GOME ELECTRICAL APPLIANCES HOLDING LIMITED

國 美 電 器 控 股 有 限 公 司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 493)

UNAUDITED INTERIM RESULTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013

FINANCIAL HIGHLIGHTS

	First half of 2013 *RMBm*	First half of 2012 *RMBm* Restated
Revenue	**27,114**	24,612
Gross profit	**4,150**	3,177
Consolidated gross profit margin*	**18.34%**	16.85%
Profit/(loss) from operating activities	**349**	(534)
Profit/(loss) attributable to owners of the parent company	**322**	(607)
Earnings/(loss) per share		
– Basic	**RMB1.9 fen**	(RMB3.6 fen)
– Diluted	**RMB1.9 fen**	(RMB3.7 fen)
Interim dividend per share	**RMB0.56 fen**	–

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

The board of directors (the "Board") of GOME Electrical Appliances Holding Limited (the "Company") announces the unaudited interim financial information of the Company and its subsidiaries (the "Group") for the six-month period ended 30 June 2013 together with the comparative figures for the corresponding period in 2012 as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
For the six-month period ended 30 June 2013

		For the six-month period ended 30 June	
		2013	2012
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
			Restated
REVENUE	5	**27,114,476**	24,611,526
Cost of sales		**(22,964,807)**	(21,434,383)
Gross profit		**4,149,669**	3,177,143
Other income and gains	5	**823,738**	971,343
Selling and distribution costs		**(3,595,050)**	(3,760,148)
Administrative expenses		**(762,085)**	(718,307)
Other expenses		**(267,155)**	(203,758)
Profit/(loss) from operating activities		**349,117**	(533,727)
Finance costs	7	**(35,341)**	(131,901)
Finance income	7	**118,231**	101,171
Share of profit of an associate		**–**	473
Gain on redemption of convertible bonds	6	**–**	15,998
PROFIT/(LOSS) BEFORE TAX	6	**432,007**	(547,986)
Income tax expense	8	**(212,098)**	(92,401)
PROFIT/(LOSS) FOR THE PERIOD		**219,909**	(640,387)
Attributable to:			
Owners of the parent company		**322,322**	(606,716)
Non-controlling interests		**(102,413)**	(33,671)
		219,909	(640,387)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT COMPANY	9		
– Basic		**RMB1.9 fen**	(RMB3.6 fen)
– Diluted		**RMB1.9 fen**	(RMB3.7 fen)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six-month period ended 30 June 2013

	For the six-month period ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
		Restated
PROFIT/(LOSS) FOR THE PERIOD	**219,909**	(640,387)
OTHER COMPREHENSIVE INCOME		
Changes in fair value of other investments	**(17,820)**	10,260
Exchange differences on translation of foreign operations	**72,728**	11,336
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**54,908**	21,596
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**274,817**	(618,791)
Attributable to:		
Owners of the parent company	**377,230**	(585,120)
Non-controlling interests	**(102,413)**	(33,671)
	274,817	(618,791)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	**30 June 2013 (Unaudited)** *RMB'000*	31 December 2012 (Audited) *RMB'000* Restated
NON-CURRENT ASSETS			
Property and equipment		**4,224,679**	4,379,447
Investment properties		**918,472**	918,472
Goodwill		**7,160,907**	7,160,907
Other intangible assets		**300,958**	312,677
Other investments		**106,380**	124,200
Lease prepayments and deposits		**323,154**	356,618
Deferred tax assets		**98,057**	136,852
Total non-current assets		**13,132,607**	13,389,173
CURRENT ASSETS			
Inventories		**6,441,121**	7,779,164
Trade and bills receivables	*10*	**211,631**	203,070
Prepayments, deposits and other receivables		**2,510,456**	2,842,781
Due from related companies		**246,427**	190,942
Derivative asset related to a cross currency swap		**5,358**	–
Pledged deposits		**6,205,632**	6,240,244
Cash and cash equivalents		**8,413,048**	7,067,349
Total current assets		**24,033,673**	24,323,550
CURRENT LIABILITIES			
Interest-bearing bank loans		**2,269,437**	2,434,374
Trade and bills payables	*11*	**17,432,367**	18,016,746
Customers' deposits, other payables and accruals		**1,703,966**	1,722,011
Due to related companies		**208,128**	234,695
Tax payable		**452,446**	459,760
Total current liabilities		**22,066,344**	22,867,586

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As at 30 June 2013

	30 June 2013 (Unaudited) *RMB'000*	31 December 2012 (Audited) *RMB'000* Restated
NET CURRENT ASSETS	**1,967,329**	1,455,964
TOTAL ASSETS LESS CURRENT LIABILITIES	**15,099,936**	14,845,137
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**167,006**	170,603
Derivative liability related to a cross currency swap	**–**	4,953
Total non-current liabilities	**167,006**	175,556
Net assets	**14,932,930**	14,669,581
EQUITY		
Equity attributable to owners of the parent company		
Issued capital	**421,551**	421,551
Reserves	**15,008,558**	14,642,796
	15,430,109	15,064,347
Non-controlling interests	**(497,179)**	(394,766)
Total equity	**14,932,930**	14,669,581

NOTES

1. CORPORATE INFORMATION

GOME Electrical Appliances Holding Limited is a limited liability company incorporated in Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

The principal activities of the Group are the 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

The unaudited interim financial information for the six-month period ended 30 June 2013 (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 2012.

3. CHANGES TO THE GROUP'S ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretations effective as of 1 January 2013.

The Group applies, for the first time, IFRS 10 *Consolidated Financial Statements* that requires restatement of previous financial statements. As required by IAS 34, the nature and the effect of these changes are disclosed below. In addition, the application of IFRS 12 *Disclosure of Interests in Other Entities* would result in additional disclosures in the annual consolidated financial statements.

Several other new standards and amendments have been applied for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group or the Interim Financial Information of the Group.

The nature and the impact of each new standard/amendment are described below:

IAS 1 *Presentation of Items of Other Comprehensive Income* – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments affected presentation only and had no impact on the Group's financial position or performance.

IAS 1 *Clarification of the requirement for comparative information* (Amendment)

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

An opening statement of financial position (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. Under IAS 34, the minimum items required for interim condensed financial statements do not include a third balance sheet.

3. CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

IAS 32 *Tax effects of distributions to holders of equity instruments* (Amendment)

The amendment to IAS 32 *Financial Instruments: Presentation* clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the interim condensed consolidated financial statements of the Group, as there are no tax consequences attached to cash or non-cash distributions.

IAS 34 *Interim financial reporting and segment information for total assets and liabilities* (Amendment)

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 *Operating Segments*. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The amendment does not have an impact on the Group.

IAS 19 *Employee Benefits* (Revised 2011) (IAS 19R)

IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss. Instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures.

In the case of the Group, the transition to IAS 19R does not have an impact on the Group.

IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* (Amendments to IFRS 7)

The amendments require an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendments do not have an impact on the Group.

IFRS 10 *Consolidated Financial Statements* and IAS 27 *Separate Financial Statements*

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

3. **CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)**

IFRS 10 *Consolidated Financial Statements* and IAS 27 *Separate Financial Statements* (continued)

As disclosed in note 2.3 to the financial statements of the Company for the year ended 31 December 2012, the adoption of IFRS 10 affects the accounting of the Group's contractual arrangement with Beijing Zhangsheng Investment Co., Ltd. ("Beijing Zhansheng", the legal owner of Dazhong Appliances). Having considered the power of the Group over Beijing Dazhong Home Appliances Retail Co., Ltd. ("Dazhong Appliances") and the Group's exposure to the variability of returns of Dazhong Appliances through a management agreement, a loan agreement and an option agreement, all of the terms of the foregoing agreements have been extended subsequently, entered into between the Group and Beijing Zhansheng, the Group has determined that the contractual rights held by the Group via the foregoing agreements would be sufficient to give the Group control over Dazhong Appliances under IFRS since the date of initial contractual arrangement. Upon the adoption of IFRS 10 on 1 January 2013, retrospective adjustments were made to the previous accounting, which include the adjustments to the recognition and measurement of the identifiable assets acquired and the liabilities assumed in Dazhong Appliances at the date when the initial contractual arrangement became effective, and subsequently Dazhong Appliances were treated as a subsidiary of the Group and consolidated as if IFRS 10 had always been effective. Details of the restatements are set out below:

Restated income statement for the six-month period ended 30 June 2012

	As previously reported *RMB'000*	Effect of prior period adjustments *RMB'000*	As restated *RMB'000*
REVENUE	23,125,960	1,485,566	24,611,526
Cost of sales	(20,202,322)	(1,232,061)	(21,434,383)
Gross profit	2,923,638	253,505	3,177,143
Other income and gains	861,616	109,727	971,343
Selling and distribution costs	(3,450,855)	(309,293)	(3,760,148)
Administrative expenses	(684,756)	(33,551)	(718,307)
Other expenses	(177,305)	(26,453)	(203,758)
Loss from operating activities	(527,662)	(6,065)	(533,727)
Finance costs	(131,901)	–	(131,901)
Finance income	200,843	(99,672)	101,171
Share of profit of an associate	–	473	473
Gain on redemption of convertible bonds	15,998	–	15,998
LOSS BEFORE TAX	(442,722)	(105,264)	(547,986)
Income tax expense	(92,036)	(365)	(92,401)
LOSS FOR THE PERIOD	(534,758)	(105,629)	(640,387)
Attributable to:			
Owners of the parent company	(501,087)	(105,629)	(606,716)
Non-controlling interests	(33,671)	–	(33,671)
	(534,758)	(105,629)	(640,387)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT COMPANY			
– Basic	(RMB3.0 fen)		(RMB3.6 fen)
– Diluted	(RMB3.0 fen)		(RMB3.7 fen)

3. **CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)**

IFRS 10 *Consolidated Financial Statements* and IAS 27 *Separate Financial Statements* (continued)

Restated statement of comprehensive income for the six-month period ended 30 June 2012

	As previously reported *RMB'000*	Effect of prior period adjustments *RMB'000*	As restated *RMB'000*
LOSS FOR THE PERIOD	(534,758)	(105,629)	(640,387)
OTHER COMPREHENSIVE INCOME			
Changes in fair value of other investments	10,260	–	10,260
Exchange differences on translation of foreign operations	11,336	–	11,336
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	21,596	–	21,596
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(513,162)	(105,629)	(618,791)
Attributable to:			
Owners of the parent company	(479,491)	(105,629)	(585,120)
Non-controlling interests	(33,671)	–	(33,671)
	(513,162)	(105,629)	(618,791)

Restated statement of financial position as at 31 December 2012

	As previously reported *RMB'000*	Effect of prior year adjustments *RMB'000*	As restated *RMB'000*
NON-CURRENT ASSETS			
Property and equipment	4,163,569	215,878	4,379,447
Investment properties	918,472	–	918,472
Goodwill	4,030,771	3,130,136	7,160,907
Other intangible assets	99,438	213,239	312,677
Other investments	124,200	–	124,200
Lease prepayments and deposits	330,953	25,665	356,618
Deferred tax assets	136,852	–	136,852
Designated loan	3,600,000	(3,600,000)	–
Total non-current assets	13,404,255	(15,082)	13,389,173
CURRENT ASSETS			
Inventories	7,385,352	393,812	7,779,164
Trade and bills receivables	194,746	8,324	203,070
Prepayments, deposits and other receivables	2,542,750	300,031	2,842,781
Due from related companies	101,539	89,403	190,942
Pledged deposits	6,019,027	221,217	6,240,244
Cash and cash equivalents	6,730,960	336,389	7,067,349
Total current assets	22,974,374	1,349,176	24,323,550

3. **CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)**

IFRS 10 *Consolidated Financial Statements* and IAS 27 *Separate Financial Statements* (continued)

Restated statement of financial position as at 31 December 2012 (continued)

	As previously reported *RMB'000*	Effect of prior year adjustments *RMB'000*	As restated *RMB'000*
CURRENT LIABILITIES			
Interest-bearing bank loans	2,434,374	–	2,434,374
Trade and bills payables	16,971,671	1,045,075	18,016,746
Customers' deposits, other payables and accruals	1,631,309	90,702	1,722,011
Due to related companies	112,480	122,215	234,695
Tax payable	374,266	85,494	459,760
Total current liabilities	21,524,100	1,343,486	22,867,586
NET CURRENT ASSETS	1,450,274	5,690	1,455,964
TOTAL ASSETS LESS CURRENT LIABILITIES	14,854,529	(9,392)	14,845,137
NON-CURRENT LIABILITIES			
Deferred tax liabilities	95,263	75,340	170,603
Derivative liability related to a cross currency swap	4,953	–	4,953
Total non-current liabilities	100,216	75,340	175,556
Net assets	14,754,313	(84,732)	14,669,581
EQUITY			
Equity attributable to owners of the parent company			
Issued capital	421,551	–	421,551
Reserves	14,727,528	(84,732)	14,642,796
	15,149,079	(84,732)	15,064,347
Non-controlling interests	(394,766)	–	(394,766)
Total equity	14,754,313	(84,732)	14,669,581

3. CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

IFRS 11 *Joint Arrangements*

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-Controlled Entities – Non-Monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly-controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. The application of this new standard has no impact on the financial position of the Group.

IFRS 12 *Disclosure of Interests in Other Entities*

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period require that they are provided. Accordingly, the Group has not made such disclosures.

IFRS 13 *Fair Value Measurement*

IFRS 13 establishes a single source of guidance under IFRSs for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRSs when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements period. The requirement of these specific disclosures do not have an impact on the Group.

In addition to the above-mentioned amendments and new standards, IFRS 1 *First-time Adoption of International Financial Reporting Standards* was amended with effect for reporting periods starting on or after 1 January 2013. The Group is not a first-time adopter of IFRS, therefore, this amendment is not relevant to the Group.

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

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has one reportable operating segment which is the 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 or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that bank interest income, unallocated income, finance costs, the gain on redemption of the convertible bonds, the fair value gain or 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, a financial asset related to a cross currency swap and other investments as these assets are managed on a group basis.

4. OPERATING SEGMENT INFORMATION (continued)

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

	For the six-month period ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
		Restated
Segment revenue		
Sales to external customers	**27,114,476**	24,611,526
Segment results	**347,208**	(503,055)
Reconciliation		
Bank interest income	**118,231**	101,171
Unallocated income	**84**	2,944
Fair value gain/(loss) on a cross currency swap	**10,311**	(12,949)
Gain on redemption of convertible bonds	**–**	15,998
Finance costs	**(35,341)**	(131,901)
Corporate and other unallocated expenses	**(8,486)**	(20,194)
Profit/(loss) before tax	**432,007**	(547,986)

	30 June	31 December
	2013	2012
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
		Restated
Segment assets	**22,337,805**	24,144,078
Reconciliation		
Corporate and other unallocated assets	**14,828,475**	13,568,645
Total assets	**37,166,280**	37,712,723
Segment liabilities	**19,344,461**	19,973,452
Reconciliation		
Corporate and other unallocated liabilities	**2,888,889**	3,069,690
Total liabilities	**22,233,350**	23,043,142

5. 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:

		For the six-month period ended 30 June	
		2013	2012
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
			Restated
Revenue			
Sale of electrical appliances and consumer electronic products		**27,114,476**	24,611,526
Other income			
Income from suppliers, net		**289,850**	461,206
Fees income from provision of management and purchasing service to the Non-listed GOME Group	*(i)*	**141,127**	122,880
Administrative income from air-conditioner installation service		**48,472**	40,246
Gross rental income		**129,302**	117,316
Government grants	*(ii)*	**49,304**	98,330
Other service fee income		**52,608**	57,744
Others		**102,764**	70,831
		813,427	968,553
Gains			
Foreign exchange gain	6	**–**	2,790
Fair value gain on a cross currency swap		**10,311**	–
		10,311	2,790
		823,738	971,343

Notes:

(i) Beijing Eagle Investment Co., Ltd., Beijing Pengrun Property Co., Ltd., Beijing GOME Electrical Appliance Co., Ltd., GOME Electrical Appliance Retail Co., Ltd. ("GOME Retail") and their respective subsidiaries of the forgoing companies and 北京國美投資有限公司 are collectively referred to as the "Non-listed GOME Group". GOME Retail 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.

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

6. PROFIT/(LOSS) BEFORE TAX

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

		For the six-month period ended 30 June	
		2013	2012
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
			Restated
Cost of inventories sold		**22,964,807**	21,434,383
Depreciation		**266,281**	244,712
Amortisation of intangible assets	*(i)*	**11,719**	11,719
Loss on disposal of items of property and equipment		**17,243**	1,376
Minimum lease payments under operating leases in respect of land and buildings		**1,568,818**	1,708,012
Gross rental income	5	**(129,302)**	(117,316)
Staff costs excluding directors' and chief executive's remuneration:			
Wages, salaries and bonuses		**1,018,301**	968,380
Pension scheme contributions*		**209,783**	238,370
Social welfare and other costs		**18,268**	24,224
Equity-settled share option expense		**(10,989)**	290
		1,235,363	1,231,264
Fair value loss on a cross currency swap		**–**	12,949
Gain on redemption of convertible bonds		**–**	(15,998)
Foreign exchange differences, net		**566**	(2,790)

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 2013, the Group had no forfeited contribution available to reduce its contributions to the pension schemes in future years (2012: Nil).

7. FINANCE (COSTS)/INCOME

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

	For the six-month period ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
		Restated
Finance costs:		
Interest expense on bank loans wholly repayable within five years	**(35,341)**	(6,058)
Interest expenses on convertible bonds	**–**	(125,843)
	(35,341)	(131,901)
Finance income:		
Bank interest income	**118,231**	101,171

8. INCOME TAX EXPENSE

An analysis of the provision for tax is as follows:

	For the six-month period ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
		Restated
Current income tax – PRC	**176,900**	79,850
Deferred income tax	**35,198**	12,551
Total tax charge for the period	**212,098**	92,401

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 2012: 25%) on their respective taxable income. During the current period, 22 entities (six-month period ended 30 June 2012: 19 entities) of the Group obtained approvals 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 2013 and 2012, as the Group had no assessable profits arising in Hong Kong for each of the periods.

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

The calculation of basic earnings/(loss) per share is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent company, and the weighted average number of ordinary shares of 16,875,056,000 (six-month period ended 30 June 2012: 16,874,599,000) in issue during the period.

For the six-month period ended 30 June 2012, the calculation of the diluted loss per share was based on the loss for that 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 per share is the weighted average number of ordinary shares in issue during that period, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on conversion of all dilutive potential ordinary shares into ordinary shares.

For the six-month period ended 30 June 2013, the potential ordinary shares in relation to the share options did not have any dilutive effect on the earnings per share.

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

	For the six-month period ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
		Restated
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent company used in the basic earnings/(loss) per share calculation	**322,322**	(606,716)
Interest expenses on convertible bonds	**–**	3,417
Gain on redemption of convertible bonds	**–**	(15,998)
Profit/(loss) attributable to ordinary equity holders of the parent company as adjusted for the effect of dilution	**322,322**	(619,297)

	Number of shares for the six-month period ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic (earnings)/loss per share calculation	**16,875,056**	16,874,599
Effect of dilution – weighted average number of ordinary shares:		
Convertible bonds	**–**	29,972
	16,875,056	16,904,571

10. 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 aging 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 2013	31 December 2012
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
		Restated
Outstanding balances, aged:		
Within 3 months	**168,038**	148,355
3 to 6 months	**10,957**	51,790
6 months to 1 year	**32,636**	2,925
	211,631	203,070

11. TRADE AND BILLS PAYABLES

	30 June 2013	31 December 2012
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
		Restated
Trade payables	**5,591,783**	6,629,959
Bills payable	**11,840,584**	11,386,787
	17,432,367	18,016,746

11. TRADE AND BILLS PAYABLES (continued)

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 2013	31 December 2012
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
		Restated
Within 3 months	**11,458,323**	11,676,810
3 to 6 months	**5,159,066**	6,130,024
Over 6 months	**814,978**	209,912
	17,432,367	18,016,746

The Group's bills payable above are secured by:

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

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

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

(iv) the pledge of certain of the Group's investment properties.

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

12. DIVIDEND

	For the six-month period ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interim dividend: HK$0.70 cents (equivalent to RMB0.56 fen) (2012: nil) per ordinary share	**94,093**	–

Pursuant to the board of directors' resolution dated 27 August 2013, an interim dividend of HK$0.70 cents per ordinary share was declared.

13. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 June 2013, the Group has obtained bank loans of approximately RMB1,359 million which bear interests at 3-month London Interbank offered Rate ("LIBOR") plus 1.8%, 6-month LIBOR plus 1.6% and fixed interest 2.2% per annum which were all secured by pledged deposits.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the reporting period, GOME Electrical Appliances Holding Limited (the "Company") and its subsidiaries (collectively known as the "Group" or "GOME") fully implemented its strategy of being a "multi-channel retailer with fully integrated online and offline businesses", and showed initial achievements in terms of optimizing its store network, sharing of platforms between its online and offline businesses, refining its supply chain and developing its information system. This further consolidated its leading position in the industry.

In the first half of 2013, facing the fierce competing environment, the Group strived to transform itself into a professional retailer for both online and offline businesses, who provides to its customers low-price products and the best services in the industry adhering to the "multi-channel retailer with fully integrated online and offline businesses" strategy. The Group will be more focused on home appliances and consumer electronic products in its physical stores, embracing the leading chain-store model while expanding its product mix to satisfy a wide range of customer demands through its e-commerce platform. One of the competitive advantages of the Group is that online orders can be satisfied by delivery of products or self-pick-up in the physical stores. The transformation will build GOME into the most sizeable and professional retailer who is able to leverage on the benefits from integrating online and offline platforms.

During the reporting period, the Group recorded sales revenue of approximately RMB27,114 million, up 10.17% as compared with RMB24,612 million in the same period last year. Sales growth for comparable stores was 15.05%. Consolidated gross profit margin grew 1.49 percentage points from 16.85% in the same period last year to 18.34%. Profit attributable to the owners of the parent company surged, from a loss of RMB607 million in the same period last year to a profit of approximately RMB322 million. Moreover, the Group's operating efficiency greatly improved. The inventory turnover period fell from 74 days in the same period last year to 56 days, while cash and cash equivalents increased from RMB7,067 million as at the end of the previous year to approximately RMB8,413 million.

FINANCIAL REVIEW

The Group has adopted International Financial Reporting Standards 10 *Consolidated Financial Statements* with effect from 1 January 2013 to consolidate the financial statements of Beijing Dazhong Home Appliances Retail Co., Ltd ("Dazhong Appliances"). The comparative figures for the corresponding period of last year have been restated as if the consolidation was done since the date of initial contractual arrangement with Dazhong Appliances.

Revenue

During the reporting period, the Group's sales revenue was approximately RMB27,114 million, up 10.17% from RMB24,612 million in the corresponding period of 2012. The Group's weighted average sales area was approximately 3,732,000 sq.m. Revenue per sq.m. was approximately RMB6,891, up 19.93% as compared to RMB5,746 in the corresponding period of 2012. During the reporting period, the Group had 947 comparable stores, recording a revenue of approximately RMB24,159 million, up 15.05% as compared to RMB20,998 million in the corresponding period of 2012.

Cost of sales and gross profit

Cost of sales for the Group was approximately RMB22,965 million in the reporting period, accounting for 84.69% of the total sales revenue, lower than the proportion of 87.09% in the corresponding period of 2012. The Group's gross profit was approximately RMB4,150 million, up 30.63% as compared with RMB3,177 million in the corresponding period last year. Gross profit margin was 15.31%, up 2.40 percentage points from 12.91% in the corresponding period last year. The increase in gross profit margin was mainly attributable to standardization of supplier contract terms and the increase in the proportion of sales generated from differentiated products.

Other income and gains

During the reporting period, the Group recorded other income and gains of approximately RMB824 million, representing a decrease of 15.14% as compared to RMB971 million in the corresponding period of 2012. This is mainly due to the continuing effort in the standardization of contract terms between the Group and its suppliers in the reporting period, which caused more income to be directly reflected in the gross profit.

Consolidated gross profit margin

During the reporting period, in line with the increase in gross profit margin, the Group's consolidated gross profit margin was 18.34%, representing an increase of 1.49 percentage points as compared to 16.85% for the corresponding period of 2012.

Operating expenses

As the Group has been tightening control on its 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 RMB4,624 million, accounting for 17.05% of total sales revenue, down 1.97 percentage points as compared to 19.02% for the corresponding period of 2012.

Selling and distribution costs

During the reporting period, the Group's total selling and distribution costs amounted to approximately RMB3,595 million. The percentage over sales revenue was 13.26%, down 2.02 percentage points as compared to 15.28% in the corresponding period of 2012. The decrease of selling and distribution costs was mainly due to the tightening control on its costs by the Group during the period. The rental expenses and salaries as a percentage of sales revenue decreased by 1.14 and 0.36 percentage points from 6.62% and 3.48% for the corresponding period last year to 5.48% and 3.12%, respectively.

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 RMB762 million, increased by 6.13% as compared to RMB718 million for the corresponding period last year. The proportion over sales revenue was 2.81%, down 0.11 percentage points as compared to 2.92% in the corresponding period of 2012.

Other expenses

Other expenses of the Group mainly comprised, among others, business taxes and bank charges. Other expenses were approximately RMB267 million during the reporting period, accounting for 0.98% of sales revenue, showing a slight increase as compared with 0.82% in the corresponding period of 2012.

Profit/loss from operating activities

As the result of increase in sales revenue, increase in consolidated gross profit margin and decrease in the operating expenses during the reporting period, the Group's profit from operating activities was approximately RMB349 million, a significant improvement as compared to a loss of RMB534 million in the corresponding period of 2012.

Net finance income

During the reporting period, the Group's net finance income was approximately RMB83 million, as compared to a net cost of RMB31 million in the first half of 2012. In addition, interest income increased by 16.83% to approximately RMB118 million for the reporting period from RMB101 million in the corresponding period of the previous year.

Profit/loss before tax

During the reporting period, the Group's profit before tax was approximately RMB432 million, a significant improvement as compared to a loss of RMB548 million for the corresponding period of 2012. Profit margin before tax was 1.59%, as compared to a loss margin before tax of 2.23% in the corresponding period of 2012.

Income tax expense

During the reporting period, in line with the increase in profit before tax, the Group's income tax expense was approximately RMB212 million, showing an increase as compared to RMB92 million for the corresponding period of 2012. Management considers that the effective tax rate applied to the Group for the reporting period is reasonable.

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

During the reporting period, the Group's profit attributable to owners of the parent company substantially improved from a loss of RMB607 million for the corresponding period last year to a profit of approximately RMB322 million. Net profit margin was 1.19%, as compared to a net loss margin of 2.47% for the corresponding period of the previous year. Basic earnings per share attributable to owners of the parent company was RMB1.9 fen, as compared to a basic loss per share of RMB3.6 fen 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 RMB8,413 million, representing an increase of 19.05% as compared to RMB7,067 million as at the end of 2012, the increase was mainly due to operational efficiency improvement and effective inventory management.

Inventories

As at the end of the reporting period, the Group's inventories amounted to approximately RMB6,441 million, down 17.20% as compared to RMB7,779 million at the end of 2012. Through improving operational efficiency, inventory turnover days decreased to approximately 56 days in the reporting period from 74 days in the first half of 2012.

Prepayments, deposits and other receivables

As at the end of the reporting period, prepayments, deposits and other receivables of the Group amounted to approximately RMB2,510 million, down 11.71% from RMB2,843 million as at the end of 2012.

Trade and bills payables

As at the end of the reporting period, trade and bills payables of the Group amounted to approximately RMB17,432 million, down 3.25% from RMB18,017 million as at the end of 2012. Turnover days of trade and bills payables were approximately 140 days, down by 5 days as compared to 145 days for the corresponding period of 2012.

Capital expenditure

During the reporting period, the capital expenditure incurred by the Group amounted to approximately RMB211 million, representing a 55.49% decrease as compared to RMB474 million in the first half of 2012.

Cash flows

During the reporting period, the Group's net cash flows generated from operating activities amounted to approximately RMB1,509 million, as compared to RMB3,051 million in the corresponding period last year.

Net cash flows used in investing activities amounted to approximately RMB132 million, representing a decrease of 70.54% as compared to RMB448 million in the first half of 2012.

Net cash flows used in financing activities amounted to approximately RMB25 million, as compared to RMB322 million in the first half of 2012.

Contingent liabilities and capital commitments

As at the end of the reporting period, the Group had no material contingent liabilities. However the Group had capital commitments of approximately RMB60 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 and interest-bearing bank loans. Interest-bearing bank loans were mainly denominated in USD with floating rates.

As at 30 June 2013, the total borrowings of the Group, being interest-bearing bank loans, amounted to approximately RMB2,269 million. The interest-bearing bank loans will be repayable within one year. The Group's financing activities continue to be supported by its bankers.

As at 30 June 2013, the debt to total equity ratio, which was expressed as a percentage of total borrowings amounting to RMB2,269 million over total equity amounting to RMB14,933 million, decreased from 16.59% as at 31 December 2012 to 15.19%.

Charge on group assets

As at 30 June 2013, the Group's bills payable and interest-bearing bank loans were secured by certain of the Group's time deposits amounting to RMB6,206 million, certain inventories with a carrying value of RMB566 million and certain self-used properties and investment properties with a carrying value of RMB738 million. The Group's bills payable and interest-bearing bank loans amounted to RMB14,110 million in total.

HUMAN RESOURCES EXPERTISE

The Group believes that employees are the most important assets of an enterprise. Therefore, it places strong emphasis on managing and developing its talent and has introduced a series of targeted talent development programs such as a succession planning program, management lectures, and talent retention program. During the reporting period, the Group organized a new series of management lectures for its frontline sales staff which aims to develop their professional knowledge and sales ability. These lectures show our frontline staff how they can enjoy the pleasure of trust as they provide to customers a well-rounded, reliable and professional shopping experience. Through these training programs, employees at all levels are given clear career development paths within the Group so that they can become well-rounded professionals who will support GOME's rapid business development.

As at 30 June 2013, the total number of employees of the Group was 40,201.

OUTLOOK AND PROSPECTS

For the second half of 2013, the Group, following the strategy of being a "multi-channel retailer with fully integrated online and offline businesses", will continue to execute the following tactics to capitalize on future growth potentials in the challenging environment of China's home appliances market:

(1) Physical Stores: In the first tier markets, the Group will continue to adopt strategies to optimize its store networks, accelerate the pace in upgrading store layout and enhance profitability. In the second tier markets, the Group has speed up development in aspects such as supply chain, logistics and after-sales services, and will continue to engage in the rapid development of its store networks by opening satellite stores around flagship stores.

(2) E-commerce Business: With making profit as our ultimate goal, we will coordinate the management of our B2C and platform businesses and will introduce differentiated products with high margins online, in addition to expanding new product categories to improve our overall consolidated gross profit margin. Meanwhile, we will ensure profitability and sustainability by controlling the costs of our e-commerce business with a shared supply chain and integrated platform, and will also refine our management and enhance our customers' shopping experience.

(3) Optimizing the Supply Chain: The Group will continue focusing on product management to build a low-cost and high-efficiency supply chain platform by sharing with suppliers information on matters such as orders, inventory, reconciliation and settlements. Sales data analyzed by the Enterprise Resources Planning system ("ERP") will enable GOME to better gauge consumer demand. This will help the Group increase its turnover rate, reduce its stock-out rate, and improve the operational efficiency with its suppliers while also lowering transaction costs.

(4) Low-Cost Operation and Stringent Cost Control: The Group aims to boost profitability by reducing costs through vertical management under a rationalized budgeting system. On one hand, the Group will strictly control operating costs by reducing rental expenses of existing stores and new leases. On the other hand, the Group aims to create a new source of profit by further reducing delivery and storage cost, with the launch of the third-party logistics platform and optimizing the Group's logistics network.

(5) Building the Corporate Culture: Going forward, the Group will embrace a culture based on "trust" under the Group's philosophy of "Trust is a pleasure, inspired to be trusted" in the course of becoming a retail industry leader with global recognition.

INTERIM DIVIDEND AND DIVIDEND POLICY

The Board declared an interim dividend of HK$0.70 cents (equivalent to RMB0.56 fen) per ordinary share (the "Interim Dividend") for the six-month period ended 30 June 2013, amounting to approximately HK$118,125,000 (equivalent to RMB94,093,000).

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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Monday, 23 September 2013, during which period no transfer of shares will be registered.

In order to qualify for the Interim Dividend, all properly completed and duly stamped transfer forms accompanied by the relevant share certificates should be lodged with the Company's registrar, Tricor Abacus Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 19 September 2013. The record date for the determination of entitlement to the Interim Dividend will be on Monday, 23 September 2013.

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

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 2013.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Save for the following deviation, the Company has complied with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") for the period between 1 January and 30 June 2013.

According to Code Provision A.6.7 of the CG Code, independent non-executive Directors and other non-executive Directors should attend general meetings of the Company. Mr. Zhu Jia, a non-executive Director, was absent from the special general meeting of the Company held on 2 April 2013 for conflicts of time with other business appointments. Thus, this is a deviation from Code Provision A.6.7 of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") 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.

REVIEW BY AUDIT COMMITTEE AND EXTERNAL AUDITORS

The Audit Committee of the Company has reviewed this interim results 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 2013 as reviewed by Ernst & Young, the external auditors.

PUBLICATION INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

This announcement will be published on the websites of Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company (www.gome.com.hk). The 2013 Interim Report will also be published on the Stock Exchange's website and the Company's website and will be despatched to the shareholders of the Company.

APPRECIATION

On behalf of the Board, I wish to thank our shareholders and business partners for their support to the Group and to extend my appreciation to all staff members for their dedication and contribution throughout the period.

By Order of the Board
GOME Electrical Appliances Holding Limited
Zhang Da Zhong
Chairman

Hong Kong, 27 August 2013

As at the date of this announcement, the Board comprises Mr. Ng Kin Wah and Mr. Zou Xiao Chun as executive directors; Mr. Zhang Da Zhong, Mr. Zhu Jia, Ms. Wang Li Hong and Mr. Cheung Leong as non-executive directors; and Mr. Sze Tsai Ping, Michael, Mr. Chan Yuk Sang, Mr. Lee Kong Wai, Conway, Mr. Ng Wai Hung and Ms. Liu Hong Yu as independent non-executive directors.

* *For identification purpose only*