two companies associated with Mr. Wong and Ms. Du Juan not to dispose of, deal with or encumber 779,255,678 shares of the Company pending further order.

The two companies, Shinning Crown Holdings Inc. and Shine Group Limited, deposited with the court share certificates representing these shares pursuant to the interim injunctions ordered against them, Mr. Wong and Ms. Du Juan, freezing their assets up to the amount of HK$1,655,167,000.

27. CONTINGENCIES *(continued)*

(b) Enforcement action by the Securities and Futures Commission *(continued)*

Court continues orders against Mr. Wong and his spouse *(continued)*

The delivery of these share certificates into the custody of the court, together with the orders made on 8 September 2009 prohibiting the disposal of the shares, will preserve them for the purposes of the legal proceedings initiated by the SFC. Accordingly, the interim injunctions against the two companies were discharged. However, the interim injunctions remain effective against Mr. Wong and Ms. Du Juan.

Separately, the court declined to order the defendants to provide additional assets if the value of the Company's shares deposited with the court fell below HK$1,655,167,000.

The SFC is obliged to comply with and follow the court's rules and procedures for due service of the proceedings on Mr. Wong and Ms. Du Juan in the PRC. This process started after the SFC had commenced these proceedings. The SFC continues to liaise with the PRC authorities with a view to assisting the court to effect service on them.

High Court varies order against Ms. Du Juan

The High Court has varied the interim injunction order in relation to the proceedings commenced by the SFC involving the Allegations against Mr. Wong and his spouse on 3 March 2011. Following undertakings to the Court by Shinning Crown Holdings Inc. and Shine Group Limited, the SFC consented to the discharge of the interim injunction order made against Ms. Du Juan. The undertakings ensure that HK$1,655,167,000 in shares of the Company as represented by the share certificates that have been deposited with the High Court by Shinning Crown Holdings Inc. and Shine Group Limited in compliance with the High Court's interim injunction order will also irrevocably and unconditionally be used and applied to meet any liability of Ms. Du Juan, if such liability is imposed by the High Court in these proceedings. The variation of the interim injunctions order has no effect on the freezing order against Mr. Wong.

Up to the date of approval of the Interim Financial Information, there is no further development regarding the contingencies in (b) above. Other than the above, the Group did not have any significant contingencies at the end of the reporting period.

28. MAJOR NON-CASH TRANSACTION

During the period, the Group acquired 20% of equity interests in Kuba at a cash consideration of RMB12,000,000, out of which RMB4,500,000 (note 23) was offset against the Group's other receivables from Mr. Wang Zhiquan, the husband of Ms. Zhang Li, which did not result in any cash flow.

29. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts and fair values of the Group's financial instruments are as follows:

	Carrying amounts		Fair values	
	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000	**30 June 2012 (Unaudited) RMB'000**	31 December 2011 (Audited) RMB'000
Financial assets				
Other investments	**156,060**	145,800	**156,060**	145,800
Designated loan	**3,600,000**	3,600,000	**3,600,000**	3,600,000
Trade and bills receivables	**413,279**	199,598	**413,279**	199,598
Financial assets included in prepayments, deposits and other receivables	**1,219,318**	2,212,458	**1,219,318**	2,212,458
Due from related parties	**121,387**	169,390	**121,387**	169,390
Pledged deposits	**3,892,645**	4,388,998	**3,892,645**	4,388,998
Cash and cash equivalents	**8,232,021**	5,971,498	**8,232,021**	5,971,498
	17,634,710	16,687,742	**17,634,710**	16,687,742
Financial liabilities				
Interest-bearing bank loan	**1,075,233**	–	**1,075,233**	–
Trade and bills payables	**14,923,221**	17,140,383	**14,923,221**	17,140,383
Financial liabilities included in customers' deposits, other payables and accruals	**881,070**	788,619	**881,070**	788,619
Liability component of convertible bonds	**2,061,111**	2,111,610	**2,478,219**	2,668,669
Derivative liability related to a cross currency swap	**12,949**	–	**12,949**	–
	18,953,584	20,040,612	**19,370,692**	20,597,671

29. FAIR VALUE AND FAIR VALUE HIERARCHY *(continued)*

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

The fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in customers' deposits, other payables and accruals, due from related parties, designated loan and interest-bearing bank loan approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair value of the liability component of the convertible bonds was estimated using an equivalent market interest rate for a similar convertible bond. The fair values of available-for-sale equity investments were based on market prices of the listed shares. The fair value of the derivative liability related to a cross currency swap was estimated using a valuation technique based on assumptions that are supported by unobservable market data. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the interim condensed consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

29. FAIR VALUE AND FAIR VALUE HIERARCHY *(continued)*

Assets measured at fair value:

As at 30 June 2012

	Level 1 (Unaudited) RMB'000	Level 2 (Unaudited) RMB'000	Level 3 (Unaudited) RMB'000	Total (Unaudited) RMB'000
Other investments:				
Equity investments	**156,060**	**–**	**–**	**156,060**

As at 31 December 2011

	Level 1 (Audited) RMB'000	Level 2 (Audited) RMB'000	Level 3 (Audited) RMB'000	Total (Audited) RMB'000
Other investments:				
Equity investments	145,800	–	–	145,800

During the period, there were no transfers of fair value measurements between Level 1 and Level 2, and no transfers into or out of Level 3.

Liability measured at fair value:

As at 30 June 2012

	Level 1 (Unaudited) RMB'000	Level 2 (Unaudited) RMB'000	Level 3 (Unaudited) RMB'000	Total (Unaudited) RMB'000
Derivative liability related to a cross currency swap	**–**	**–**	**12,949**	**12,949**

30. EVENTS AFTER THE REPORTING PERIOD

Capital injection in Kuba and Xinruimei

On 25 May 2012, the Group and 北京國美銳動電子商務有限公司 ("**GOME Ruidong**"), of which Mr. Wong is the controlling shareholder, entered into a subscription agreement (the "Subscription Agreement"), pursuant to which GOME Ruidong agreed to subscribe a 40% interest in the enlarged capital of each of Kuba and Xinruimei E-Commerce Co., Ltd. ("Xinruimei"), two subsidiaries carrying out on-line business in the Group, for an aggregate consideration of RMB73,333,333. The capital injection was completed by GOME Ruidong on 13 July 2012.

In addition, on 25 May 2012, 國美電器有限公司 ("**GOME Appliance**"), a subsidiary of the Company, entered into the first master agreement with Kuba and Xinruimei, pursuant to which GOME Appliance will, or procure its nominee (being a member of the Group) to, (1) supply merchandise including the electrical appliances and consumer electronic products, and (2) provide (i) logistics and warehousing services and (ii) after-sales services to Kuba and Xinruimei from time to time during the term of the first master agreement. On the same day, GOME Ruidong entered into the second master agreement with Kuba and Xinruimei, pursuant to which GOME Ruidong will, or procure its nominee (being a member of the Non-listed GOME Group) to, (1) supply merchandise including the electrical appliances and consumer electronic products, and (2) provide (i) logistics and warehousing services and (ii) after-sales services to Kuba and Xinruimei from time to time during the term of the second master agreement. Both the first and the second master agreements above are conditional upon completion of the Subscription Agreement and have a term commencing from 25 May 2012 and ending on 31 December 2014.

The aggregate prices to be charged, respectively by each of GOME Appliance and GOME Ruidong, for the supply of merchandise, the provision of logistics and warehousing services as well as after-sales services to Kuba and Xinruimei for the period ending on 31 December 2012 and the two years ending on 31 December 2014 will not exceed RMB800,000,000, RMB800,000,000 and RMB800,000,000, respectively.

Share options

Subsequent to 30 June 2012, a total of 4,749,000 subscription rights attaching to 3,619,000 share options and 1,130,000 share options were forfeited and lapsed, respectively.

31. APPROVAL OF THE UNAUDITED INTERIM FINANCIAL INFORMATION

The unaudited Interim Financial Information was approved and authorised for issue by the board of directors of the Company on 31 August 2012.

Additional Information

DISCLOSURE OF INTERESTS

(a) Directors' and Chief Executive's interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations

As at 30 June 2012, the interests and short positions of the directors of the Company (the "Director(s)") and the chief executive of the Company (the "Chief Executive") in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

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

Name of Directors/ Chief Executive	Personal interest	Interest of spouse	Corporate interest	Trustee	Total	Approximate % shareholding
Ng Kin Wah	9,200,000 *(Note 1)*	–	–	–	9,200,000	0.05
Zhu Jia	1,168,920	–	–	–	1,168,920	0.01
Wang Jun Zhou	11,700,000 *(Note 2)*	–	–	–	11,700,000	0.07

Notes:

1. The relevant interests included 1,200,000 shares of the Company (the "Share(s)") issuable upon exercise of the options (the "Option(s)") granted to the Director pursuant to the share option scheme adopted by the Company on 15 April 2005 (the "Share Option Scheme") as was particularly described in the section headed "Share Option Scheme" below. These Options were held by the Director beneficially.

2. The relevant interest included 11,700,000 shares issuable upon exercise of the Options granted to the Chief Executive pursuant to the Share Option Scheme. These Options were held by the Chief Executive beneficially.

Save as disclosed above, as at 30 June 2012, none of the Directors, Chief Executive or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

(b) Directors' benefits from rights to acquire shares or debentures

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

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

Note: As at 31 August 2012, a maximum number of Shares available for issue under the Share Option Scheme was 417,018,232 Shares (including Options for 143,039,200 ordinary shares that have been granted but not yet exercised), representing approximately 2.48% of the issued share capital of the Company as at the time of approval of this interim financial information by the Board on 31 August 2012.

The number of Shares in respect of which Options may be granted pursuant to the Share Option Scheme shall not exceed 10% of the Shares in issue on date of adoption of the Share Option Scheme. Unless otherwise approved by the shareholders of the Company in general meeting, the number of Shares in respect of which Options may be granted to each Participant in any 12-month period shall not exceed 1% (except for any grant to substantial shareholders as defined in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), or an independent non-executive Director or any of their respective associates as defined in the Listing Rules, must not in aggregate exceed 0.1%) of the issued share capital of the Company from time to time.

There is no requirement as to the minimum period during which the Option shall be held before it can be exercised and the Option granted shall be exercised during the period as may be determined by the Board provided that no Option may be exercised more than 10 years after it has been granted.

The exercise price of the Option shall not be less than the highest of (a) the closing price of the Shares as stated in the daily quotations sheet of the Hong Kong Stock Exchange on the date of grant; (b) average of the closing prices of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share.

Consideration of HK$1.00 was paid on the grant of the Option by each grantee.

The Share Option Scheme shall be valid and effective for a period of 10 years after the date of its adoption (i.e. 15 April 2005).

(c) Particulars of the directors' service contracts

As at 30 June 2012, none of the Directors had entered or was proposing to enter into a service contract with the Company or any member of the Group which is not determinable within one year without payment of compensation (other than statutory compensation).

(d) Directors' interests in competing business

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

However, during the period, Mr. Wong Kwong Yu ("Mr. Wong"), Ms. Du Juan being the spouse of Mr. Wong and Ms. Huang Xiu Hong being a sister of Mr. Wong, who remained as directors of certain subsidiaries of the Company had beneficial interest or held directorship or otherwise had control in companies which operate an electrical appliances and consumer electronics products retail network under the brand name "GOME" in different cities in China (the "Non-listed GOME Group") separate from the Group.

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

(e) Material supplements to directors' profile

With effect from 1 July 2012, Mr. Chan Yuk Sang resigned as an independent non-executive director of Opes Asia Development Limited, a company listed on the Hong Kong Stock Exchange.

Since May 2012, Mr. Zou Xiao Chun was re-appointed as a director of Beijing Centergate Technologies (Holding) Co., Limited (北京中關村科技發展(控股)股份有限公司), a company listed on the Shenzhen Stock Exchange.

Since August 2011, Mr. Ng Wai Hung was appointed as an independent non-executive director of Trigiant Group Limited, a company listed on the Hong Kong Stock Exchange.

SHARE OPTION SCHEME

As at 30 June 2012, Options to subscribe for an aggregate of 147,788,200 Shares granted pursuant to the Share Option Scheme were outstanding. Details of which were as follows:

Name of grantee	Date of grant	Exercise price per Share HK$	Number of Options: As at 1 January 2012	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	As at 30 June 2012 *(Note 1)*	Price of Shares for Options exercised during the period *(Note 5)*
Director								
Ng Kin Wah	7 July 2009	1.90	1,200,000	–	–	–	1,200,000	–
Chief Executive								
Wang Jun Zhou	7 July 2009	1.90	11,700,000	–	–	–	11,700,000	–
Other employees	7 July 2009	1.90	145,686,200	–	(1,500,000)	(9,298,000) *(Note 4)*	134,888,200	2.15
Total			158,586,200	–	(1,500,000)	(9,298,000)	147,788,200	

Notes:

1. On 5 December 2011, a resolution was passed by the shareholders of the Company to amend the terms of the share options granted and the terms of the Share Option Scheme. As at 30 June 2012, the revised terms would have the following effects:

   a. 91,156,200 vested options will become lapsed and ceased to have any further effect after 15 November 2012.

   b. Up to 24,776,500 options may be exercise commencing from 15 May 2013 and will become lapsed and ceased to have any further effect after 15 November 2013.

   c. Up to 21,237,000 options may be exercise commencing from 15 May 2014 and will become lapsed and ceased to have any further effect after 15 November 2014.

   d. Up to 10,618,500 options may be exercise commencing from 15 May 2015 and will become lapsed and ceased to have any further effect after 15 November 2015.

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

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

3. The vesting period of these Options is from the date of grant until the commencement of the exercise period mentioned above.

4. 9,298,000 Options were cancelled during the six-month period ended 30 June 2012.

5. The price of Shares disclosed for the Options exercised during the six-month period ended 30 June 2012 is the weighted average of the closing price, quoted on the Hong Kong Stock Exchange immediately before the date of exercise of Options.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or Chief Executive, as at 30 June 2012, other than the Directors or the Chief Executive as disclosed above, the following persons had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept under Section 336 of the SFO:

(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
Mr. Wong *(Note 1)*	Long position	5,417,539,490	32.10
Ms. Du Juan *(Note 2)*	Long position	5,417,539,490	32.10
Shinning Crown Holdings Inc. *(Note 3)*	Long position	4,550,100,000	26.96
Bain Capital Asia Integral Investors, LP. *(Note 4)*	Long position	1,665,546,935	9.87
Bain Capital Investors, LLC *(Note 5)*	Long position	1,665,546,935	9.87
JPMorgan Chase & Co. *(Note 6)*	Long position	957,731,057	5.68
	Short position	110,643,545	0.66
	Lending pool	772,673,579	4.58
Carmignac Gestion	Long position	848,009,394	5.03

Notes:

1. Of these 5,417,539,490 Shares, 4,550,100,000 Shares were held by Shinning Crown Holdings Inc. and 624,453,890 Shares were held by Shine Group Limited (both companies are 100% beneficially owned by Mr. Wong), and 237,321,600 Shares were held by Smart Captain Holdings Limited and 5,664,000 Shares were held by Wan Sheng Yuan Asset Management Company Limited (both companies are 100% beneficially owned by Ms. Du Juan, the spouse of Mr. Wong).

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

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

4. Bain Capital Asia Integral Investors, LP. was interested in these Shares through its interests in controlled corporations.

5. Bain Capital Investors, LLC was interested in these Shares through its interests in controlled corporations. These interests are duplicated by the interests disclosed in note 4 above.

6. JPMorgan Chase & Co. held long position in 185,057,478 Shares and short position in 110,643,545 Shares in its capacity as beneficial owner and long position in 772,673,579 Shares in the lending pool in its capacity as custodian corporation/approved lending agent. Of these Shares, long position in 46,195,930 Shares and short position in 599,947 Shares are listed derivatives which will be physically settled and short position in 4,260,000 Shares are listed derivatives which will be cash settled.

(b) Interests and short positions of other persons in the shares and underlying shares of the Company

Save as disclosed above, so far as is known to any Director or Chief Executive, as at 30 June 2012, no other person (other than the Directors or the Chief Executive of the Company), 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 which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

OTHER INFORMATION

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend so as to preserve for funding needs of the Group.

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

On 18 May 2012 and 27 June 2012, the Old 2014 Convertible Bonds with an aggregate principal amounts of RMB74,400,000 and RMB75,000,000, respectively, were redeemed. The bonds redeemed were cancelled. As at 30 June 2012, no Old 2014 Convertible Bonds were outstanding.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six-month period ended 30 June 2012.

CHANGES IN THE BOARD

As disclosed in the two announcements of the Company dated 24 May 2012 and 28 June 2012 respectively, changes in the Board since 31 December 2011 are as follows:

Mr. Thomas Joseph Manning resigned as an independent non-executive Director and a member of the Remuneration Committee, the Nomination Committee, the Independent Committee and the Audit Committee of the Board with effect from 24 May 2012;

Mr. Ian Andrew Reynolds retired as a non-executive Director with effect from 28 June 2012; and

Mr. Cheung Leong was appointed as a non-executive Director with effect from 28 June 2012.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "Old CG Code") as set out in Appendix 14 to the Listing Rules for the period between 1 January and 31 March 2012 and save for the following deviation, the new Corporate Governance Code (the "New CG Code") as set out in Appendix 14 to the Listing Rules coming into effect from 1 April 2012 for the period between 1 April and 30 June 2012.

According to Code Provision A.6.7 of the New CG Code, independent non-executive Directors and other non-executive Directors should attend general meetings of the Company. Mr. Sze Tsai Ping, Michael being an independent non-executive Director and Mr. Ian Andrew Reynolds being a non-executive Director at the time were absent from the annual general meeting of the Company held on 28 June 2012 for conflicts of time with other personal appointments. Thus, this is a deviation from Code Provision A.6.7 of the New CG Code. Mr. Ian Andrew Reynolds retired as a non-executive Director at such annual general meeting.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules. Upon specific 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 2012, 天津國美商業管理咨詢有限公司 (Tianjin Gome Commercial Consultancy Company Limited) ("Tianjin Consultancy") had made advances in the aggregate amount of RMB3.6 billion (as at 31 December 2011: 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 was subsequently renewed and extended in 2008 and in 2009, was further extended for a period of two years from 15 December 2009 to 14 December 2011 at the interest rate of 4.86% per annum. It has been further extended for a period from 15 December 2011 to 15 December 2012 during 2011 and the interest rate is 5.90% per annum. As at 30 June 2012, the Advance was RMB3.6 billion and the Advance represented approximately 10.15% 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 condensed consolidated financial information of the Group for the six-month period ended 30 June 2012 as reviewed by Ernst & Young, the external auditors.

Corporate Information

Directors

Executive Directors

NG Kin Wah
ZOU Xiao Chun

Non-executive Directors

ZHANG Da Zhong *(Chairman)*
ZHU Jia
WANG Li Hong
CHEUNG Leong

Independent Non-executive Directors

SZE Tsai Ping, Michael
CHAN Yuk Sang
LEE Kong Wai, Conway
NG Wai Hung

Company Secretary

SZETO King Pui, Albert

Authorised Representatives

NG Kin Wah
ZOU Xiao Chun

Principal Bankers

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

Auditors

Ernst & Young
Certified Public Accountants

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Head Office

Unit 6101, 61st Floor
The Center
99 Queen's Road Central
Hong Kong

Principal Share Registrars in Bermuda

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

Share Registrars in Hong Kong

Tricor Abacus Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong