国美电器

INTERIM REPORT 2013

TRUST IS A PLEASURE INSPIRED TO BE TRUSTED

Stock Code: 00493

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FINANCIAL HIGHLIGHTS AND BUSINESS SUMMARY

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*

Business Summary

- During the reporting period, adhered to multi-channel retailing strategy leveraging online and offline businesses integration, the Group's mid-to-long term strategic transition showed initial achievement.

- The Group supported the online and offline businesses through leveraging on the integrated procurement, logistics, after-sales services network, membership and IT resources

- The Group focused on selling electrical appliances and consumer electronic products in its physical stores and further enhanced its leading chain-store model

- Under the profit oriented strategy for its e-commerce, diversified products have been added to the Group's online business to satisfy the customer's demands

- The Group continued to push forward the optimization of supply chain and information system in order to enhance its operational efficiency

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 leadership position in the industry.

In the first half of 2013, facing fierce competing environment, the Group strived to transform itself into a professional retailer for both online and offline businesses, who offers 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 focus more 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 the delivery of products or self-pick-up at 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 for 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 for the same period last year to 56 days, while cash and cash equivalents increased from RMB7,067 million as at 31 December 2012 to approximately RMB8,413 million.

Industry Environment

In the first half of 2013, China's macroeconomic environment was complex but with full potential to grow. According to the National Bureau of Statistics, China's GDP growth slowed to 7.6% in the first half of 2013, indicating that the nation's economic structure was entering into a stage of transformation. In the short run, the termination of stimulus policies such as the energy-efficient appliance subsidy may impact on the home appliance market, the government's "maintaining steady growth, optimizing structure and encouraging industry reforms" policy will eventually create a prosperous environment for the industry in the long run.

During the reporting period, China's consumption structure continued to evolve as a result of the nation's ongoing urbanization. With local consumption shifting from essentials such as food and clothing, to leisure oriented categories, including accommodation, transportation, education and traveling. As a result, there remains immense growth potential for the home appliance and consumer electronic market. Under its strategy to become a "multi-channel retailer with fully integrated online and offline businesses", the Group will develop an integrated organization structure as well as fully integrate its online and offline businesses through standardized procurement and operation. Meanwhile, the Group will focus on increasing its sales revenue and gross profit and stringent cost controls to facilitate its steady, sustainable and profitable development.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Fulfilling Customer Needs

Fulfilling customer needs has always been the first priority in the Group's business.

The Group has been adjusting its sales network to fulfill customers' need for convenience. In the first-tier market, focuses have been placed to the new and important business districts to establish competitive stores. In the second-tier market, the Group has expanded to more provincial locations by opening "satellite stores" around "flagship stores". In fulfilling customer needs for diversified and competitive products, the Group continued to offer different brands in different markets, improve the product display in its stores and enhanced shopping experience. The Group was able to offer specific products based on the customer demands in a specific region so that all customer demands can be satisfied. As part of the Group's goal to open flagship stores in core business districts, focuses have also been placed in the stores to create an environment that displaying most advanced technology by most advanced hardware support to enhance customer shopping experience.

Optimizing Store Network

During the reporting period, the Group continued to optimize its store network and store structure. In the first-tier market, it strengthened its store network by closing 43 underperforming stores and opening 13 new quality stores. Meanwhile, store profitability was enhanced by improving the store environment, individual store management and controlling leasing costs. In the second-tier market, the Group adhered to the network expansion model of opening "satellite stores" around "flagship stores". It grew the second-tier market by entering into 3 new cities, closing 27 underperforming stores and opening 22 new quality stores, and built logistic network and operation teams.

At the end of the reporting period, the Group owned 1,073 stores, with its sales network spanning 250 large and medium-sized cities nationwide with store retail space of approximately 3,684,000 sq.m. The average floor area of individual stores was approximately 3,433 sq.m., down 1.58% compared with 3,488 sq.m. at the end of 2012.

The management believes that although the Group has maintained its market leadership in the traditional and small appliance categories in the first-tier market, there is significant potential in the 3C products. As such, the Group will boost its sales in this product category through implementing measures such as enhancing customer experience, on-site product display and demonstration. Meanwhile, as there is high growth potential in home appliance consumption in China's second-tier market, the Group will continue to adopt a "cost-effective and easily-replicable" strategy for the development of the second-tier market and diversify the latter's product range, to raise profitability in the second-tier market.

The Nationwide Retail Network of the Group

As at 30 June 2013

Development of Network:

	Group total	GOME	China Paradise	Dazhong	CellStar
Flagship stores	203	146	33	24	–
Standard stores	381	298	57	26	–
Specialized stores	489	366	68	9	46
Total	1,073	810	158	59	46
Among them: First-tier markets	687	476	115	55	41
Second-tier markets	386	334	43	4	5
Net decrease in number of stores	(35)	(32)	(3)	–	–
Number of stores opened	35	26	8	1	–
Among them: First-tier markets	13	10	2	1	–
Second-tier markets	22	16	6	–	–
Number of cities accessed	250	212	58	1	6
Among them: First-tier cities	26	20	9	1	1
Second-tier cities	224	192	49	–	5

List of stores:

Region	Flagship stores	Standard stores	Specialized stores	Total
Beijing	41	49	17	107
Shanghai	27	28	17	72
Tianjin	10	23	9	42
Chengdu	11	27	23	61
Chongqing	8	19	18	45
Xian	16	16	58	90
Shenyang	6	12	13	31
Qingdao	6	14	15	35
Jinan	5	7	15	27
Shenzhen	17	27	24	68
Dongguan	–	11	12	23
Guangzhou	17	24	54	95
Foshan	3	14	13	30
Wuhan	6	18	22	46
Kunming	3	7	17	27
Fuzhou	6	9	24	39
Xiamen	2	13	21	36
Henan	3	18	20	41
Nanjing	1	10	25	36
Wuxi	1	4	10	15
Changzhou	3	7	6	16
Suzhou	4	6	10	20
Hefei	2	5	11	18
Xuzhou	1	3	12	16
Tangshan	1	1	5	7
Lanzhou	3	5	11	19
Wenzhou	–	4	7	11
Total	203	381	489	1,073

Integrating Online and Offline Platforms

During the reporting period, the Group continued to execute the online and offline integrated business model in which physical stores and e-commerce platforms were shared within the Group. This was to pool resources in procurement, logistics, delivery, after-sales services, membership database and SAP-based retail management platform, as well as to use the physical stores for product pick-ups, returns and exchanges for the orders from online platform. Since the online and offline businesses share the same platform, the Group has an edge in costs, efficiencies and services over the other e-commerce players which have single online platform. This will further fulfill customer needs for services online. The implementation of this multi-channel retailing model will simultaneously foster rapid growth in both the physical stores and the e-commerce in terms of their development and their profitability.

The management believes that by optimizing product mix and fully integrating online and offline resources, the e-commerce business would gradually turn profitable. The most valuable and competitive retailer in the future has to be a multi-channel retailer who has the ability to integrate both online and offline businesses.

Improving Supply Chain Efficiency

During the reporting period, the Group focused on promoting the shift from managing suppliers to managing products. With merchandising premised on customer demand, the Group strengthened its capabilities in product management and optimized its supply chain system.

At present, GOME has established a long-term strategic relationship with suppliers such as Haier, Samsung, Siemens and Lenovo. By developing a seamless information network with suppliers through the most advanced Enterprise Resources Planning system (“ERP”) in the industry, the suppliers are able to understand consumer demand for products. This enables them to jointly research and develop the best products which meet consumer demand and achieve a “win-win” scenario among manufacturers, retailers and consumers, driving the transformation of the entire home appliance and consumer electronic industry. The Group will rely on the ERP system’s research and analysis to better gauge consumer demand, and become the leading retailer to have the exclusive selling right to a single model of home appliances procured. This will effectively enhance the Group’s ability to manage the products, increase the profit margin and improve the efficiency of its supply chain.

Through offering ODM and OEM products, as well as exclusive selling right products the Group will be able to strengthen the control and management capabilities of its proactive supply chain. This allows the Group to boost the sales of high margin products. The Group also set up a procurement department to import high-end, new and exotic products, to enrich its product categories. Furthermore, the Group will increase the sales of 3C products by leveraging on the recognised brands of the traditional 3C products and enhancing the 3C product experience at stores.

At the same time, the Group implemented joint marketing plans with suppliers as its major sales and marketing strategies. For mid-to-high end products, the Group will operate under supplier contract terms. For lower-end products, the Group will negotiate to achieve a one-step purchase price, carry out marketing promotions for individual products as well as offer price discounts. The Group will maximize its market share by upgrading its collaborative supply chain to increase operating efficiency and lower costs.

In addition, the Group has been actively developing online platforms for small home appliances and kitchenware in first-tier cities such as Beijing and Shanghai. The Group will continue to invest in information system development and allow suppliers to complete ordering, inventory checks, reconciliation and clearing through the system. The Group will also promote its profit margin guarantee sales policy to maximize sales revenue and gross profit.

During the period under review, the Group's top five suppliers (by brand) accounted for approximately 40.51% of total procurement, increased slightly as compare to 36.87% for the corresponding period in 2012.

Enhancing Information System Development

An information system is an indispensable element of a multi-channel retailer. To manage the extensive store network and large volume of online customer orders, GOME needs a robust information system to support front-line sales, connect every unit of the supply chain and provide effective management information to the back-end system.

During the reporting period, the Group continued to develop the supplier platform, the Enterprise Cooperation Platform ("ECP"). The platform can promote the synergy of sales data analysis, achieving the functions of joint marketing, resources sharing and product customization by suppliers.

Meanwhile, the Group launched the "Financial Shared Services Center" project in early 2013, to achieve effective allocation of internal resources, wastage and cost reduction. At present, a number of the Fortune 500 companies have established their shared services center.

Optimizing Customer and After-sales Services Systems

(1) Logistics

During the reporting period, the Group continued to upgrade the distribution centers and warehouse network that support its retail stores, and built regional logistics centers with larger geographic coverage in certain key commercial areas. With a view to achieving comprehensive planning and control of products going through the logistics system, and to improving the effectiveness of overall logistics management, the Group continued to upgrade its information system in 2013 to manage information such as inventory movement, warehousing, delivery, etc., from suppliers to end customers in order to enable sharing of warehouse and delivery services for traditional home appliances between online and offline businesses.

(2) After-sales Service

During the reporting period, the Group continued to improve its after-sales service network and strengthened after-sales management by setting up a specialized after-sales service company. This resulted in a significant growth in revenue that turned traditional after-sales service from a cost center into a profit center. Furthermore, the Group's extensive service network improved its response rate in the area of customer requests, and delivered high-quality services to customers in the stages of pre-sale, sales and after-sales.

(3) Membership Service

During the reporting period, the Group improved various aspects of its membership services. By upgrading exclusive member privileges such as "reward points for cash coupons", "reward points lucky draw" and "charity donation for members", the Group was able to boost loyalty and overall satisfaction of its members. The Group also established a database for premier members, and provided to them customized customer services in order to strengthen the Group's relationships with its customers and promote customer loyalty.

Corporate governance

The Group strives to continuously improve its corporate governance. The board of directors of the Company ("Board") consists of two executive directors, four non-executive directors and five independent non-executive directors, including an additional independent non-executive director who was appointed during the reporting period. This Board structure complies with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), which require that at least one-third of the board of directors be independent directors, which ensures the independence of the Board. This way, shareholder opinions are thoroughly deliberated by the Board in a constructive manner before the Board reaches a consensus.

Corporate Culture

The Group has devoted unstinting effort into building a corporate culture consistent with that of a leading home appliance company, becoming an industry role model in China. By the end of 2012, the Group unveiled a brand philosophy and corporate culture anchored by "Trust", which is exemplified by its new brand slogan of "Trust is a pleasure, inspired to be trusted". After half a year of marketing efforts, the corporate culture of "Trust is a pleasure, inspired to be trusted" has fast become a well-known brand vision among the Chinese public, winning widespread recognition from consumers.

GOME's corporate culture of "Trust" is defined by management based on mutual trust, recognizing talent, the judicious delegation of authority and a meritocratic workplace. This will encourage employees to understand and embrace the value of "Trust" as well as exemplify it in their trustworthy conduct. On its relationships with external parties, the Group will observe the spirit of its agreement and build mutually beneficial relationships with suppliers and partners on the premise of value creation. We will help customers lead a quality life and earn their trust as we maintain our industry lead and become a reputable world-class retail enterprise.

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 on 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.

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 for 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 for the corresponding period of 2012.

Proportion of revenue from each product category over total revenue:

	First half of 2013	First half of 2012 Restated
As a percentage of sales revenue:		
AV	**24.87%**	23.12%
Air-conditioner	**16.34%**	14.70%
Refrigerator and washing machine	**19.76%**	18.09%
Telecommunication	**14.79%**	15.63%
Small white appliances	**12.97%**	13.37%
IT	**7.28%**	9.23%
Digital	**3.99%**	5.86%
Total	**100%**	100%

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 for the corresponding period last year. Gross profit margin was 15.31%, up 2.40 percentage points from 12.91% for the corresponding period last year. The increase in gross profit margin was mainly attributable to the standardization of supplier contract terms and the increase in the proportion of sales generated from differentiated products.

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

	First half of 2013	First half of 2012 Restated
AV	**16.31%**	13.51%
Air-conditioner	**16.06%**	13.79%
Refrigerator and washing machine	**16.75%**	13.88%
Telecommunication	**11.61%**	9.98%
Small white appliances	**18.72%**	16.65%
IT	**9.38%**	8.66%
Digital	**12.05%**	11.30%
Total	**15.31%**	12.91%

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.

Summary of other income and gains:

	First half of 2013	First half of 2012 Restated
As a percentage of sales revenue:		
Income from suppliers, net	**1.07%**	1.87%
Fees income from provision of management and purchasing service to the Non-listed GOME Group	**0.52%**	0.50%
Administrative income from air-conditioner installation service	**0.18%**	0.16%
Gross rental income	**0.48%**	0.48%
Government grants	**0.18%**	0.40%
Others	**0.61%**	0.54%
Total	**3.04%**	3.95%

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 its control on 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.

Summary of operating expenses:

	First half of 2013	First half of 2012 Restated
As a percentage of sales revenue:		
Selling and distribution costs	**13.26%**	15.28%
Administrative expenses	**2.81%**	2.92%
Other expenses	**0.98%**	0.82%
Total	**17.05%**	19.02%

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 in selling and distribution costs was mainly due to the tightening control on costs by the Group during the period. 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.

Summary of selling and distribution costs:

	First half of 2013	First half of 2012 Restated
As a percentage of sales revenue:		
Rental	**5.48%**	6.62%
Salaries	**3.12%**	3.48%
Utility charges	**0.74%**	0.81%
Advertising expenses	**2.04%**	1.78%
Delivery expenses	**0.65%**	0.73%
Others	**1.23%**	1.86%
Total	**13.26%**	15.28%

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% for 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% for 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 for 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 during 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, capital expenditure incurred by the Group amounted to approximately RMB211 million, representing a 55.49% decrease as compared to RMB474 million for 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 for 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.

Declaration of 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.

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 are 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.

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 appliance 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 ERP system 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 corporate 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.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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To the board of directors of
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(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 22 to 65 which comprises the condensed consolidated statement of financial position of GOME Electrical Appliances Holding Limited as at 30 June 2013 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
27 August 2013

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six-month period ended 30 June 2013

	Notes	For the six-month period ended 30 June 2013 (Unaudited) RMB'000	2012 (Unaudited) 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

	Note	For the six-month period ended 30 June 2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000 Restated
PROFIT/(LOSS) FOR THE PERIOD		**219,909**	(640,387)
OTHER COMPREHENSIVE INCOME			
Changes in fair value of other investments	*11*	**(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	*10*	**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	*11*	**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	*12*	**6,441,121**	7,779,164
Trade and bills receivables	*13*	**211,631**	203,070
Prepayments, deposits and other receivables	*14*	**2,510,456**	2,842,781
Due from related companies	*15*	**246,427**	190,942
Derivative asset related to a cross currency swap	*19*	**5,358**	–
Pledged deposits	*16*	**6,205,632**	6,240,244
Cash and cash equivalents	*16*	**8,413,048**	7,067,349
Total current assets		**24,033,673**	24,323,550
CURRENT LIABILITIES			
Interest-bearing bank loans	*17*	**2,269,437**	2,434,374
Trade and bills payables	*18*	**17,432,367**	18,016,746
Customers' deposits, other payables and accruals		**1,703,966**	1,722,011
Due to related companies	*15*	**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

	Notes	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	*19*	**–**	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	*20*	**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

Zhang Da Zhong
Director

Ng Kin Wah
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2013

		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
Balance at 1 January 2013, as previously reported		421,551	9,461,244	657	(851,561)	164,716	117,468	30,240	1,378,436	(224,346)	4,650,674	15,149,079	(394,766)	14,754,313
Effect of prior year adjustment		-	-	-	-	-	-	-	90,261	-	(174,993)	(84,732)	-	(84,732)
Balance at 1 January 2013, as restated		421,551	9,461,244	657	(851,561)	164,716	117,468	30,240	1,468,697	(224,346)	4,475,681	15,064,347	(394,766)	14,669,581
Profit for the period		-	-	-	-	-	-	-	-	-	322,322	322,322	(102,413)	219,909
Changes in fair value of other investments	11	-	-	-	-	-	-	(17,820)	-	-	-	(17,820)	-	(17,820)
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	-	72,728	-	72,728	-	72,728
Total comprehensive (loss)/income for the period		-	-	-	-	-	-	(17,820)	-	72,728	322,322	377,230	(102,413)	274,817
Equity-settled share option arrangements	21	-	-	-	-	(11,468)	-	-	-	-	-	(11,468)	-	(11,468)
At 30 June 2013 (unaudited)		421,551	9,461,244*	657*	(851,561)*	153,248*	117,468*	12,420*	1,468,697*	(151,618)*	4,798,003*	15,430,109	(497,179)	14,932,930

* As at 30 June 2013, these reserve accounts comprised the consolidated reserves of RMB15,008,558,000 (31 December 2012: RMB14,642,796,000) 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	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2012, as previously reported		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
Effect of prior year adjustment		-	-	-	-	-	-	-	82,303	-	(35,150)	47,153	-	47,153
Balance at 1 January 2012, as restated		421,521	9,457,964	657	(657,232)	164,913	117,468	51,840	1,424,174	(234,092)	5,248,703	15,995,916	(30,469)	15,965,447
Loss for the period		-	-	-	-	-	-	-	-	-	(606,716)	(606,716)	(33,671)	(640,387)
Changes in fair value of other investments	11	-	-	-	-	-	-	10,260	-	-	-	10,260	-	10,260
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	-	11,336	-	11,336	-	11,336
Total comprehensive income/(loss) for the period		-	-	-	-	-	-	10,260	-	11,336	(606,716)	(585,120)	(33,671)	(618,791)
Exercise of share options		30	3,280	-	-	(997)	-	-	-	-	-	2,313	-	2,313
Equity-settled share option arrangements	21	-	-	-	-	290	-	-	-	-	-	290	-	290
Redemption of convertible bonds		-	-	-	(30,195)	-	-	-	-	-	-	(30,195)	-	(30,195)
Acquisition of non-controlling interests		-	-	-	(76,140)	-	-	-	-	-	-	(76,140)	64,140	(12,000)
At 30 June 2012 (unaudited), as restated		421,551	9,461,244	657	(763,567)	164,206	117,468	62,100	1,424,174	(222,756)	4,641,987	15,307,064	-	15,307,064

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2013

	Notes	For the six-month period ended 30 June 2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000 Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**432,007**	(547,986)
Adjustments for:			
Finance income	*7*	**(118,231)**	(101,171)
Finance costs	*7*	**35,341**	131,901
Share of profit of an associate		**–**	(473)
Fair value (gain)/loss on a cross currency swap	*5/6*	**(10,311)**	12,949
Gain on redemption of convertible bonds	*6*	**–**	(15,998)
Loss on disposal of items of property and equipment	*6*	**17,243**	1,376
Depreciation	*6*	**266,281**	244,712
Amortisation of intangible assets	*6*	**11,719**	11,719
Equity-settled share option expense	*21*	**(11,468)**	290
		622,581	(262,681)
Decrease in inventories		**1,338,043**	2,943,099
Increase in trade and bills receivables		**(8,561)**	(153,907)
Decrease in prepayments, deposits and other receivables		**366,981**	1,064,424
(Increase)/decrease in amounts due from related companies		**(55,485)**	48,003
(Increase)/decrease in pledged deposits		**(103,279)**	1,900,049
Decrease in trade and bills payables		**(584,379)**	(2,550,130)
Increase in customers' deposits, other payables and accruals		**26,963**	235,171
Decrease in amounts due to related companies		**(26,567)**	–
Cash generated from operations		**1,576,297**	3,224,028
Interest received		**117,039**	97,385
PRC income tax paid		**(184,214)**	(270,651)
Net cash flows from operating activities		**1,509,122**	3,050,762

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six-month period ended 30 June 2013

	Notes	For the six-month period ended 30 June 2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000 Restated
Net cash flows from operating activities		**1,509,122**	3,050,762
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment		**(211,214)**	(473,723)
Proceeds from disposal of items of property and equipment		**79,528**	25,935
Net cash flows used in investing activities		**(131,686)**	(447,788)
CASH FLOWS FROM FINANCING ACTIVITIES			
Redemption of convertible bonds		**–**	(155,181)
New bank loans		**1,064,780**	1,075,233
Decrease/(increase) in pledged deposits for bank loans	*16*	**137,891**	(1,205,565)
Repayment of bank loans		**(1,189,570)**	–
Acquisition of non-controlling interests		**–**	(3,900)
Exercise of share options		**–**	2,313
Interest paid		**(37,666)**	(35,358)
Net cash flows used in financing activities		**(24,565)**	(322,458)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,352,871**	2,280,516
Cash and cash equivalents at 1 January		**7,067,349**	6,413,839
Effect of foreign exchange rate changes, net		**(7,172)**	11,347
CASH AND CASH EQUIVALENTS AT 30 JUNE		**8,413,048**	8,705,702
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*16*	**8,380,011**	8,250,678
Non-pledged time deposits with original maturity of less than three months when acquired		**33,037**	455,024
		8,413,048	8,705,702

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

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.

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

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.

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 for 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.

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

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 10 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)

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

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

Restated income statement for the six-month period ended 30 June 2012 *(continued)*

	As previously reported RMB'000	Effect of prior period adjustments RMB'000	As restated RMB'000
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)

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)

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

	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 does 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, the fair value gain or loss on a cross currency swap, the gain on redemption of convertible bonds, finance costs and corporate and other unallocated expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, pledged deposits, cash and cash equivalents, derivative asset related to a cross currency swap and other investments as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank loans, tax payable, 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)

4. OPERATING SEGMENT INFORMATION *(continued)*

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) 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:

	Notes	For the six-month period ended 30 June 2013 (Unaudited) RMB'000	2012 (Unaudited) 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	*19*	**10,311**	–
		10,311	2,790
		823,738	971,343

Notes:

(i) The Non-listed GOME Group is defined in note 24(a) to the Interim Financial Information.

(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):

	Notes	For the six-month period ended 30 June 2013 (Unaudited) RMB'000	2012 (Unaudited) 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	21	**(10,989)**	290
		1,235,363	1,231,264
Fair value loss on a cross currency swap	19	**–**	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 expense 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)

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

	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. PROPERTY AND EQUIPMENT

During the six-month period ended 30 June 2013, the Group acquired items of property and equipment at a total cost of RMB208.3 million (six-month period ended 30 June 2012: RMB525.7 million). Items of property and equipment with a net carrying amount of RMB96.8 million (six-month period ended 30 June 2012: RMB27 million) were disposed of during the six-month period ended 30 June 2013. As at 30 June 2013, the Group's ERP system included in the equipment with carrying value of RMB386.8 million (31 December 2012: RMB337.5 million) was provided for use to the Non-listed GOME Group 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 2013. The aggregate carrying value of the pledged buildings attributable to the Group as at 30 June 2013 amounted to RMB474,940,000 (31 December 2012: RMB1,267,934,000).

11. OTHER INVESTMENTS

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
PRC equity investments, at fair value	**106,380**	124,200

The balance as at 30 June 2013 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 2013 and 31 December 2012. 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 is 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 Sanlian and thus the Group does not have control or significant influence over Sanlian.

As at 30 June 2013, the fair value of these investments was based on the quoted market price of the listed shares, which was RMB3.94 (31 December 2012: RMB4.60) per share.

During the six-month period ended 30 June 2013, the gross loss in respect of the Group's other investments recognised in other comprehensive income amounted to RMB17,820,000 (six-month period ended 30 June 2012: gain of RMB10,260,000).

12. INVENTORIES

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000 Restated
Merchandise for resale	**6,293,267**	7,686,689
Consumables	**147,854**	92,475
	6,441,121	7,779,164

As at 30 June 2013, the Group's inventories amounting to RMB566 million (31 December 2012: RMB227 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 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 (Unaudited) RMB'000	31 December 2012 (Audited) 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

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000 Restated
Prepayments		**511,919**	585,420
Advances to suppliers		**677,801**	949,286
Other deposits and receivables		**1,131,844**	1,119,183
Receivables from Wuhan Yinhe	*(i)*	**166,586**	166,586
Prepayments for acquisition of properties	*(ii)*	**21,129**	21,129
Current portion of prepaid land lease payments		**1,177**	1,177
		2,510,456	2,842,781

Notes:

(i) On 13 July 2008, the Group entered into a sale and purchase agreement with 武漢銀鶴置業有限公司 ("Wuhan Yinhe"), 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 fulfil 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.

On 30 July 2009, the Group filed a civil complaint against Wuhan Yinhe with the Hubei Court. On 25 November 2009, the Intermediate People's Court of Huanggang City, Hubei Province, issued the civil judgement and ordered that: (i) the sale and purchase agreement and its supplementary agreement are void; (ii) Wuhan Yinhe shall refund the consideration paid by the Group of RMB107,315,000 to the Group; (iii) Wuhan Yinhe shall pay interest of RMB5,638,000 and damages of RMB38,633,000 to the Group; and (iv) Wuhan Yinhe shall pay other damages to the Group in the amount of RMB15,000,000. Wuhan Yinhe did not raise any appeal within the time limit. The 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. In 2012, Wuhan Yinhe applied for the retrial of case in order to postpone the auction of the properties but such retrial application was rejected in February 2013 and the original sentence continues to serve effect. Up to 30 June 2013, the Group has not yet received the above repayment and compensation amounting to RMB166,586,000. In the opinion of the directors, the Group is able to recover the receivable because the Group's legal rights were secured by the court decision.

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

Notes: (continued)

(ii) 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 2013, 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 prepayment.

15. DUE FROM/DUE TO RELATED COMPANIES

Due from related companies

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000 Restated
Management fee receivables from the Non-listed GOME Group*	**117,791**	101,539
Other receivables from the Non-listed GOME Group**	**128,636**	89,403
	246,427	190,942

* The balance mainly represented the management and purchasing service fees due from the Non-listed GOME Group (note 24(a) (ii)). The aforesaid balance was interest-free, unsecured and has no fixed terms of repayment.

Due to related companies

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000 Restated
Payables to the Non-listed GOME Group**	**208,128**	234,695

** The balances mainly arose from the transactions with the Non-listed GOME Group (note 24(a)(i)). The aforesaid balances were interest-free, unsecured and have no fixed terms of repayment.

16. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000 Restated
Cash and bank balances	**8,380,011**	6,541,500
Time deposits	**6,238,669**	6,766,093
	14,618,680	13,307,593
Less: Pledged time deposits:		
Pledged for bills payable	**(3,875,516)**	(3,772,237)
Pledged for interest-bearing bank loans	**(2,330,116)**	(2,468,007)
	(6,205,632)	(6,240,244)
Cash and cash equivalents	**8,413,048**	7,067,349

At the end of the reporting period, the cash and bank balances and the time deposits of the Group denominated in RMB amounted to RMB14,253,493,000 (31 December 2012: RMB12,750,034,000). 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 LOANS

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
Bank loans – secured	**2,269,437**	2,434,374

The Group's current bank loans are denominated in United States dollar ("USD") and bear interests at the 3-month London Interbank Offered Rate ("LIBOR") plus 2.5% to 3.0% and a fixed interest rate 1.8% per annum.

The Group's bank loans are secured by pledges of bank deposits as set out in note 16.

The carrying amount of the Group's bank loans approximates to their fair values.

18. TRADE AND BILLS PAYABLES

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) 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

18. 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 (Unaudited) RMB'000	31 December 2012 (Audited) 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 (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 10); and

(iv) the pledge of certain of the Group's investment properties with an aggregate fair value of RMB262,691,000 (31 December 2012: RMB287,643,000).

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

19. A CROSS CURRENCY SWAP

On 5 March 2012, the Company entered into an offshore USD/RMB cross currency swap contract (the "Swap Contract") with Deutsche Bank AG, London Branch (the "Bank"). The contract is 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 2013, the Group recognised a fair value gain on the Swap Contract of RMB10,311,000 (six-month period ended 30 June 2012: loss of RMB12,949,000) in the interim condensed consolidated income statement.

20. ISSUED CAPITAL

	Number of shares '000	HK$'000	Equivalent to RMB'000
Authorised:			
Ordinary shares of HK$0.025 each at 1 January 2013 and 30 June 2013	**200,000,000**	**5,000,000**	**5,300,000**
Issued and fully paid:			
Ordinary shares of HK$0.025 each at 31 December 2012 and 1 January and 30 June 2013	**16,875,056**	**421,877**	**421,551**

21. SHARE OPTION SCHEME

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

	Six-month period ended 30 June 2013		Six-month period ended 30 June 2012	
	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**	**133,268**	1.90	158,586
Exercised during the period	**1.90**	**–**	1.90	(1,500)
Forfeited during the period	**1.90**	**(22,946)**	1.90	(9,298)
At 30 June (unaudited) (note (i))	**1.90**	**110,322**	1.90	147,788

Note:

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

30 June 2013 Number of options ’000	**Exercise price* HK$ per share**	**Exercise period**
84,661	**1.90**	**on or before 15 November 2015**
17,108	**1.90**	**between 15 May 2014 and 15 November 2015**
8,553	**1.90**	**between 15 May 2015 and 15 November 2015**
110,322		

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		

* 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.

21. SHARE OPTION SCHEME *(continued)*

The Group recognised a negative share option expense of RMB11,468,000 during the six-month period ended 30 June 2013 (six-month period ended 30 June 2012: share option expense of RMB290,000). There was no share option exercised during the six-month period ended 30 June 2013.

At the end of the reporting period, the Company had 110,322,000 share options outstanding under the share 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 110,322,000 additional ordinary shares of the Company and additional share capital of HK$2,758,000 (equivalent to approximately RMB2,197,000) and share premium of HK$206,854,000 (equivalent to approximately RMB164,780,000) (before issue expenses and the amount transferred from the related share option reserve).

At the date of approval of the Interim Financial Information, the Company had 102,930,000 share options outstanding under the option scheme, which represented approximately 0.61% of the Company's shares in issue as at that date.

22. 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.

23. 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 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000 Restated
Within one year	**2,906,404**	2,974,211
In the second to fifth years, inclusive	**8,003,275**	8,754,764
After five years	**3,151,058**	4,048,648
	14,060,737	15,777,623

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.

23. 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 15 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 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000 Restated
Within one year	**265,162**	241,708
In the second to fifth years, inclusive	**687,172**	585,694
After five years	**280,288**	263,314
	1,232,622	1,090,716

(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 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000 Restated
Contracted, but not provided for:		
Construction of property and equipment	**59,576**	61,184

24. 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 2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000 Restated
Sales to the Non-listed GOME Group*	*(i)*	**127,679**	239,928
Purchases from the Non-listed GOME Group	*(i)*	**(272,435)**	(175,906)
Fees income for provision of management and purchasing services to the Non-listed GOME Group	*(ii)*, 5*(i)*	**141,127**	122,880
Rental expenses and other expense to Beijing Xinhengji and the Non-listed GOME Group**	*(iii)*	**(46,016)**	(28,737)
Service fee to GOME Ruidong	*(iv)*	**2,600**	–
Rental income from a related party	*(v)*	**67**	137

* Beijing Eagle Investment Co., Ltd., Beijing Pengrun Property Co., Ltd. ("Beijing Pengrun Property"), Beijing GOME Electrical Appliance Co., Ltd. ("Beijing GOME"), GOME Electrical Appliance Retail Co., Ltd. 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 Electrical Appliance Retail Co., Ltd. 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.

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

24. RELATED PARTY TRANSACTIONS *(continued)*

(a) The Group had the following ongoing 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.

On 5 March 2013, the Group terminated the master purchase agreement and the master supply agreement with the Non-listed GOME Group. On the same date, the Group entered into (1) the master merchandise purchase agreement for the supply of general merchandise (including electrical appliances and consumer electronics products) by Beijing GOME Ruidong e-Commerce Co., Ltd. ("GOME Ruidong''), of which Mr. Wong has beneficial interest as an equity holder and the Non-listed GOME Group to the Group (including Kuba Technology (Beijing) Co., Ltd. ("Kuba")) and GOME-on-line e-Commerce Co., Ltd. ("GOME-on-line")) for a period of three years from 1 January 2013 to 31 December 2015, subject to the annual caps of the transaction amounts (excluding value added tax) for the three years ending 31 December 2013, 2014 and 2015 not exceeding RMB5 billion, RMB6.5 billion and RMB8 billion, respectively, and (2) the master merchandise supply agreement for the supply of general merchandise (including electrical appliances and consumer electronics products) by the Group to the Non-listed GOME Group for a period of three years from 1 January 2013 to 31 December 2015, subject to the annual caps of the transaction amounts (excluding value added tax) for the three years ending 31 December 2013, 2014 and 2015 not exceeding RMB5 billion, RMB6.5 billion and RMB8 billion, respectively.

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

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

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

The transactions constitute continuing connected transactions under the Listing Rules.

(iii) On 17 December 2012, the Group renewed the lease agreements and supplemental agreements with Beijing Pengrun Property and Beijing GOME with respect to the continuous use of the properties. During six-month period ended 30 June 2013, the rental expenses incurred by the Group payable to Beijing Pengrun Property and Beijing GOME amounting to RMB38,789,000 (six-month period ended 30 June 2012: RMB21,510,000) and RMB7,227,000 (six-month period ended 30 June 2012: RMB7,227,000), respectively.

The transactions constitute continuing connected transactions under the Listing Rules.

24. RELATED PARTY TRANSACTIONS *(continued)*

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

Notes: (continued)

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

The transactions constitute continuing connected transactions under the Listing Rules.

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

The transaction constitutes continuing connected transaction but is exempted from all the reporting, announcement and independent shareholder's approval requirements under Chapter 14A of the Listing Rules.

(b) Commitments with related parties

As disclosed in note 24(a)(iii), the Group had rental commitments with Beijing Xinhengji of RMB36,171,000 (31 December 2012: RMB78,626,000) 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	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Fees	**2,384**	2,143
Other emoluments:		
Salaries, allowances, bonuses, benefits and other expenses	**5,357**	3,537
Post-employment benefits	**96**	108
Equity-settled share option expense	**(3,403)**	3,370
	4,434	9,158

25. CONTINGENCIES

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.

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 were 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.

25. CONTINGENCIES *(continued)*

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

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

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.

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 the 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 above. Other than the above, the Group did not have any significant contingencies at the end of the reporting period.

26. 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 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000 Restated	**30 June 2013 (Unaudited) RMB'000**	31 December 2012 (Audited) RMB'000 Restated
Financial assets				
Other investments	**106,380**	124,200	**106,380**	124,200
Trade and bills receivables	**211,631**	203,070	**211,631**	203,070
Financial assets included in prepayments, deposits and other receivables	**1,319,559**	1,306,898	**1,319,559**	1,306,898
Due from related companies	**246,427**	190,942	**246,427**	190,942
Derivative asset related to a cross currency swap	**5,358**	–	**5,358**	–
Pledged deposits	**6,205,632**	6,240,244	**6,205,632**	6,240,244
Cash and cash equivalents	**8,413,048**	7,067,349	**8,413,048**	7,067,349
	16,508,035	15,132,703	**16,508,035**	15,132,703
Financial liabilities				
Interest-bearing bank loan	**2,269,437**	2,434,374	**2,269,437**	2,434,374
Trade and bills payables	**17,432,367**	18,016,746	**17,432,367**	18,016,746
Financial liabilities included in customers' deposits, other payables and accruals	**888,329**	818,842	**888,329**	818,842
Due to related companies	**208,128**	234,695	**208,128**	234,695
Derivative liability related to a cross currency swap	**–**	4,953	**–**	4,953
	20,798,261	21,509,610	**20,798,261**	21,509,610

26. 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' deposit, other payables and accruals, derivative asset or liability related to a cross currency swap, amounts with related companies, and interest-bearing bank loans approximate to their carrying amounts largely due to the short term maturities of these instruments.

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)

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

Assets measured at fair value:

As at 30 June 2013

	Level 1 (Unaudited) RMB'000	Level 2 (Unaudited) RMB'000	Level 3 (Unaudited) RMB'000	Total (Unaudited) RMB'000
Other investments	**106,380**	**–**	**–**	**106,380**
Derivative asset related to a cross currency swap	**–**	**–**	**5,358**	**5,358**

As at 31 December 2012

	Level 1 (Audited) RMB'000	Level 2 (Audited) RMB'000	Level 3 (Audited) RMB'000	Total (Audited) RMB'000
Other investments	124,200	–	–	124,200

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 2013, there is no liability measured at fair value for any financial instrument among the Group.

As at 31 December 2012

	Level 1 (Audited) RMB'000	Level 2 (Audited) RMB'000	Level 3 (Audited) RMB'000	Total (Audited) RMB'000
Derivative liability related to a cross currency swap	–	–	4,953	4,953

27. 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 LIBOR plus 1.8%, 6-month LIBOR plus 1.6% and fixed interest 2.2% per annum which were all secured by pledged deposits.

28. 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 27 August 2013.

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 2013, 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	11,263,000 *(Note 2)*	–	–	–	11,263,000	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 11,263,000 shares issuable upon exercise of the Options granted to the Chief Executive pursuant to the Share Option Scheme. These Options were held by the Chief Executive beneficially.

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

Save as disclosed above, as at 30 June 2013, 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

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

At no time during the 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 27 August 2013, the maximum number of Shares available for issue under the Share Option Scheme was 376,909,032 Shares (including Options for 102,930,000 ordinary shares that have been granted but not yet exercised), representing approximately 2.23% of the issued share capital of the Company as at the time of approval of this interim financial information by the Board on 27 August 2013.

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 2013, 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 20 May 2013, Mr. Zhu Jia resigned as a non-executive director of Sinomedia Holding Limited, a company listed on the Hong Kong Stock Exchange.

With effect from 27 August 2013, Mr. Lee Kong Wai, Conway resigned as an independent non-executive director of China Taiping Insurance Holdings Company Limited, a company listed on the Hong Kong Stock Exchange.

SHARE OPTION SCHEME

As at 30 June 2013, Options to subscribe for an aggregate of 110,322,000 Shares granted pursuant to the Share Option Scheme were outstanding. Details of which were as follows:

			Number of Options					
Name of grantee	Date of grant	Exercise price per Share HK$	As at 1 January 2013	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	As at 30 June 2013 *(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	11,263,000	–	–	–	11,263,000	–
Other employees	7 July 2009	1.90	120,804,700	–	–	(22,945,700) *(Note 4)*	97,859,000	–
Total			133,267,700	–	–	(22,945,700)	110,322,000	

Notes:

1. On 5 December 2011, a resolution was passed by the shareholders of the Company to amend the terms of the Options granted and the terms of the Share Option Scheme. On 31 August 2012, another resolution was passed by the Board to further amend the terms of the Options granted. As at 30 June 2013, the revised terms would have the following effects:

   a. 84,661,000 vested Options will become lapsed and ceased to have any further effect after 15 November 2015.

   b. Up to 17,108,000 Options may be exercised commencing from 15 May 2014 and will become lapsed and ceased to have any further effect after 15 November 2015.

   c. Up to 8,553,000 Options may be exercised commencing from 15 May 2015 and will become lapsed and ceased to have any further effect after 15 November 2015.

   d. 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. 22,945,700 Options were lapsed during the six-month period ended 30 June 2013.

5. No Options were exercised during the six-month period ended 30 June 2013.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or Chief Executive, as at 30 June 2013, 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
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.

(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 2013, 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 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) to shareholders whose names appear on the register of members of the Company on Monday, 23 September 2013. The Interim Dividend will be payable on or about Tuesday, 15 October 2013.

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.

CHANGES IN THE BOARD

As disclosed in the announcement of the Company dated 10 June 2013, changes in the Board since 31 December 2012 are as follows:

Ms. Liu Hong Yu was appointed as an independent non-executive Director with effect from 10 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 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 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 to be disclosed under Rules 13.20 of the Listing Rules in relation to the Company's advance to an entity is as follows:

As at 30 June 2013, 天津國美商業管理諮詢有限公司 (Tianjin GOME Commercial Consultancy Company Limited) ("Tianjin Consultancy"), a wholly-owned subsidiary of the Company, had made advances in the aggregate amount of RMB3.6 billion (as at 31 December 2012: 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 was used by Beijing Zhansheng for the sole purpose of acquisition of the entire registered capital of 北京市大中家用電器連鎖銷售有限公司 (Beijing Dazhong Home Appliances Retail Co., Ltd.). The Advance is a secured loan. The term of the Advance was initially from 14 December 2007 to 13 December 2008 and the interest rate was 6.561% per annum. It has been subsequently renewed and extended in 2008 and in 2009 was 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 was 5.90% per annum. The Advance was further extended in December 2012 and the interest was 5.4%. As at 30 June 2013, the Advance was RMB3.6 billion and the Advance represented approximately 9.69% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules.

REVIEW BY AUDIT COMMITTEE AND EXTERNAL AUDITORS

The Audit Committee of the Company has reviewed this interim report of the Company, together with the internal control and financial reporting matters of the Group, which includes the unaudited interim condensed consolidated financial information of the Group for the six-month period ended 30 June 2013 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
LIU Hong Yu

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
26 Burnaby Street
Hamilton HM11
Bermuda

Branch Share Registrar in Hong Kong

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